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# ANNUAL FINANCIAL REPORT RHEA COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2010



**ANNUAL FINANCIAL REPORT**  
**RHEA COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2010**

*DEPARTMENT OF AUDIT*  
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*Comptroller of the Treasury*

*DIVISION OF COUNTY AUDIT*  
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*JENI PALADENI*  
*State Auditors*

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

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# ***Audit Highlights***

Annual Financial Report  
Rhea County, Tennessee  
For the Year Ended June 30, 2010

## ***Scope***

We have audited the basic financial statements of Rhea County as of and for the year ended June 30, 2010.

## ***Results***

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

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

## ***Findings***

The following are summaries of the audit findings:

### **RHEA COUNTY AND RHEA COUNTY SCHOOL DEPARTMENT**

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

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### **OFFICE OF FINANCE DIRECTOR**

- ◆ Competitive bids were not solicited for the purchase of wrestling mats.
  - ◆ The office had deficiencies in controls over nondepreciable assets.
  - ◆ Some purchase orders were issued after purchases were made in the Child Nutrition Cluster Grant Program.
-

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

- ◆ The office did not implement adequate controls to protect its information resources.
  - ◆ The office had deficiencies in computer system backup procedures.
- 

## **OTHER FINDINGS**

- ◆ Rhea County has a material recurring audit finding.
- ◆ Duties were not segregated adequately among the officials and employees in the Offices of Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff.

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# INTRODUCTORY SECTION

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# Rhea County Officials

## June 30, 2010

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### **Officials**

Billy Ray Patton, County Executive  
Tommy Snyder, Highway Supervisor  
Jerry Levensgood, Director of Schools  
Neva Webb, Trustee  
Julene Purser, Assessor of Property  
Linda Shaver, County Clerk  
Regina Metts, Circuit and General Sessions Courts Clerk  
John Fine, Clerk and Master  
Gladys Best, Register  
Mike Neal, Sheriff  
Bill Graham, Finance Director

### **Board of County Commissioners**

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

### **Financial Management Committee**

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

### **Board of Education**

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

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## FINANCIAL SECTION

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

**INDEPENDENT AUDITOR'S REPORT**

February 28, 2011

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

To the County Executive and Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Rhea County, Tennessee, as of and for the year ended June 30, 2010, which collectively comprise Rhea County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Rhea County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Rhea Medical Center, which represent 55 percent and 35 percent, respectively, of the assets and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Rhea Medical Center is based on the report of other auditors.

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

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

The financial statements of the Rhea County Emergency Communications District, a component unit requiring discrete presentation, had not been made available by other auditors as of the date of this report. Accordingly, the aggregate discretely presented component units financial statements referred to above do not include amounts for the Rhea County Emergency Communications District, which should be included to conform with accounting principles generally accepted in the United States of America. The effects on the financial statements of the aggregate discretely presented component units are not reasonably determinable.

In our opinion, based on our audit and the report of other auditors, and because of the effects of the matter discussed in the two preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities and the aggregate discretely presented component units of Rhea County, Tennessee, as of June 30, 2010, and the changes in financial position for the year then ended.

Additionally, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of Rhea County, Tennessee, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 28, 2011, on our consideration of Rhea County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note V.B., Rhea County has adopted the provisions of Governmental Accounting Standards Board Statement No. 51, Accounting and Financial Reporting for Intangible Assets; and Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, which became effective for the year ended June 30, 2010.

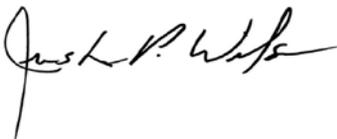
Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part

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 budgetary comparison, pension, and other postemployment benefits information on pages 74 through 81 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Rhea County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Rhea County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Rhea County School Department (a discretely presented component unit), and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Very truly yours,



Justin P. Wilson  
Comptroller of the Treasury

JPW/sb

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

Rhea County, Tennessee  
Statement of Net Assets  
June 30, 2010

	Primary Government Governmental Activities	Component Units	
		Rhea County School Department	Rhea Medical Center
<u>ASSETS</u>			
Cash	\$ 94,712	\$ 2,492	\$ 6,747,009
Equity in Pooled Cash and Investments	3,617,384	4,991,309	0
Inventories	0	0	402,671
Investments - Current	0	0	3,136,263
Accounts Receivable	74,231	733	4,765,510
Allowance for Uncollectibles	0	0	(1,635,000)
Due from Other Governments	556,189	810,443	0
Due from Primary Government	0	7,483	0
Due from Component Unit	5,768	0	0
Property Taxes Receivable	6,466,509	3,597,030	0
Allowance for Uncollectible Property Taxes	(314,797)	(177,354)	0
Prepaid Items	0	0	43,075
Deferred Charges - Debt Issuance Cost	126,226	0	0
Investments - Noncurrent	0	0	1,267,000
Other	0	0	1,263,647
Assets Not Depreciated:			
Land	868,831	939,515	2,362,514
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	2,331,008	27,488,492	26,527,251
Infrastructure	2,495,448	0	0
Other Capital Assets	1,062,957	1,584,112	0
Total Assets	<u>\$ 17,384,466</u>	<u>\$ 39,244,255</u>	<u>\$ 44,879,940</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 63,603	\$ 3,550	\$ 542,699
Accrued Payroll	0	3,847	614,349
Payroll Deductions Payable	78,012	649,473	0
Accrued Interest Payable	109,589	0	0
Due to Primary Government	0	5,768	0
Due to Component Unit	7,483	0	0
Due to State of Tennessee	0	758	0
Due to Litigants, Heirs, and Others	3,669	0	0
Other Current Liabilities	0	0	2,167,696
Deferred Revenue - Current Property Taxes	5,852,235	3,248,313	0
Noncurrent Liabilities:			
Due Within One Year	2,027,153	79,162	965,930
Due in More Than One Year (net of deferred amount on refunding and unamortized premium on debt)	11,982,998	807,810	22,958,572
Total Liabilities	<u>\$ 20,124,742</u>	<u>\$ 4,798,681</u>	<u>\$ 27,249,246</u>

(Continued)

Exhibit A

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

	Primary Governmental Activities	Component Units	
		Rhea County School Department	Rhea Medical Center
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	\$ 6,758,244	\$ 0	\$ 4,965,263
Invested in Capital Assets	0	30,012,119	0
Restricted for:			
General Purposes	539,948	45,260	0
Solid Waste/Sanitation	899,389	0	0
Drug Control	59,221	0	0
District Attorney General	29,381	0	0
Highway/Public Works	476,817	0	0
Debt Service	562,061	0	0
School Federal Projects	0	27,030	0
Central Cafeteria	0	694,297	0
School Transportation	0	618,768	0
Capital Projects	42,249	858,193	0
Unrestricted	(12,107,586)	2,189,907	12,665,431
Total Net Assets (Deficit)	<u>\$ (2,740,276)</u>	<u>\$ 34,445,574</u>	<u>\$ 17,630,694</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, 2010

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Component Units	
						Rhea County School Department	Rhea Medical Center
Primary Government:							
Governmental Activities:							
General Government	\$ 1,800,739	\$ 280,582	\$ 16,380	\$ 500,000	\$ (1,003,777)	\$ 0	\$ 0
Finance	1,261,239	584,405	39,177	0	(637,657)	0	0
Administration of Justice	1,045,640	730,380	9,000	0	(306,260)	0	0
Public Safety	4,331,138	363,263	682,281	0	(3,285,594)	0	0
Public Health and Welfare	784,672	176,814	193,411	0	(414,447)	0	0
Agriculture and Natural Resources	193,085	0	0	0	(193,085)	0	0
Other Operations	1,593,023	1,036,783	0	444,552	(111,688)	0	0
Highways/Public Works	2,414,437	33,809	1,629,101	214,006	(537,521)	0	0
Interest on Long-term Debt	536,564	0	0	0	(536,564)	0	0
Other Debt Service	88,676	0	722,858	0	634,182	0	0
<b>Total Primary Government</b>	<b>\$ 14,049,213</b>	<b>\$ 3,206,036</b>	<b>\$ 3,292,208</b>	<b>\$ 1,158,558</b>	<b>\$ (6,392,411)</b>	<b>\$ 0</b>	<b>\$ 0</b>
Component Units:							
Rhea County School Department	\$ 32,801,253	\$ 816,936	\$ 4,477,509	\$ 0	\$ 0	\$ (27,506,808)	\$ 0
Rhea Medical Center	18,489,007	18,210,002	61,800	0	0	0	(217,205)
<b>Total Component Units</b>	<b>\$ 51,290,260</b>	<b>\$ 19,026,938</b>	<b>\$ 4,539,309</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (27,506,808)</b>	<b>\$ (217,205)</b>

(Continued)

Exhibit B

Rhea County, Tennessee  
Statement of Activities (Cont.)

Functions/Programs	Program Revenues				Component Units		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Rhea	
						School Department	Medical Center
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes		\$ 5,205,070	\$ 3,436,187	\$ 0			0
Property Taxes Levied for Debt Service		806,404	0	0			0
Local Option Sales Taxes		439,873	2,871,648	0			0
Hotel/Motel Tax		132,936	0	0			0
Litigation Tax - General		138,928	0	0			0
Litigation Tax - Jail, Workhouse, or Courthouse		35,458	0	0			0
Business Tax		196,053	0	0			0
Mineral Severance Tax		59,596	0	0			0
Wholesale Beer Tax		93,060	0	0			0
Other Local Taxes		1,606	2,109	0			0
Grants and Contributions Not Restricted to Specific Programs		495,940	21,823,196	0			0
Unrestricted Investment Earnings		98,593	11,391	15,115			
Miscellaneous		59,997	65,435	0			0
Total General Revenues		\$ 7,763,514	\$ 28,209,966	\$ 15,115			
Gain on Sale of Nursing Home		\$ 0	\$ 0	\$ 1,308,815			
Change in Net Assets		\$ 1,371,103	\$ 703,158	\$ 1,106,725			
Prior-period Adjustment		1,030,720	459,123	0			0
Net Assets (Deficit), July 1, 2009		(5,142,099)	33,283,293	16,523,969			
Net Assets (Deficit), June 30, 2010		\$ (2,740,276)	\$ 34,445,574	\$ 17,630,694			

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

Rhea County, Tennessee  
 Balance Sheet  
 Governmental Funds  
 June 30, 2010

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Governmental Funds		
Cash	\$ 100	\$ 0	\$ 0	\$ 0	\$ 94,539	\$ 94,639	
Equity in Pooled Cash and Investments	2,159,418	526,042	221,672	579,366	120,438	3,606,936	
Accounts Receivable	30,803	43,338	0	0	72	74,213	
Due from Other Governments	151,119	7,474	303,218	79,945	14,420	556,176	
Due from Other Funds	205	1	0	0	0	206	
Property Taxes Receivable	5,448,727	0	173,613	844,169	0	6,466,509	
Allowance for Uncollectible Property Taxes	(268,525)	0	(4,670)	(41,602)	0	(314,797)	
Notes Receivable - Current	0	55,556	0	0	0	55,556	
Notes Receivable - Long-term	0	277,776	0	0	0	277,776	
<b>Total Assets</b>	<b>\$ 7,521,847</b>	<b>\$ 910,187</b>	<b>\$ 693,833</b>	<b>\$ 1,461,878</b>	<b>\$ 229,469</b>	<b>\$ 10,817,214</b>	

ASSETS

Cash	\$ 100	\$ 0	\$ 0	\$ 0	\$ 94,539	\$ 94,639
Equity in Pooled Cash and Investments	2,159,418	526,042	221,672	579,366	120,438	3,606,936
Accounts Receivable	30,803	43,338	0	0	72	74,213
Due from Other Governments	151,119	7,474	303,218	79,945	14,420	556,176
Due from Other Funds	205	1	0	0	0	206
Property Taxes Receivable	5,448,727	0	173,613	844,169	0	6,466,509
Allowance for Uncollectible Property Taxes	(268,525)	0	(4,670)	(41,602)	0	(314,797)
Notes Receivable - Current	0	55,556	0	0	0	55,556
Notes Receivable - Long-term	0	277,776	0	0	0	277,776

LIABILITIES AND FUND BALANCES

Accounts Payable	\$ 42,365	\$ 5,125	\$ 9,135	\$ 0	\$ 338	\$ 56,963
Payroll Deductions Payable	57,592	3,071	9,047	0	0	69,710
Due to Other Funds	2,785	2,602	0	0	200	5,587
Due to Component Units	0	0	724	0	0	724
Due to Litigants, Heirs, and Others	0	0	0	0	3,669	3,669
Capital Outlay Notes Payable	0	0	0	55,556	0	55,556
Deferred Revenue - Current Property Taxes	4,920,899	0	168,943	762,393	0	5,852,235
Deferred Revenue - Delinquent Property Taxes	237,303	0	0	36,674	0	273,977
Other Deferred Revenues	0	0	136,206	40,870	0	177,076
Capital Outlay Notes Payable - Long-term	0	0	0	277,776	0	277,776
<b>Total Liabilities</b>	<b>\$ 5,260,944</b>	<b>\$ 10,798</b>	<b>\$ 324,055</b>	<b>\$ 1,173,269</b>	<b>\$ 4,207</b>	<b>\$ 6,773,273</b>
<b>Fund Balances</b>	<b>\$ 96,505</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 96,505</b>
Reserved for Alcohol and Drug Treatment	256,999	0	0	0	0	256,999
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0	0

(Continued)

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

	Major Funds					Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Governmental Funds			
\$	9,429	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	9,429	
	15,770	0	0	0	0	0	15,770	
	1,246	0	0	0	0	0	1,246	
	36,473	0	0	0	0	0	36,473	
	13,597	0	0	0	0	0	13,597	
	52,582	0	0	0	0	0	52,582	
	8,699	0	0	0	0	0	8,699	
	24,694	0	0	0	0	0	24,694	
	0	277,776	0	0	0	0	277,776	
	23,954	0	0	0	0	0	23,954	
	1,720,955	0	0	0	0	0	1,720,955	
	0	621,613	369,778	0	183,013	0	1,174,404	
	0	0	0	288,609	0	0	288,609	
	0	0	0	0	42,249	0	42,249	
\$	2,260,903	\$ 899,389	\$ 369,778	\$ 288,609	\$ 225,262	\$ 4,043,941		
\$	7,521,847	\$ 910,187	\$ 693,833	\$ 1,461,878	\$ 229,469	\$ 10,817,214		

LIABILITIES AND FUND BALANCES (Cont.)

Fund Balances (Cont.)
Reserved for Drug Court
Reserved for Sexual Offender Registration
Reserved for Courtroom Security
Reserved for Computer System - Register
Reserved for Automation Purposes - Circuit Court
Reserved for Automation Purposes - General Sessions Court
Reserved for Automation Purposes - Chancery Court
Reserved for Automation Purposes - Sheriff
Reserved for Long-term Notes Receivable
Reserved for Other General Purposes
Unreserved, Reported In:
General Fund
Special Revenue Funds
Debt Service Funds
Capital Projects Funds
Total Fund Balances

Total Liabilities and Fund Balances

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

Exhibit C-2

Rhea County, Tennessee  
Reconciliation of the Balance Sheet of Governmental  
Funds to the Statement of Net Assets  
June 30, 2010

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$	4,043,941
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	868,831	
Add: buildings and improvements net of accumulated depreciation		2,331,008	
Add: infrastructure net of accumulated depreciation		2,495,448	
Add: other capital assets net of accumulated depreciation		<u>1,062,957</u>	6,758,244
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: notes payable	\$	(422,803)	
Less: capital leases payable		(527,436)	
Less: other loans payable		(1,394,637)	
Less: bonds payable		(11,565,000)	
Less: deferred premium on debt issuances		(54,415)	
Less: compensated absences payable		(287,188)	
Less: other postemployment benefits liability		(64,169)	
Less: accrued interest on bonds, notes, other loans, and capital leases		(109,589)	
Add: deferred amount on refunding		305,497	
Add: deferred charges - debt issuance costs		<u>126,226</u>	(13,993,514)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>451,053</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>(2,740,276)</u></u>

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

Exhibit C-3

Rhea County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2010

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Governmental Funds	Governmental Funds	
<u>Revenues</u>							
Local Taxes	\$ 5,847,999	\$ 0	\$ 61,404	\$ 1,254,065	\$ 0	\$ 0	\$ 7,163,468
Licenses and Permits	67,343	0	0	0	0	0	67,343
Fines, Forfeitures, and Penalties	255,408	0	0	0	64,446	0	319,854
Charges for Current Services	49,377	169,903	0	0	381,651	0	600,931
Other Local Revenues	826,545	16,529	34,459	88,606	2,169	0	968,308
Fees Received from County Officials	762,043	0	0	0	0	0	762,043
State of Tennessee	662,694	45,185	1,764,267	270,522	0	0	2,742,668
Federal Government	266,552	0	79,824	0	444,552	0	790,928
Other Governments and Citizens Groups	177,798	6,838	0	722,858	2,114	0	909,608
Total Revenues	\$ 8,915,759	\$ 238,455	\$ 1,939,954	\$ 2,336,051	\$ 894,932	\$ 0	\$ 14,325,151
<u>Expenditures</u>							
Current:							
General Government	\$ 1,339,452	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,339,452
Finance	874,328	0	0	0	378,162	0	1,252,490
Administration of Justice	1,021,184	0	0	0	19,623	0	1,040,807
Public Safety	4,221,239	0	0	0	58,627	0	4,279,866
Public Health and Welfare	229,543	527,728	0	0	0	0	757,271
Agriculture and Natural Resources	194,030	0	0	0	0	0	194,030
Other Operations	416,581	6,347	0	2,227	522,944	0	948,099
Highways	0	0	1,865,167	0	0	0	1,865,167
Debt Service:							
Principal on Debt	0	0	31,477	1,741,440	0	0	1,772,917
Interest on Debt	0	0	768	544,149	0	0	544,917
Other Debt Service	0	0	0	30,257	0	0	30,257
Total Expenditures	\$ 8,296,357	\$ 534,075	\$ 1,897,412	\$ 2,318,073	\$ 979,356	\$ 0	\$ 14,025,273
Excess (Deficiency) of Revenues Over Expenditures	\$ 619,402	\$ (295,620)	\$ 42,542	\$ 17,978	\$ (84,424)	\$ 0	\$ 299,878
Net Change in Fund Balances	\$ 619,402	\$ (295,620)	\$ 42,542	\$ 17,978	\$ (84,424)	\$ 0	\$ 299,878
Fund Balance, July 1, 2009	1,641,501	1,195,009	327,236	270,631	309,686	0	3,744,063
Fund Balance, June 30, 2010	\$ 2,260,903	\$ 899,389	\$ 369,778	\$ 288,609	\$ 225,262	\$ 0	\$ 4,043,941

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, 2010

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)		\$ 299,878
(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	\$ 102,879	
Less: current-year depreciation expense	<u>(709,161)</u>	(606,282)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2010	\$ 451,053	
Less: deferred delinquent property taxes and other deferred June 30, 2009	<u>(399,223)</u>	51,830
(3) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:		
Less: change in deferred amount on refunding	\$ (39,634)	
Less: change in deferred debt issuance costs	(18,785)	
Add: change in premium on debt issuances	6,566	
Add: principal payments on notes	332,397	
Add: principal payments on capital leases	200,452	
Add: principal payments on other loans	150,068	
Add: principal payments on bonds	1,090,000	
Add: reduction of lease payment - asset returned	<u>3,405</u>	1,724,469
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Change in compensated absences payable	\$ (58,983)	
Change in other postemployment benefits liability (net of prior-period adjustment)	(48,162)	
Change in accrued interest payable	<u>8,353</u>	(98,792)
Change in net assets of governmental activities (Exhibit B)		<u>\$ 1,371,103</u>

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

Exhibit D-1

Rhea County, Tennessee  
Statement of Net Assets  
Proprietary Fund  
June 30, 2010

	Governmental Activities - Internal Service Fund <hr/> Central Maintenance/ Garage <hr/>
<u>ASSETS</u>	
Equity in Pooled Cash and Investments	\$ 10,521
Accounts Receivable	18
Due from Other Governments	13
Due from Other Funds	5,387
Due from Component Units	5,768
Total Assets	<hr/> \$ 21,707 <hr/>
<u>LIABILITIES</u>	
Accounts Payable	\$ 6,640
Payroll Deductions Payable	8,302
Due to Other Funds	6
Due to Component Units	6,759
Total Liabilities	<hr/> \$ 21,707 <hr/>
<u>NET ASSETS</u>	
Unrestricted	<hr/> <hr/> \$ 0 <hr/> <hr/>

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

Exhibit D-2

Rhea County, Tennessee  
Statement of Revenues, Expenses, and  
Changes in Net Assets  
Proprietary Fund  
For the Year Ended June 30, 2010

	Governmental Activities - Internal Service Fund <hr/> Central Maintenance/ Garage <hr/>
<u>Operating Revenues</u>	
Charges for Current Services	\$ 1,502,584
Total Operating Revenues	<u>\$ 1,502,584</u>
<u>Operating Expenses</u>	
Other Facilities	\$ 345,484
Other Charges	276,690
Miscellaneous	880,410
Total Operating Expenses	<u>\$ 1,502,584</u>
Operating Income (Loss)	<u>\$ 0</u>
Change in Net Assets	\$ 0
Net Assets, July 1, 2009	<u>0</u>
Net Assets, June 30, 2010	<u><u>\$ 0</u></u>

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

Exhibit D-3

Rhea County, Tennessee  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2010

	Governmental Activities - Internal Service Fund <hr/> Central Maintenance/ Garage
<u>Cash Flows from Operating Activities</u>	
Receipts from Interfund Services Provided	\$ 1,497,504
Central Maintenance Garage Activity - Uses	<u>(1,496,061)</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ 1,443</u>
Net Increase (Decrease) in Cash	\$ 1,443
Cash, July 1, 2009	<u>9,078</u>
Cash, June 30, 2010	<u><u>\$ 10,521</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 Accounts Receivable	(18)
(Increase) Decrease in Due from Other Governments	26
(Increase) Decrease in Due from Other Funds	(2,167)
(Increase) Decrease in Due from Component Units	(2,921)
Increase (Decrease) in Accounts Payable	577
Increase (Decrease) in Payroll Deductions Payable	(815)
Increase (Decrease) in Due to Other Funds	5
Increase (Decrease) in Due to Component Units	<u>6,756</u>
Net Cash Provided By (Used In) Operating Activities	<u><u>\$ 1,443</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, 2010

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 1,359,568
Equity in Pooled Cash and Investments	47,069
Due from Other Governments	568,464
Taxes Receivable	342,426
Allowance for Uncollectible Taxes	<u>(16,792)</u>
Total Assets	<u>\$ 2,300,735</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 941,167
Due to Litigants, Heirs, and Others	<u>1,359,568</u>
Total Liabilities	<u>\$ 2,300,735</u>

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

**RHEA COUNTY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2010**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Rhea County's financial statements are presented in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments.

The following are the more significant accounting policies of Rhea County:

**A. Reporting Entity**

Rhea County is a public municipal corporation governed by an elected nine-member board. As required by GAAP, these financial statements present Rhea County (the primary government) and its component units. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

**Discretely Presented Component Units** – The following entities meet the criteria for discretely presented component units of the county. They are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the county.

The Rhea County School Department operates the public school system in the county, and the voters of Rhea County elect its board. The School Department is fiscally dependent on the county because it may not issue debt without county approval, and its budget and property tax levy are subject to the County Commission's approval. The School Department's taxes are levied under the taxing authority of the county and are included as part of the county's total tax levy.

The Rhea Medical Center provides medical care to the citizens of Rhea County, and the County Commission appoints its governing body. The Rhea Medical Center is funded primarily through patient service charges. Before the issuance of debt instruments, the entity must obtain the County Commission's approval.

The Rhea County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Rhea County, and the County Commission appoints its governing body. The district is funded primarily through a service charge levied on telephone services. Before the issuance of most debt instruments, the district must obtain the County Commission's approval. The financial statements of the Rhea County Emergency Communications District were not available from other auditors in time for inclusion in this report.

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

Administrative Offices:

Rhea Medical Center  
7900 Rhea County Highway  
Dayton, TN 37321

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

**B. Government-wide and Fund Financial Statements**

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

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

Rhea County issues all debt for the discretely presented Rhea County School Department. No debt issues were contributed by the county to the School Department during the year ended June 30, 2010.

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

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

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

Fund financial statements of Rhea County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental category. Rhea County reports one proprietary fund, an internal service fund. It has no enterprise funds to report.

Separate financial statements are provided for governmental funds, the proprietary fund, and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All other governmental funds are aggregated into a single column on the fund financial statements. The internal service fund and the fiduciary funds in total are reported in single columns by fund type.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the county considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as

all eligibility requirements imposed by the provider have been met and the revenues are available. Rhea County considers grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the General Debt Service Fund for payments to be made early in the following year.

Property taxes for the period levied, in-lieu-of tax payments, sales taxes, interest, and miscellaneous taxes are all considered to be susceptible to accrual and have been recognized as revenues of the current period. Applicable business taxes, litigation taxes, state-shared excise taxes, fines, forfeitures, and penalties are not susceptible to accrual since they are not measurable (reasonably estimable). All other revenue items are considered to be measurable and available only when the county receives cash.

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

Rhea County reports the following major governmental funds:

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

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

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

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

Additionally, Rhea County reports the following fund types:

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

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

**Agency Funds** – These funds account for amounts collected in an agency capacity by the constitutional officers, local sales taxes received by the state to be forwarded to the various cities in Rhea County, and the city school system's share of educational revenues. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They do, however, use the accrual basis of accounting to recognize receivables and payables.

The discretely presented Rhea County School Department reports the following major governmental funds:

**General Purpose School Fund** – This fund is the primary operating fund for the School Department. It is used to account for general operations of the School Department.

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

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

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

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. The county has one proprietary fund, an internal service fund, used to account for the central maintenance program. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the county's internal service fund are charges for services. Operating expenses for the internal service fund include administrative expenses and employee benefits.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted revenues first, then unrestricted resources as they are needed.

**D. Assets, Liabilities, and Net Assets or Equity**

**1. Deposits and Investments**

For purposes of the Statement of Cash Flows, cash includes cash on deposit with the county trustee.

State statutes authorize the government to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposit accounts at state and federal chartered banks and savings and loan associations; repurchase agreements; the State Treasurer's Investment Pool; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes.

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented Rhea County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Debt Service Fund. Rhea County and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but

nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

## **2. Receivables and Payables**

Activity between funds for unremitted current collections outstanding at the end of the fiscal year is referred to as due to/from other funds.

Advances between funds that are representative of lending/borrowing arrangements are reported in the fund financial statements as notes receivable/payable and are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All property taxes receivable are shown net of an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 2.69 percent of total taxes levied.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. This date is January 1 and is referred to as the lien date. However, revenues from property taxes are recognized in the period for which the taxes are levied, which is the ensuing fiscal year. Since the receivable is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated allowance for uncollectible taxes, is reported as deferred revenue as of June 30.

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current fiscal year. These property taxes receivable are presented on the balance sheet with offsetting deferred revenue to reflect amounts not available as of June 30. Property taxes collected within 30 days of year-end are considered available and accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court

for collection are not included in taxes receivable since they are neither measurable nor available.

Property taxes are levied as of the first Monday in October. Taxes become delinquent and begin accumulating interest and penalty the following March 1. Suit must be filed in Chancery Court between the following February 1 to April 1 for any remaining unpaid taxes. Additional costs attach to delinquent taxes after a court suit has been filed.

**3. Capital Assets**

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

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

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

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

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

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

**4. Compensated Absences**

It is the county's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. An employee may accumulate

up to 20 days vacation leave. There is no liability for unpaid accumulated sick leave since Rhea County does not have a policy to pay any amounts when employees separate from service with the government.

It is the policy of the discretely presented Rhea County School Department to permit its 11- and 12-month employees to accumulate up to twice as many vacation days as they can earn in a year. Unused vacation leave will be paid upon retirement, resignation, or termination. Any accumulated unused vacation leave in excess of the limit is forfeited. The policy of the School Department does not allow their ten-month employees to accumulate vacation days beyond June 30. The policy also allows School Department employees to be paid \$50 a day for unused sick leave upon retirement if certain criteria are met. There is no limit on the number of sick days an employee can accrue.

All vacation pay is accrued when incurred in the government-wide statements for the county and the discretely presented School Department. A liability for vacation pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

## **5. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Assets. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line method. Debt issuance costs are reported as deferred charges and amortized over the term of the related debt. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is netted against the new debt and amortized over the remaining life of the refunded debt or the life of the new debt issued, whichever is shorter.

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

Only the matured portion (the portion that has come due for payment) of long-term indebtedness, including bonds payable, is recognized as a liability and expenditure in the governmental fund financial statements.

Liabilities and expenditures for other long-term obligations, including compensated absences and other postemployment benefits, are recognized to the extent that the liabilities have matured (come due for payment) each period.

## **6. Net Assets and Fund Equity**

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

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

On the government-wide Statement of Net Assets (Exhibit A), the account Restricted for General Purposes for the primary government consists of various restrictions totaling \$539,948, with the primary restrictions being for: (1) alcohol and drug treatment (\$96,505); (2) litigation Tax - Jail, Workhouse, or Courthouse (\$256,999); (3) computer systems for various offices (\$136,045); (4) sexual offender registration (\$15,770); and (5) drug court (\$9,429). For the discretely presented School Department, the account balance in Restricted for General Purposes totaling \$45,260 consists primarily of restrictions for technology (\$39,926).

As of June 30, 2010, Rhea County had \$13,909,876 in outstanding debt for capital purposes for the discretely presented Rhea County School Department. This debt is a liability of Rhea County; however, the capital assets acquired are reported in the financial statements of the School Department. Therefore, Rhea County has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the county's capital assets.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

7. **Prior-period Adjustments**

**Primary Government**

During the year, Rhea County made some corrections to their capital assets inventory. These corrections totaling \$305,749 involved assets that had been omitted in previous years as well as corrections of accumulated depreciation. Also, a liability totaling \$724,971 for other postemployment benefits was overstated for June 30, 2009. The net effect of these changes increased net assets for the primary government by \$1,030,720.

**Discretely Presented Rhea County School Department**

During the year, the Rhea County School Department made some corrections to their capital assets inventory. These corrections totaling \$1,133,772 involved assets that had been over valued in previous years as well as corrections of accumulated depreciation. Also, a liability totaling \$1,592,895 for other postemployment benefits was overstated for June 30, 2009. The net effect of these changes increased net assets for the School Department by \$459,123.

II. **RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

A. **Explanation of certain differences between the governmental fund balance sheet and the government-wide Statement of Net Assets**

**Primary Government**

Exhibit C-2 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide Statement of Net Assets.

**Discretely Presented Rhea County School Department**

Exhibit J-3 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide Statement of Net Assets.

B. **Explanation of certain differences between the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the government-wide Statement of Activities**

**Primary Government**

Exhibit C-4 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total

governmental funds with the change in net assets of governmental activities reported in the government-wide Statement of Activities.

### **Discretely Presented Rhea County School Department**

Exhibit J-5 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the change in net assets of governmental activities reported in the government-wide Statement of Activities.

## **III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

### **Budgetary Information**

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

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

The budgetary level of control is at the major category level established by the County Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, County Executive, County Attorney, etc.). Management may make revisions within major categories, but only the County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

The county's budgetary basis of accounting is consistent with GAAP, except instances in which encumbrances are treated as budgeted expenditures. The difference between the budgetary basis and GAAP basis is presented on the face of each budgetary schedule.

## **IV. DETAILED NOTES ON ALL FUNDS**

### **A. Deposits and Investments**

Rhea County and the Rhea County School Department participate in an internal cash and investment pool through the Office of Trustee. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, depositing, and investing most county funds. Each

fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Cash reflected in the fund financial statements represents nonpooled amounts held separately by individual funds.

### **Deposits**

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

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

### **Investments**

**Legal Provisions.** Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposits at state and federal chartered banks and savings and loan associations; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state 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, 2010.

**B. Notes Receivable**

Notes receivable totaling \$333,332 represents the balance of a 2006-07 loan for \$500,000 made by the Solid Waste/Sanitation Fund to the School Department's Education Capital Projects Fund to finance classroom additions and sewer construction. These notes will be repaid from the General Debt Service Fund over a period of up to nine years at an interest rate of two percent. The amount of the notes that is not expected to be collected within one year is \$277,776.

**C. Capital Assets**

Capital assets activity for the year ended June 30, 2010, was as follows:

**Primary Government**

**Governmental Activities:**

	Balance 7-1-09	Increases	Decreases	Balance 6-30-10
Capital Assets Not Depreciated:				
Land	\$ 868,831	\$ 0	\$ 0	\$ 868,831
Total Capital Assets Not Depreciated	<u>\$ 868,831</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 868,831</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 3,030,976	\$ 0	\$ 0	\$ 3,030,976
Infrastructure	14,682,763	890,087	(6,893,726)	8,679,124
Other Capital Assets	3,032,453	102,879	0	3,135,332
Total Capital Assets Depreciated	<u>\$ 20,746,192</u>	<u>\$ 992,966</u>	<u>\$ (6,893,726)</u>	<u>\$ 14,845,432</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 667,352	\$ 32,616	\$ 0	\$ 699,968
Infrastructure	11,999,254	493,812	(6,309,390)	6,183,676
Others Capital Assets	1,889,654	182,733	(12)	2,072,375
Total Accumulated Depreciation	<u>\$ 14,556,260</u>	<u>\$ 709,161</u>	<u>\$ (6,309,402)</u>	<u>\$ 8,956,019</u>
Total Capital Assets Depreciated, Net	<u>\$ 6,189,932</u>	<u>\$ 283,805</u>	<u>\$ (584,324)</u>	<u>\$ 5,889,413</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 7,058,763</u></u>	<u><u>\$ 283,805</u></u>	<u><u>\$ (584,324)</u></u>	<u><u>\$ 6,758,244</u></u>

Increases and decreases include a prior-period adjustment totaling \$305,749 to correct capital assets values.

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

**Governmental Activities:**

General Government	\$	41,178
Finance		3,397
Public Safety		99,250
Public Health and Welfare		18,362
Highways		<u>546,974</u>
Total Depreciation Expense - Governmental Activities	<u>\$</u>	<u>709,161</u>

**Discretely Presented Rhea County School Department**

**Governmental Activities:**

	Balance 7-1-09	Increases	Decreases	Balance 6-30-10
Capital Assets Not Depreciated:				
Land	\$ 939,515	\$ 0	\$ 0	\$ 939,515
Total Capital Assets Not Depreciated	<u>\$ 939,515</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 939,515</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 36,740,738	\$ 117,366	\$ (1,261,555)	\$ 35,596,549
Other Capital Assets	3,858,275	295,944	(194,609)	3,959,610
Total Capital Assets Depreciated	<u>\$ 40,599,013</u>	<u>\$ 413,310</u>	<u>\$ (1,456,164)</u>	<u>\$ 39,556,159</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 7,576,209	\$ 542,265	\$ (10,417)	\$ 8,108,057
Others Capital Assets	2,367,841	182,804	(175,147)	2,375,498
Total Accumulated Depreciation	<u>\$ 9,944,050</u>	<u>\$ 725,069</u>	<u>\$ (185,564)</u>	<u>\$ 10,483,555</u>
Total Capital Assets Depreciated, Net	<u>\$ 30,654,963</u>	<u>\$ (311,759)</u>	<u>\$ (1,270,600)</u>	<u>\$ 29,072,604</u>
Governmental Activities Capital Assets, Net	<u>\$ 31,594,478</u>	<u>\$ (311,759)</u>	<u>\$ (1,270,600)</u>	<u>\$ 30,012,119</u>

Increases and decreases include a prior-period adjustment totaling \$1,133,772 to correct asset values.

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

**Governmental Activities:**

Instruction	\$ 351,021
Support Services	369,296
Operation of Non-Instructional Services	<u>4,752</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 725,069</u></u>

**D. Interfund Receivables and Payables**

The composition of interfund balances as of June 30, 2010, is as follows:

**Due to/from Other Funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 200
"	Internal Service	5
Solid Waste/Sanitation	"	1
Internal Service	General	2,785
"	Solid Waste/Sanitation	2,602

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

**Due to/from Primary Government and Component Unit:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:	Component Unit:	
Internal Service	General Purpose School	\$ 3,075
"	School Transportation	2,693
Component Unit:	Primary Government:	
General Purpose School	Highway/Public Works	724
"	Internal Service	6754
Transportation	"	5

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.

**E. Operating Leases**

**Discretely Presented Rhea County School Department**

The Rhea County School Department leases two outdoor lighting systems for the high school and Spring City middle school from the local electric co-op. The rent expenditures for the year ended June 30, 2010, were \$15,168 for the governmental funds. There are no provisions for contingent or sublease rentals in the agreements. The future minimum lease payments for this lease are as follows:

Year Ending June 30	Amount
2011	\$ 15,168
2012	15,168
2013	15,168
2014	15,168
2015	15,168
2016	<u>11,080</u>
Total	<u>\$ 86,920</u>

**F. Capital Lease**

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

The future minimum lease obligation and the net present value of the minimum lease payments as of June 30, 2010, were as follows:

Year Ending June 30	Amount
2011	\$ 190,346
2012	190,346
2013	<u>174,483</u>
Total Minimum Lease Payments	\$ 555,175
Less: Amount Representing Interest	<u>(27,739)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 527,436</u></u>

**G. Long-term Debt**

**Primary Government**

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

The county issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities. In addition, general obligation bonds have been issued to refund other general obligation bonds. Capital outlay notes are issued to fund capital facilities and other capital outlay purchases, such as equipment.

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to 22 years for bonds, up to nine years for notes, and up to 20 years for the other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds, notes, and other loans included in long-term debt as of June 30, 2010, will be retired from the General Debt Service Fund.

General obligation bonds, capital outlay notes, other loans, and the capital lease outstanding as of June 30, 2010, for governmental activities are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-10
General Obligation Bonds	4.1 to 5 %	\$ 12,130,000	\$ 855,000
General Obligation Bonds - Refunding	3.375 to 4	12,555,000	10,710,000
Capital Outlay Notes	4.17 to 5.25	605,000	422,803
Other Loans	various	2,448,317	1,394,637
Capital Lease	9.64	868,018	527,436

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

Also, in previous years, Rhea County entered into a loan agreement with the Montgomery County Public Building Authority. Under this loan agreement, the authority loaned \$1 million to Rhea County for a sewer project. The loan is repayable at an interest rate that is a tax-exempt variable rate determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the county pays various other fees (trustee, letter of credit, and debt remarketing) in connection with this loan. At June 30, 2010, the variable interest rate was .44 percent, and other fees totaled approximately .15 percent (letter of credit), and .08 percent (remarketing) on the outstanding loan principal and a trustee fee of \$85 per month.

The annual requirements to amortize all general obligation bonds, notes, and other loans outstanding as of June 30, 2010, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2011	\$ 1,455,000	\$ 441,472	\$ 1,896,472
2012	1,490,000	385,067	1,875,067
2013	1,025,000	333,376	1,358,376
2014	1,105,000	292,377	1,397,377
2015	1,160,000	248,177	1,408,177
2016-2020	4,280,000	590,177	4,870,177
2021-2023	1,050,000	84,431	1,134,431
Total	<u>\$ 11,565,000</u>	<u>\$ 2,375,077</u>	<u>\$ 13,940,077</u>

Year Ending June 30	Notes		
	Principal	Interest	Total
2011	\$ 114,935	\$ 19,292	\$ 134,227
2012	120,868	13,689	134,557
2013	44,000	7,798	51,798
2014	46,000	5,963	51,963
2015	48,000	4,045	52,045
2016	49,000	2,043	51,043
Total	<u>\$ 422,803</u>	<u>\$ 52,830</u>	<u>\$ 475,633</u>

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2011	\$ 151,068	\$ 3,784	\$ 2,998	\$ 157,850
2012	153,069	3,612	2,908	159,589
2013	77,500	3,432	2,814	83,746
2014	78,500	3,243	2,715	84,458
2015	80,500	3,049	2,614	86,163
2016-2020	432,500	12,035	11,396	455,931
2021-2025	350,500	5,844	8,160	364,504
2026	71,000	312	1,264	72,576
<b>Total</b>	<b>\$ 1,394,637</b>	<b>\$ 35,311</b>	<b>\$ 34,869</b>	<b>\$ 1,464,817</b>

There is \$288,609 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$407, based on the 2000 federal census. Debt per capita, including bonds, notes, capital leases, and other loans totaled \$490, based on the 2000 federal census.

#### Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2010, was as follows:

Governmental Activities:	Capital Leases		
	Bonds	Notes	Leases
Balance, July 1, 2009	\$ 12,655,000	\$ 755,200	\$ 731,293
Additions	0	0	0
Reduction of Lease	0	0	(3,405)
Deductions	(1,090,000)	(332,397)	(200,452)
<b>Balance, June 30, 2010</b>	<b>\$ 11,565,000</b>	<b>\$ 422,803</b>	<b>\$ 527,436</b>
<b>Balance Due Within One Year</b>	<b>\$ 1,455,000</b>	<b>\$ 114,935</b>	<b>\$ 174,898</b>

	Other		
	Other Loans	Compensated Absences	Postemployment Benefits
Balance, July 1, 2009	\$ 1,544,705	\$ 228,205	\$ 740,978
Prior-period Adjustment	0	0	(724,971)
Additions	0	197,173	71,038
Deductions	(150,068)	(138,190)	(22,876)
<b>Balance, June 30, 2010</b>	<b>\$ 1,394,637</b>	<b>\$ 287,188</b>	<b>\$ 64,169</b>
<b>Balance Due Within One Year</b>	<b>\$ 151,068</b>	<b>\$ 131,252</b>	<b>\$ 0</b>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2010	\$ 14,261,233
Less: Balance Due Within One Year	(2,027,153)
Less: Deferred Amount on Refunding	(305,497)
Add: Unamortized Premium on Debt	<u>54,415</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u><u>\$ 11,982,998</u></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 Liabilities

Long-term liability activity for the discretely presented Rhea County School Department for the year ended June 30, 2010, was as follows:

Governmental Activities:	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2009	\$ 540,611	\$ 2,000,135
Prior-period Adjustment	0	(1,592,895)
Additions	106,372	248,968
Deductions	(148,224)	(267,995)
Balance, June 30, 2010	<u>\$ 498,759</u>	<u>\$ 388,213</u>
Balance Due Within One Year	<u>\$ 79,162</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2010	\$ 886,972
Less: Balance Due Within One Year	<u>(79,162)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u><u>\$ 807,810</u></u>

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

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

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Rhea County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state’s Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2010, were \$85,847 and \$19,491, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

**I. Internal Financing**

In-lieu-of issuing debt with financial institutions, Rhea County often chooses to internally finance various projects with idle county funds. At June 30, 2010, internally reported notes receivable from idle funds loaned from the Solid Waste/Sanitation Fund to the School Department’s Education Capital Projects Fund will be paid by the General Debt Service Fund. Amounts financed within the primary government are presented as long-term liabilities in the governmental funds. Internally reported notes receivable at June 30, 2010, are reflected as follows:

**Internally Reported Interfund Notes Receivable**  
**Paid by the General Debt Service Fund**

Receivable Fund/Description	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date
Solid Waste/Sanitation Fund:				
Landfill Property	\$ 165,000	2 %	4-18-01	4-18-10
Jail Expansion	150,000	2	2-10-04	2-10-10
Frazier Addition and Sewer Project	500,000	2	3-22-07	3-22-16
			Paid and/or Matured	
	Outstanding		During	Outstanding
	7-1-09		Period	6-30-10
Solid Waste/Sanitation Fund:				
Landfill Property	\$ 18,333	\$ (18,333)	\$	0
Jail Expansion	66,666	(66,666)		0
Frazier Addition and Sewer Project	388,888	(55,556)		333,332
Total	\$ 473,887	\$ (140,555)	\$	333,332

**J. Short-term Debt**

**Primary Government**

Rhea County issued tax anticipation notes totaling \$250,000 from the General Purpose School Fund in advance of property tax collections and deposited the proceeds in the General Fund. These notes were necessary because funds were not available to meet debt service payments coming due before current tax collections. Short-term debt activity for the year ended June 30, 2010, was as follows:

	Balance				Balance
	7-1-09	Issued	Paid		6-30-10
Tax Anticipation Note	\$ 0	\$ 250,000	\$ (250,000)	\$	0

**Discretely Presented Rhea County School Department**

Rhea County issued tax anticipation notes totaling \$150,000 from the General Purpose School Fund in advance of property tax collections and deposited the proceeds in the School Transportation Fund. Rhea County also issued revenue anticipation notes totaling \$100,000 from the General Purpose School Fund in advance of revenue collections and deposited the proceeds in the School Federal Projects Fund. These notes were necessary because funds were not available to meet expenditures coming due before current tax and/or revenue collections. Short-term debt activity for the year ended June 30, 2010, was as follows:

	Balance				Balance
	7-1-09	Issued	Paid		6-30-10
Tax/Revenue Anticipation Notes	\$ 0	\$ 250,000	\$ (250,000)	\$	0

**V. OTHER INFORMATION**

**A. Risk Management**

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

insurance coverage. The creation of TN-RMT provides for it to be self-sustaining through member premiums.

### **Primary Government**

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

### **Discretely Presented Rhea County School Department**

The discretely presented Rhea County School Department participates in the Local Education Group Insurance Fund (LEGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local education agencies. In accordance with Section 8-27-301, TCA, all local education agencies are eligible to participate. The LEGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. Section 8-27-303, TCA, provides for the LEGIF to be self-sustaining through member premiums.

## **B. Accounting Changes**

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 51, Accounting and Financial Reporting for Intangible Assets; and Statement No. 53, Accounting and Financial Reporting for Derivative Instruments became effective for the year ended June 30, 2010.

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets. Intangible assets have three characteristics: lack of physical substance; nonfinancial in nature; and a useful life that extends beyond a single reporting period. Assets that have these characteristics and are identifiable to the government should be recorded as capital assets and amortized over their useful lives. Easements, water rights, patents, and computer software are examples of intangible assets that should be recognized under GASB Statement No. 51. Rhea County and the Rhea County School Department had no assets that met the definition of intangible assets at June 30, 2010. However, it is reasonably expected that Rhea County and the School Department may acquire intangible assets in subsequent years.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by county governments. Derivative instruments are financial arrangements used by governments as investments; hedges against identified financial risks; or to lower the costs of borrowings. Interest rate swaps and locks, options, swaptions, forward contracts, and futures contracts are among the commonly used types of derivatives mentioned in GASB Statement No. 53. Derivative instruments associated with fluctuating financial and commodity prices result in changing cash flows and fair values that can be used as effective risk management or investment tools. For the same reasons, derivative instruments can expose governments to significant risks and liabilities. The requirements of GASB Statement No. 53 are intended to help users of financial information evaluate the effectiveness and associated risks involved with Rhea County's derivative transactions. GASB Statement No. 53 requires most derivatives to be reported at fair value in the Statement of Net Assets. Changes in fair value for derivative instruments that are intended for investment purposes or that are reported like investment derivative instruments because of ineffectiveness are reported as investment revenues in the Statement of Activities. Alternatively, the changes in fair value of derivative instruments that are classified as hedging (i.e., effective) derivative instruments are reported in the Statement of Net Assets as deferrals. Rhea County had not participated in derivative transactions as of June 30, 2010. However, it is reasonably expected that Rhea County may enter into derivative transactions in subsequent years.

**C. Subsequent Events**

On July, 1, 2010, the School Department's General Purpose School Fund issued a \$100,000 revenue anticipation note to the School Federal Projects Fund for temporary operating funds.

On August 31, 2010, Billy Ray Patton left the Office of County Executive and was succeeded by George Thacker, and Regina Metts left the Office of Circuit and General Sessions Courts Clerk and was succeeded by Jamie Holloway.

**D. Contingent Liabilities**

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

**E. Landfill Closure and Postclosure Care Costs**

State and federal laws and regulations require the county to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Rhea County closed the old landfill in September 1998. Rhea County has contracted with Santek Environmental, Inc., of Bradley County, a private

company, to operate the county's current landfills. The old landfill has been closed and is in the postclosure maintenance and monitoring stage. The new landfill is currently in operation, and the county expects it to close in the year 2036. Santek will pay postclosure care cost of the old landfill and closure and postclosure care costs of the new landfill as long as the contract with Rhea County is in effect. Rhea County has designated part of its fund balance in the Solid Waste/Sanitation Fund in the event the contract with Santek is not renewed, and the county must assume liability for closure and postclosure care costs of the landfills. The estimated closure and postclosure costs of the landfills, totaling \$1,451,012 at June 30, 2010, 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 2010. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**F. Joint Ventures**

The Rhea Economic and Tourism Council is a joint venture between Rhea County, the City of Dayton, Spring City, and the City of Graysville. The purpose of this council is to foster tourism and economic and community development between and among governmental entities, industry, and private citizens. Funding for the council is provided by membership fees and by three-fifths of the county's hotel/motel tax collections. The council is composed of at least 29 members, including county and city officials, representatives from industry, the medical center, development boards, and the E-911 director. The operations of the council are directed by its executive committee, which is composed of various county and city officials.

The Watts Bar Development Authority was created by Rhea and Meigs counties to develop the waterfront property, which is currently held by the Tennessee Valley Authority. The authority is comprised of seven members, four appointed by Rhea County and three appointed by Meigs County.

The Twelfth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Twelfth Judicial District; 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, 2010.

Rhea County does not have any equity interest in any of the above-noted joint ventures. Financial information for the Rhea Economic and Tourism Council, the Watts Bar Development Authority, and the DTF can be obtained from their respective administrative offices at the following addresses:

Administrative Offices:

Rhea Economic and Tourism Council  
107 Main Street  
Dayton, TN 37321

Watts Bar Development Authority  
375 Church Street, Suite 125  
Dayton, TN 37321

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

**G. Retirement Commitments**

**Employees**

**Plan Description**

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

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

**Funding Policy**

Rhea County requires employees to contribute five percent of their earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2010, was 8.72 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Rhea County is established and may be amended by the TCRS Board of Trustees.

**Annual Pension Cost**

For the year ended June 30, 2010, Rhea County’s annual pension cost of \$1,258,509 to TCRS was equal to the county’s required and actual contributions. The required contribution was determined as part of the July 1, 2007, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected postretirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Rhea County’s unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2007, was 13 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

**Trend Information**

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-10	\$1,258,509	100%	\$0
6-30-09	1,313,167	100	0
6-30-08	1,314,079	100	0

## **Funded Status and Funding Progress**

As of July 1, 2009, the most recent actuarial valuation date, the plan was 84.62 percent funded. The actuarial accrued liability for benefits was \$35.51 million, and the actuarial value of assets was \$30.04 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$5.46 million. The covered payroll (annual payroll of active employees covered by the plan) was \$14.65 million, and the ratio of the UAAL to the covered payroll was 37.27 percent.

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

The TCRS uses the frozen entry age actuarial cost method to calculate the annual required contribution. Effective July 1, 2009, the TCRS reestablished the unfunded accrued liabilities for all groups.

## **School Teachers**

### **Plan Description**

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

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

### **Funding Policy**

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2010, was 6.42 percent of annual covered payroll. The employer contribution requirement for the School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2010, 2009, and 2008, were \$927,366, \$883,609, and \$834,229, respectively, equal to the required contributions for each year.

## **H. Other Postemployment Benefits (OPEB)**

### Plan Description

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

### Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employer in the plan develops a contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state does not provide a subsidy for local government participants,

however, the state does provide a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. Rhea County retirees' contributions vary depending on the insurance options they select, ranging from \$384 to \$610 per month. School Department retirees' contributions vary depending on the insurance options they select, ranging from \$438 to \$1,195 per month. During the year ended June 30, 2010, the county and the discretely presented School Department contributed \$22,876 and \$267,995, respectively, for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan	Local Government Group Plan
ARC	\$ 248,000	\$ 71,000
Interest on the NPO	18,326	720
Adjustment to the ARC	(17,358)	(682)
Annual OPEB cost	<u>\$ 248,968</u>	<u>\$ 71,038</u>
Amount of contribution	<u>(267,995)</u>	<u>(22,876)</u>
Increase/decrease in NPO	\$ (19,027)	\$ 48,162
Net OPEB obligation, 7-1-09	2,000,135	740,978
Prior-period adjustment	<u>(1,592,895)</u>	<u>(724,971)</u>
Net OPEB obligation, 6-30-10	<u><u>\$ 388,213</u></u>	<u><u>\$ 64,169</u></u>

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-08	Local Government Group	\$ 38,557	81%	\$ 7,499
6-30-09	"	38,916	78	16,007
6-30-10	"	71,038	32	64,169
6-30-08	Local Education Group	385,819	52	185,971
6-30-09	"	388,464	43	407,240
6-30-10	"	248,968	108	388,213

### Funded Status and Funding Progress

The funded status of the plan as of June 30, 2010, was as follows:

	Local Education Group Plan	Local Government Group Plan
Actuarial valuation date	7-1-09	7-1-09
Actuarial accrued liability (AAL)	\$ 2,197,000	\$ 438,000
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 2,197,000	\$ 438,000
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 18,413,945	\$ 5,360,224
UAAL as a % of covered payroll	11.93%	8.17%

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

### Actuarial Methods and Assumptions

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

In the July 1, 2009, actuarial valuation, the projected unit credit actuarial cost method was used and the actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses). The annual healthcare cost trend rate for the Local Education Group Plan was four percent for fiscal year 2010. The trend will rise to ten percent in fiscal year 2011 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. The annual health care cost trend rate for the Local Government Group Plan was three percent for fiscal year 2010. The trend will rise to ten percent in fiscal year 2011 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. Both rates

include a three percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with June 30, 2008.

**I. Office of Central Accounting and Budgeting**

**Office of Director of Finance**

Rhea County operates under the County Financial Management System of 1981. This act provides for a central system of accounting, budgeting, and purchasing for all county departments. The act provides for the creation of a Finance Department operated under the direction of the finance director.

**J. Purchasing Laws**

Purchasing procedures for all offices are governed by provisions of the County Financial Management System of 1981, Sections 5-21-101 through 5-21-129, Tennessee Code Annotated. Pursuant to provisions of these statutes, the Financial Management Committee, together with the finance director, established purchasing procedures for Rhea County. These procedures require that purchases exceeding \$5,000 for the general government and School Department and \$10,000 for the Highway Department be based on competitive bids.

**VI. OTHER NOTES – DISCRETELY PRESENTED RHEA MEDICAL CENTER**

**A. Description of Reporting Entity and Summary of Significant Accounting Policies**

**1. Reporting Entity**

The Rhea Medical Center is a public corporation. It was created on February 7, 1957, by an act of the State of Tennessee General Assembly to operate, control, and manage the general short-term hospital, intermediate care nursing home, and various health clinics. The Rhea County, Tennessee, Board of County Commissioners appoints the Board of Trustees as members of the medical center, and the medical center may not issue debt without the county's approval. For these reasons, the medical center is considered to be a component unit of Rhea County and is included as a discretely presented component unit in the basic financial statements of the county.

**2. Enterprise Fund Accounting**

The medical center uses the enterprise fund method of accounting whereby revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

3. **Accounting Standards**

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, the medical center has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

4. **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

5. **Net Patient Service Revenue**

Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payors, and others for services rendered and includes estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations.

Revenue from the Medicare and Medicaid programs accounted for approximately 39 and 11 percent, respectively, for the year ended June 30, 2010, of the medical center's net patient service revenue. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near future.

6. **Charity Care**

The medical center provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the medical center does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

7. **Operating Revenues and Expenses**

The medical center's statement of revenues, expenses, and changes in net assets distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services – the medical center's principal activity. Nonexchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

8. **Income Taxes**

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

9. **Inventories**

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

10. **Accounts Receivable**

Accounts receivable are stated at the amount the medical center expects to collect. The medical center maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. Management considers the following factors when determining the collectibility of specific customer accounts: customer credit-worthiness, past transaction history with the customer, current economic industry trends, and changes in customer payment terms. If the financial condition of the medical center's customers were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. Based on management's assessment, the medical center provides for estimated uncollectible amounts through a charge to earnings and a credit to an allowance. Balances that remain outstanding after the medical center has used reasonable collection efforts are written off through a charge to the allowance and a credit to accounts receivable.

11. **Noncurrent Cash and Investments**

The Board of Trustees internally designated cash and investments for capital acquisition to create a health education library. Patients' personal assets and funds held by the medical center in an activity fund for the benefit of the patients are held in an agency capacity and are not available for medical center use. An offsetting asset and liability are recorded on the balance sheet.

**12. Capital Assets**

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

A summary of estimated useful lives follows.

<u>Assets</u>	<u>Years</u>
Land Improvements	10 - 15
Buildings and Improvements	10 - 50
Major Moveable 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 2010.

**14. Deposits**

The medical center considers currency on hand and demand deposits with financial institutions to be cash. The medical center considers all highly liquid investments with original maturities of three months or less to be cash equivalents. State statutes authorize the medical center to invest in obligations of the U.S. Treasury, bank certificates of deposit, state approved repurchase agreements, pooled investment funds, and state or local bonds rated A or higher by a nationally recognized rating service. There were no cash equivalents at June 30, 2010.

**15. Bond Issuance Costs**

The costs incurred in connection with the issuance of the bonds will be amortized using the straight-line method over the term of the bonds.

## 16. Risk Management

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

## 17. Net Assets

Net assets of the medical center are classified into three components:

- a. Net assets invested in capital assets net of related debt - Consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets.
- b. Restricted expendable net assets - are noncapital net assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the medical center. Restricted nonexpendable net assets - equal the principal portion of permanent endowments.
- c. Unrestricted net assets - are remaining net assets that do not meet the definition of invested in capital assets net of related debt or restricted.

There were no restricted assets at June 30, 2010.

## B. Deposits and Investments

**Custodial credit risk - deposits.** Custodial risk is the risk that, in the event of a bank failure, the medical center's deposits may not be returned to it. The medical center's bank balance of deposits was \$6,867,428 at June 30, 2010. The bank balances held in cash accounts and a repurchase agreement are either insured by the Federal Deposit Insurance Corporation or collateralized by the Tennessee Bank Collateral Pool and are not subject to custodial risk.

**Interest rate risk.** For an investment, this is the risk that a change in interest rates will affect the fair market value of investments held. The medical center invests in numerous certificates of deposit through investment companies and a local financial institution. The medical center does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates, except to comply with state statutes.

**Custodial credit risk - investments.** For an investment, this is the risk that, in the event of a failure of the counterparty to a transaction, the medical center will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The medical center's investment is subject to custodial risk as follows:

<u>Investments</u>	<u>6-30-10</u>
Insured by FDIC	<u>\$ 4,644,801</u>
Ending Balance	<u><u>\$ 4,644,801</u></u>

The medical center currently has no formal policy addressing interest rates or custodial credit risk, except to comply with state statutes.

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

	<u>6-30-10</u>
Carrying Amount:	
Deposits	\$ 6,745,459
Investments	4,644,801
Cash on Hand	<u>1,850</u>
Total	<u><u>\$ 11,392,110</u></u>
Included in the Following Balance Sheet Captions:	
Cash	\$ 6,747,009
Internally Designated for Capital Acquisition	241,538
Investments	4,403,263
Activity Funds	<u>300</u>
Total	<u><u>\$ 11,392,110</u></u>

**C. Net Patient Service Revenue**

The medical center has agreements with third-party payors that provide for payments to the medical center at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the medical center's established rates for services and amounts reimbursed by third-party payors. The hospital obtained critical access status effective February 1, 2005. A summary of the basis of reimbursement with major third-party payors follows.

Medicare – Inpatient acute care services, outpatient services, inpatient nonacute services, and medical education costs related to Medicare beneficiaries are paid based upon a cost reimbursement methodology. The medical center is reimbursed for items at a tentative rate with final settlement determined after submission of annual cost reports by the medical center and review by the Medicare fiscal intermediary.

TennCare – Inpatient acute care services and outpatient service costs related to TennCare program beneficiaries are paid based upon a cost reimbursement methodology. The medical center is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the medical center and review by the TennCare fiscal intermediary.

Medicaid - Intermediate Care – The Medicaid program reimburses the medical center for services rendered to Medicaid nursing home beneficiaries based on a prospective per diem rate established by the Medicaid program. The per diem rate established by Medicaid is based on the prior years’ cost, subject to a maximum per diem rate set by the State of Tennessee.

Others – The medical center has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the medical center under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

**D. Inventories**

Inventories at June 30, 2010, consisted of the following:

	<u>6-30-10</u>
Pharmacy	\$ 121,822
General Supplies	78,944
Dietary	10,893
Laboratory	29,333
X-ray	11,203
Surgery	<u>150,476</u>
Total	<u>\$ 402,671</u>

**E. Internally Designated for Capital Acquisitions, Cash, and Investments**

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

**F. Capital Assets**

A summary of changes in capital assets follows:

	Balance 7-1-09	Additions	Retirements	Balance 6-30-10
Land	\$ 2,362,514	\$ 0	\$ 0	\$ 2,362,514
Land Improvements	65,951	0	0	65,951
Buildings and Improvements	27,475,984	41,102	0	27,517,086
Major Movable Equipment	11,300,321	410,468	(286,848)	11,423,941
Capital Equipment	941,525	0	0	941,525
Totals at Historical Cost	<u>\$ 42,146,295</u>	<u>\$ 451,570</u>	<u>\$ (286,848)</u>	<u>\$ 42,311,017</u>
Less Accumulated Depreciation For:				
Land Improvements	\$ 58,723	\$ 1,537	\$ 0	\$ 60,260
Buildings and Improvements	4,683,918	700,986	0	5,384,904
Major Movable Equipment	6,144,346	1,245,607	(212,596)	7,177,357
Capital Equipment	785,899	12,832	0	798,731
Total Accumulated Depreciation	<u>\$ 11,672,886</u>	<u>\$ 1,960,962</u>	<u>\$ (212,596)</u>	<u>\$ 13,421,252</u>
Property and Equipment, Net	<u>\$ 30,473,409</u>	<u>\$ (1,509,392)</u>	<u>\$ (74,252)</u>	<u>\$ 28,889,765</u>

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

A portion of the original medical center building is being rented and the remainder is idle. Building improvements and equipment with a carrying value of \$1,168,626 were idle at June 30, 2010.

**G. Other Assets**

The medical center pays various fees and expenses to and on behalf of physicians who are recruited to practice at the medical center. These

expenses are recorded as assets and are amortized over the terms of the physicians' contracts. At June 30, 2010, the assets totaled \$789,526, net of accumulated amortization.

Other assets also include various lease deposits and prepayments totaling \$88,576 at June 30, 2010.

**H. Long-term Debt**

	<u>6-30-10</u>
Amounts due Rhea County, a related party:	
Loan Agreement	\$ 23,409,000
Capital lease obligation #1 at an imputed interest of 9.6 percent	144,174
Capital lease obligation #2 at an imputed interest of 4.1 percent	<u>371,328</u>
Subtotal	\$ 23,924,502
Less current maturities of long-term debt	<u>(965,930)</u>
Long-term debt, net of current maturities	<u><u>\$ 22,958,572</u></u>

The Public Building Authority of the County of Montgomery, Tennessee, issued its "Adjustable Rate Pooled Financing Revenue Bonds, Series 2004" on July 1, 2004, and loaned \$24,100,000 of the proceeds to the medical center under a loan agreement with terms substantially identical to terms of the bonds. The bonds mature on various dates from May 25, 2010, through May 25, 2033.

Principal payments will be made annually as they become due. Interest payments are due monthly. Interest is calculated daily as set forth in the loan agreement (.44 percent at June 30, 2010).

The loan agreement is a general obligation of Rhea County.

Capital lease obligation no. 1 requires monthly installments of \$7,657, including interest, until February 2012. The obligation is secured by a CT system with a cost of \$398,580 and a carrying value of \$126,217 at June 30, 2010.

Capital lease obligation no. 2 requires monthly installments of \$14,970, including interest, until August 2012. The obligation is secured by an MRI system with a cost of \$808,468 and a carrying value of \$350,336 at June 30, 2010.

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

Year Ending June 30	Other Loans		Capital Leases	
	Principal	Interest	Principal	Interest
2011	\$ 713,000	\$ 99,862	\$ 252,930	\$ 18,591
2012	735,000	96,628	234,327	6,566
2013	758,000	93,293	28,245	157
2014	781,000	89,857	0	0
2015	805,000	86,315	0	0
2016-2020	4,416,000	374,471	0	0
2021-2025	5,145,000	267,894	0	0
2026-2030	5,995,000	143,704	0	0
2031-2033	4,061,000	18,229	0	0
Total	<u>\$ 23,409,000</u>	<u>\$ 1,270,253</u>	<u>\$ 515,502</u>	<u>\$ 25,314</u>

Future interest payments are based on the loan amounts outstanding and interest rates in effect at June 30, 2010, and do not necessarily represent the payments that will be required.

Activity for long-term debt for 2010 follows:

	Balance		Balance 6-30-10	Amounts Due Within One Year
	7-1-09	Reductions		
Other Loans	\$ 24,100,000	\$ (691,000)	\$ 23,409,000	\$ 713,000
Capital leases No. 1	225,539	(81,365)	144,174	85,755
Capital leases No. 2	531,606	(160,278)	371,328	167,175
Total Long-term Debt	<u>\$ 24,857,145</u>	<u>\$ (932,643)</u>	<u>\$ 23,924,502</u>	<u>\$ 965,930</u>

#### **I. Accrued Leave**

Medical center employees are paid for vacation and absences due to sickness by a prescribed formula based on length of service. The costs of these compensated absences are accrued as earned. The accumulated vacation and sick leave benefits totaled \$257,340 for 2010 and are included with accrued payroll in current liabilities.

#### **J. Charity Care**

The amount of charges forgone for services and supplies furnished under the medical center's charity care policy during the year ended June 30, 2010, was \$417,907.

**K. Pension Plans**

Effective January 1, 1990, Rhea County government and related entities including the medical center, joined the Tennessee Consolidated Retirement System (TCRS), a multiple-employer Public Employee Retirement System. All full-time personnel employed at January 1, 1990, are required to participate in the TCRS. The medical center contributes the employer's share of pension contributions of three percent, and the employees are required to contribute five percent of their salaries to the plan. Past service costs as of January 1, 1990, were required to be funded upon entering the plan. The medical center has chosen to amortize these costs over a 30-year period by increasing its contribution rate, which is currently 8.72 percent. Contributions by the medical center totaled \$513,569 in 2010. Information in regard to funding status, contribution requirements, and trends appears in the financial statements of Rhea County and cannot be separately identified for the medical center.

**L. Net Working Capital**

Net working capital at June 30, 2010, was \$9,512,816.

**M. Designated Net Assets**

Net assets reported in 2010 include \$241,538, which has been designated by the medical center's Board of Trustees for capital acquisitions. Designated funds remain under the control of the Board of Trustees, which may, at its discretion, later use the funds for other purposes.

**N. Commitments and Contingencies**

**1. Operating Leases**

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

Rental expense included in operations totaled \$174,893 in 2010.

The medical center leases space to physicians and others under leases with various terms. Total rental income for all operating leases was \$501,493 for 2010.

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

Cost	\$ 3,985,190
Accumulated Depreciation	<u>(3,037,603)</u>
Net Book Value	<u>\$ 947,587</u>

Minimum future rentals to be received on leases, which are cancelable upon 90 days written notice, as of June 30, 2010, for each of the next two years, are as follows:

Year Ending	
<u>June 30</u>	
2011	\$ 348,000
2012	<u>348,000</u>
Total Mimimum Future Rentals	<u>\$ 696,000</u>

**2. Professional Liability Insurance**

The medical center is insured for professional liability under a claims-made policy with an independent insurance carrier. The policy covers all claims reported to the carrier during the coverage period. Premiums are determined by a variety of factors related to the medical center.

**3. Management Agreement**

A management agreement between the medical center and Quorum Health Resources, Inc., (Quorum) was signed on April 24, 2009, with effective dates of March 1, 2009, through February 28, 2016. The annual fee of \$266,917 for the contract year beginning March 1, 2009, increases annually by a factor equal to the lower of five percent or the percentage increase in the Consumer Price Index, and is payable in equal monthly installments. Management services in addition to the fixed fee services are provided by Quorum as needed at varying rates. The total management fees paid to Quorum were \$271,332 in 2010.

The management services provided pursuant to the fixed fee include budget assistance, accounting supervision, human resources consultations, and access to a Quorum sponsored volume purchasing program. Certain administrative fees may be paid to Quorum by outside vendors that sell goods and services to the medical center. The administrative fee payable to Quorum by these outside vendors is equal to three percent or less of the purchase price of the goods or services purchased from the vendor by the medical center. The contract provides that these fees shall be disclosed to the medical center annually in writing.

Quorum also provides certain key personnel to the medical center who are Quorum employees. The medical center reimburses Quorum for the costs and expenses (including but not limited to salaries, taxes, fringe benefits, and business expenses) of providing these key personnel as invoiced by Quorum. These reimbursements are in addition to the fixed annual management fee described above. The amount paid to Quorum for these expenses was \$379,652 for 2010.

**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, 2010, was as follows:

	<u>6-30-10</u>
Medicare	26%
Medicaid/TennCare	8
Blue Cross	10
Commercial	12
Private Pay	<u>44</u>
Total	<u><u>100%</u></u>

**P. Sale of Nursing Home Business**

On July 1, 2009, the medical center sold the nursing home business, including equipment and the license with the Tennessee Department of Health. The transaction resulted in a net gain on sale of \$1,308,815. The medical center transferred \$500,000 of the proceeds to the county. The purchaser is renting space in the original medical center until they build a replacement.

**Q. Subsequent Events**

The medical center noted no transactions that would provide evidence about material conditions that did not exist at the balance sheet date but arose subsequently.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit F-1

Rhea County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
General Fund  
For the Year Ended June 30, 2010

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 5,847,999	\$ 0	\$ 5,847,999	\$ 5,616,816	\$ 5,619,311	\$ 228,688
Licenses and Permits	67,343	0	67,343	24,256	24,256	43,087
Fines, Forfeitures, and Penalties	255,408	0	255,408	232,705	235,639	19,769
Charges for Current Services	49,377	0	49,377	51,600	51,600	(2,223)
Other Local Revenues	826,545	0	826,545	747,700	786,416	40,129
Fees Received from County Officials	762,043	0	762,043	1,132,411	775,000	(12,957)
State of Tennessee	662,694	0	662,694	320,852	671,882	(9,188)
Federal Government	266,552	0	266,552	0	219,330	47,222
Other Governments and Citizens Groups	177,798	0	177,798	189,473	189,473	(11,675)
Total Revenues	\$ 8,915,759	\$ 0	\$ 8,915,759	\$ 8,315,813	\$ 8,572,907	\$ 342,852
<u>Expenditures</u>						
General Government						
County Commission	\$ 95,757	\$ 0	\$ 95,757	\$ 117,274	\$ 124,192	\$ 28,435
Board of Equalization	3,660	0	3,660	2,260	3,661	1
Other Boards and Committees	2,130	0	2,130	4,341	4,341	2,211
County Mayor/Executive	124,560	0	124,560	129,243	129,434	4,874
County Attorney	30,071	0	30,071	25,000	33,000	2,929
Election Commission	182,424	0	182,424	184,728	192,924	10,500
Register of Deeds	167,228	0	167,228	178,029	175,396	8,168
Planning	9,250	0	9,250	11,563	11,563	2,313
County Buildings	724,372	0	724,372	720,566	787,896	63,524
<u>Finance</u>						
Accounting and Budgeting	533,230	0	533,230	539,750	539,779	6,549
Property Assessor's Office	241,518	0	241,518	261,564	247,589	6,071

(Continued)

Exhibit F-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Finance (Cont.)</u>						
County Trustee's Office	\$ 37,743	\$ 0	\$ 37,743	\$ 180,395	\$ 40,400	\$ 2,657
County Clerk's Office	61,837	0	61,837	300,881	65,636	3,799
<u>Administration of Justice</u>						
Circuit Court	287,000	0	287,000	281,239	290,036	3,036
General Sessions Court	167,335	0	167,335	194,097	176,099	8,764
General Sessions Judge	305,698	(1,350)	304,348	296,806	306,218	1,870
Drug Court	12,320	0	12,320	12,950	12,950	630
Chancery Court	248,831	0	248,831	252,011	250,844	2,013
<u>Public Safety</u>						
Sheriff's Department	1,998,716	0	1,998,716	1,959,580	2,045,591	46,875
Administration of the Sexual Offender Registry	5,263	0	5,263	4,000	7,500	2,237
Jail	898,451	0	898,451	917,288	944,136	45,685
Juvenile Services	194,343	0	194,343	196,743	197,934	3,591
Fire Prevention and Control	188,904	(3,261)	185,643	187,976	219,314	33,671
Civil Defense	257,825	0	257,825	35	291,919	34,094
Rescue Squad	29,842	0	29,842	31,000	31,000	1,158
County Coroner/Medical Examiner	48,685	0	48,685	30,000	56,700	8,015
Public Safety Grant Programs	8,399	0	8,399	0	31,815	23,416
Other Public Safety	590,811	0	590,811	634,751	634,751	43,940
<u>Public Health and Welfare</u>						
Local Health Center	220,061	0	220,061	88,241	324,642	104,581
Rabies and Animal Control	1,342	0	1,342	0	4,500	3,158
Ambulance/Emergency Medical Services	1,770	0	1,770	2,000	2,000	230
Crippled Children Services	2,072	0	2,072	2,072	2,072	0

(Continued)

Exhibit F-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Public Health and Welfare (Cont.)</u>						
Other Public Health and Welfare	\$ 4,298	\$ 0	\$ 4,298	\$ 0	\$ 19,331	\$ 15,033
<u>Agriculture and Natural Resources</u>						
Agriculture Extension Service	105,967	0	105,967	113,936	113,936	7,969
Soil Conservation	88,063	0	88,063	91,043	91,043	2,980
<u>Other Operations</u>						
Other Economic and Community Development	94,137	0	94,137	92,748	96,876	2,739
Veterans' Services	93,943	0	93,943	97,241	97,241	3,298
Other Charges	130,034	0	130,034	140,910	140,910	10,876
Contributions to Other Agencies	67,700	0	67,700	65,200	67,700	0
Employee Benefits	30,767	0	30,767	30,867	30,867	100
Total Expenditures	\$ 8,296,357	\$ (4,611)	\$ 8,291,746	\$ 8,378,328	\$ 8,843,736	\$ 551,990
Excess (Deficiency) of Revenues Over Expenditures	\$ 619,402	\$ 4,611	\$ 624,013	\$ (62,515)	\$ (270,829)	\$ 894,842
Net Change in Fund Balance Fund Balance, July 1, 2009	\$ 619,402	\$ 4,611	\$ 624,013	\$ (62,515)	\$ (270,829)	\$ 894,842
	1,641,501	(4,611)	1,636,890	1,656,155	1,656,155	(19,265)
Fund Balance, June 30, 2010	\$ 2,260,903	\$ 0	\$ 2,260,903	\$ 1,593,640	\$ 1,385,326	\$ 875,577

Exhibit F-2

Rhea County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Solid Waste/Sanitation Fund  
For the Year Ended June 30, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 169,903	\$ 145,000	\$ 145,000	\$ 24,903
Other Local Revenues	16,529	17,189	17,189	(660)
State of Tennessee	45,185	0	48,266	(3,081)
Other Governments and Citizens Groups	6,838	0	8,000	(1,162)
Total Revenues	<u>\$ 238,455</u>	<u>\$ 162,189</u>	<u>\$ 218,455</u>	<u>\$ 20,000</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Waste Pickup	\$ 527,728	\$ 541,307	\$ 615,931	\$ 88,203
<u>Other Operations</u>				
Other Charges	2,022	3,700	3,700	1,678
Employee Benefits	4,325	4,325	4,325	0
Total Expenditures	<u>\$ 534,075</u>	<u>\$ 549,332</u>	<u>\$ 623,956</u>	<u>\$ 89,881</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (295,620)</u>	<u>\$ (387,143)</u>	<u>\$ (405,501)</u>	<u>\$ 109,881</u>
Net Change in Fund Balance	\$ (295,620)	\$ (387,143)	\$ (405,501)	\$ 109,881
Fund Balance, July 1, 2009	1,195,009	1,179,109	1,179,109	15,900
Fund Balance, June 30, 2010	<u>\$ 899,389</u>	<u>\$ 791,966</u>	<u>\$ 773,608</u>	<u>\$ 125,781</u>

Exhibit F-3

Rhea County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Highway/Public Works Fund  
For the Year Ended June 30, 2010

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
<u>Revenues</u>						
Local Taxes	\$ 61,404	0	\$ 61,404	\$ 92,000	\$ 92,000	\$ (30,596)
Other Local Revenues	34,459	0	34,459	4,000	28,564	5,895
State of Tennessee	1,764,267	0	1,764,267	1,828,673	1,828,673	(64,406)
Federal Government	79,824	0	79,824	0	0	79,824
<u>Total Revenues</u>	<u>\$ 1,939,954</u>	<u>0</u>	<u>\$ 1,939,954</u>	<u>\$ 1,924,673</u>	<u>\$ 1,949,237</u>	<u>\$ (9,283)</u>
<u>Expenditures</u>						
<u>Highways</u>						
Administration	\$ 204,269	0	204,269	201,088	211,058	6,789
Highway and Bridge Maintenance	860,174	(22,082)	838,092	813,861	889,331	51,239
Operation and Maintenance of Equipment	210,251	0	210,251	228,059	238,837	28,586
Other Charges	62,899	0	62,899	65,487	65,487	2,588
Employee Benefits	153,055	0	153,055	169,860	159,860	6,805
Capital Outlay	374,519	(63,779)	310,740	388,291	364,107	53,367
<u>Principal on Debt</u>						
Highways and Streets	31,477	0	31,477	0	34,882	3,405
<u>Interest on Debt</u>						
Highways and Streets	768	0	768	0	919	151
<u>Total Expenditures</u>	<u>\$ 1,897,412</u>	<u>\$ (85,861)</u>	<u>\$ 1,811,551</u>	<u>\$ 1,866,646</u>	<u>\$ 1,964,481</u>	<u>\$ 152,930</u>
<u>Excess (Deficiency) of Revenues</u> <u>Over Expenditures</u>	<u>\$ 42,542</u>	<u>\$ 85,861</u>	<u>\$ 128,403</u>	<u>\$ 58,027</u>	<u>\$ (15,244)</u>	<u>\$ 143,647</u>
<u>Net Change in Fund Balance</u> <u>Fund Balance, July 1, 2009</u>	<u>\$ 42,542</u>	<u>\$ 85,861</u>	<u>\$ 128,403</u>	<u>\$ 58,027</u>	<u>\$ (15,244)</u>	<u>\$ 143,647</u>
<u>Fund Balance, June 30, 2010</u>	<u>\$ 327,236</u>	<u>\$ (85,861)</u>	<u>\$ 241,375</u>	<u>\$ 407,061</u>	<u>\$ 407,061</u>	<u>\$ (165,686)</u>
<u>Fund Balance, June 30, 2010</u>	<u>\$ 369,778</u>	<u>\$ 0</u>	<u>\$ 369,778</u>	<u>\$ 465,088</u>	<u>\$ 391,817</u>	<u>\$ (22,039)</u>

Exhibit F-4

Rhea County, Tennessee  
Schedule of Funding Progress – Pension Plan  
Primary Government and Discretely Presented Rhea County School Department  
June 30, 2010

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7-1-09	\$ 30,045	\$ 35,506	\$ 5,461	84.62 %	\$ 14,653	37.27 %
7-1-07	27,416	31,798	4,382	86.22	13,595	32.23

The Governmental Accounting Standards Board requires the plan to prepare the Schedule of Funding Progress using the frozen entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the frozen entry age actuarial cost method was a change made during the 2007 actuarial valuation; therefore, only the two most recent valuations are presented.

Exhibit F-5

Rhea County, Tennessee  
Schedule of Funding Progress – Other Postemployment Benefits Plans  
Primary Government and Discretely Presented Rhea County School Department  
June 30, 2010

(Dollar amounts in thousands)

Plans	Actuarial Valuation Date*	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Local Government Group	7-1-07	\$ 0	\$ 274	\$ 274	0	\$ 4,756	5.76 %
"	7-1-09	0	438	438	0	5,360	8.17
Local Education Group	7-1-07	0	3,338	3,338	0	15,859	21
"	7-1-09	0	2,197	2,197	0	18,413	11.9

\* Data for three actuarial valuations will be presented when available.

**RHEA COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2010**

**BUDGETARY INFORMATION**

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

The budgetary level of control is at the major category level established by the 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, County Mayor/Executive, County Attorney, etc.). Management may make revisions within major categories, but only the County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

The county's budgetary basis of accounting is consistent with generally accepted accounting principles (GAAP), except instances in which encumbrances are treated as budgeted expenditures. The difference between the budgetary basis and the GAAP basis is presented on the face of each budgetary schedule.

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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

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

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

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

## Capital Projects Funds

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

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Community Development/Industrial Park Fund – The Community Development/Industrial Park Fund is used to account for community development projects. This fund was closed during the period.

HUD Grant Projects Fund – The HUD Grant Projects Fund is used to account for Housing and Urban Development projects.

Exhibit G-1

Rhea County, Tennessee  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2010

	Special Revenue Funds				Capital Projects Fund		Total Nonmajor Governmental Funds
	Drug Control	District Attorney General	Constitutional Officers - Fees	Total	HUD Grant Projects		
\$	0	0	94,539	94,539	0	0	94,539
	62,425	29,163	0	91,588	28,850	0	120,438
	0	0	72	72	0	0	72
	803	218	0	1,021	13,399	0	14,420
\$	63,228	29,381	94,611	187,220	42,249	0	229,469

ASSETS

Cash	
Equity in Pooled Cash and Investments	
Accounts Receivable	
Due from Other Governments	
Total Assets	

LIABILITIES AND FUND BALANCES

<u>Liabilities</u>			
Accounts Payable	338	0	338
Due to Other Funds	0	200	200
Due to Litigants, Heirs, and Others	3,669	0	3,669
Total Liabilities	4,007	200	4,207
<u>Fund Balances</u>			
Unreserved	59,221	29,381	183,013
Total Fund Balances	59,221	29,381	183,013
Total Liabilities and Fund Balances	63,228	29,381	187,220

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, 2010

	Special Revenue Funds			Capital Projects Funds			Total Nonmajor Governmental Funds
	Drug Control	District Attorney General	Constitu- tional Officers - Fees	Total	Community Development/ Industrial Park	HUD Grant Projects	
<b>Revenues</b>							
Fines, Forfeitures, and Penalties	\$ 46,716	\$ 17,730	\$ 0	\$ 64,446	\$ 0	\$ 0	\$ 64,446
Charges for Current Services	0	0	381,651	381,651	0	0	381,651
Other Local Revenues	2,169	0	0	2,169	0	0	2,169
Federal Government	0	0	0	0	444,552	444,552	444,552
Other Governments and Citizens Groups	2,114	0	0	2,114	0	0	2,114
<b>Total Revenues</b>	<b>\$ 50,999</b>	<b>\$ 17,730</b>	<b>\$ 381,651</b>	<b>\$ 450,380</b>	<b>\$ 0</b>	<b>\$ 444,552</b>	<b>\$ 894,932</b>
<b>Expenditures</b>							
Current:							
Finance	\$ 0	\$ 0	\$ 378,162	\$ 378,162	\$ 0	\$ 0	\$ 378,162
Administration of Justice	0	19,434	189	19,623	0	0	19,623
Public Safety	58,595	0	32	58,627	0	0	58,627
Other Operations	0	187	0	187	120,454	402,303	522,944
<b>Total Expenditures</b>	<b>\$ 58,595</b>	<b>\$ 19,621</b>	<b>\$ 378,383</b>	<b>\$ 456,599</b>	<b>\$ 120,454</b>	<b>\$ 402,303</b>	<b>\$ 979,356</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (7,596)	\$ (1,891)	\$ 3,268	\$ (6,219)	\$ (120,454)	\$ 42,249	\$ (84,424)
Net Change in Fund Balances Fund Balance, July 1, 2009	\$ (7,596)	\$ (1,891)	\$ 3,268	\$ (6,219)	\$ (120,454)	\$ 42,249	\$ (84,424)
	66,817	31,272	91,143	189,232	120,454	0	309,686
Fund Balance, June 30, 2010	\$ 59,221	\$ 29,381	\$ 94,411	\$ 183,013	\$ 0	\$ 42,249	\$ 225,262

Exhibit G-3

Rhea County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Drug Control Fund  
For the Year Ended June 30, 2010

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Fines, Forfeitures, and Penalties	\$ 46,716 \$	0 \$	46,716 \$	24,195 \$	24,195 \$	22,521
Other Local Revenues	2,169	0	2,169	1,316	1,316	853
Other Governments and Citizens Groups	2,114	0	2,114	944	944	1,170
Total Revenues	\$ 50,999 \$	0 \$	50,999 \$	26,455 \$	26,455 \$	24,544
<u>Expenditures</u>						
<u>Public Safety</u>						
Drug Enforcement	\$ 58,595 \$	(1,184) \$	57,411 \$	89,994 \$	91,594 \$	34,183
Total Expenditures	\$ 58,595 \$	(1,184) \$	57,411 \$	89,994 \$	91,594 \$	34,183
Excess (Deficiency) of Revenues Over Expenditures	\$ (7,596) \$	1,184 \$	(6,412) \$	(63,539) \$	(65,139) \$	58,727
Net Change in Fund Balance Fund Balance, July 1, 2009	\$ (7,596) \$	1,184 \$	(6,412) \$	(63,539) \$	(65,139) \$	58,727
	66,817	(1,184)	65,633	66,817	66,817	(1,184)
Fund Balance, June 30, 2010	\$ 59,221 \$	0 \$	59,221 \$	3,278 \$	1,678 \$	57,543

Exhibit G-4

Rhea County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
District Attorney General Fund  
For the Year Ended June 30, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 17,730	\$ 0	\$ 17,500	\$ 230
Total Revenues	\$ 17,730	\$ 0	\$ 17,500	\$ 230
<u>Expenditures</u>				
<u>Administration of Justice</u>				
District Attorney General	\$ 19,434	\$ 0	\$ 22,300	\$ 2,866
<u>Other Operations</u>				
Other Charges	187	0	200	13
Total Expenditures	\$ 19,621	\$ 0	\$ 22,500	\$ 2,879
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,891)	\$ 0	\$ (5,000)	\$ 3,109
Net Change in Fund Balance	\$ (1,891)	\$ 0	\$ (5,000)	\$ 3,109
Fund Balance, July 1, 2009	31,272	0	31,300	(28)
Fund Balance, June 30, 2010	\$ 29,381	\$ 0	\$ 26,300	\$ 3,081

# Major Governmental Fund

## Debt Service Fund

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The General Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

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Exhibit H

Rhea County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Debt Service Fund  
For the Year Ended June 30, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,254,065	\$ 1,185,564	\$ 1,185,564	\$ 68,501
Other Local Revenues	88,606	75,000	93,779	(5,173)
State of Tennessee	270,522	270,522	455,964	(185,442)
Other Governments and Citizens Groups	722,858	594,883	554,846	168,012
Total Revenues	<u>\$ 2,336,051</u>	<u>\$ 2,125,969</u>	<u>\$ 2,290,153</u>	<u>\$ 45,898</u>
<u>Expenditures</u>				
<u>Other Operations</u>				
Other Charges	\$ 2,227	\$ 2,208	\$ 2,228	\$ 1
<u>Principal on Debt</u>				
General Government	38,000	128,557	38,000	0
Education	1,703,440	1,535,307	1,703,441	1
<u>Interest on Debt</u>				
General Government	12,786	30,399	24,173	11,387
Education	531,363	533,282	531,368	5
<u>Other Debt Service</u>				
General Government	28,218	21,835	28,859	641
Education	2,039	2,571	2,571	532
Total Expenditures	<u>\$ 2,318,073</u>	<u>\$ 2,254,159</u>	<u>\$ 2,330,640</u>	<u>\$ 12,567</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 17,978</u>	<u>\$ (128,190)</u>	<u>\$ (40,487)</u>	<u>\$ 58,465</u>
Net Change in Fund Balance	\$ 17,978	\$ (128,190)	\$ (40,487)	\$ 58,465
Fund Balance, July 1, 2009	<u>270,631</u>	<u>136,959</u>	<u>136,959</u>	<u>133,672</u>
Fund Balance, June 30, 2010	<u>\$ 288,609</u>	<u>\$ 8,769</u>	<u>\$ 96,472</u>	<u>\$ 192,137</u>

# Fiduciary Funds

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

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

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

Constitutional Officers - Agency Fund – The Constitutional Officers - Agency Fund is used to account for amounts collected in an agency capacity by the county clerk, circuit and general sessions courts clerk, clerk and master, register, and sheriff. Such collections include amounts due the state, cities, other county funds, litigants, heirs, and others.

Exhibit I-1

Rhea County, Tennessee  
Combining Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2010

	<u>Agency Funds</u>			
	Cities - Sales Tax	City School ADA - Dayton	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 1,359,568	\$ 1,359,568
Equity in Pooled Cash and Investments	0	47,069	0	47,069
Due from Other Governments	483,751	84,713	0	568,464
Taxes Receivable	0	342,426	0	342,426
Allowance for Uncollectible Taxes	0	(16,792)	0	(16,792)
Total Assets	<u>\$ 483,751</u>	<u>\$ 457,416</u>	<u>\$ 1,359,568</u>	<u>\$ 2,300,735</u>
<u>LIABILITIES</u>				
Due to Other Taxing Units	\$ 483,751	\$ 457,416	\$ 0	\$ 941,167
Due to Litigants, Heirs, and Others	0	0	1,359,568	1,359,568
Total Liabilities	<u>\$ 483,751</u>	<u>\$ 457,416</u>	<u>\$ 1,359,568</u>	<u>\$ 2,300,735</u>

## Exhibit I-2

Rhea County, Tennessee  
Combining Statement of Changes in Assets and Liabilities - All Agency Funds  
For the Year Ended June 30, 2010

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 2,681,131	\$ 2,681,131	\$ 0
Due from Other Governments	452,597	483,751	452,597	483,751
Total Assets	\$ 452,597	\$ 3,164,882	\$ 3,133,728	\$ 483,751
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 452,597	\$ 3,164,882	\$ 3,133,728	\$ 483,751
Total Liabilities	\$ 452,597	\$ 3,164,882	\$ 3,133,728	\$ 483,751
<u>City School ADA - Dayton Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 42,969	\$ 799,053	\$ 794,953	\$ 47,069
Due from Other Governments	78,457	84,713	78,457	84,713
Taxes Receivable	335,572	342,426	335,572	342,426
Allowance for Uncollectible Taxes	(16,044)	(16,792)	(16,044)	(16,792)
Total Assets	\$ 440,954	\$ 1,209,400	\$ 1,192,938	\$ 457,416
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 440,954	\$ 1,209,400	\$ 1,192,938	\$ 457,416
Total Liabilities	\$ 440,954	\$ 1,209,400	\$ 1,192,938	\$ 457,416
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 1,381,494	\$ 5,804,666	\$ 5,826,592	\$ 1,359,568
Total Assets	\$ 1,381,494	\$ 5,804,666	\$ 5,826,592	\$ 1,359,568
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 1,381,494	\$ 5,804,666	\$ 5,826,592	\$ 1,359,568
Total Liabilities	\$ 1,381,494	\$ 5,804,666	\$ 5,826,592	\$ 1,359,568
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 1,381,494	\$ 5,804,666	\$ 5,826,592	\$ 1,359,568
Equity in Pooled Cash and Investments	42,969	3,480,184	3,476,084	47,069
Due from Other Governments	531,054	568,465	531,054	568,464
Taxes Receivable	335,572	342,426	335,572	342,426
Allowance for Uncollectible Taxes	(16,044)	(16,792)	(16,044)	(16,792)
Total Assets	\$ 2,275,045	\$ 10,178,949	\$ 10,153,258	\$ 2,300,735
<u>Totals - All Agency Funds</u>				
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 893,551	\$ 4,374,283	\$ 4,326,666	\$ 941,167
Due to Litigants, Heirs, and Others	1,381,494	5,804,666	5,826,592	1,359,568
Total Liabilities	\$ 2,275,045	\$ 10,178,949	\$ 10,153,258	\$ 2,300,735

# Rhea County School Department

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

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

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

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

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

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

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

Exhibit J-1

Rhea County, Tennessee  
Statement of Activities  
Discretely Presented Rhea County School Department  
For the Year Ended June 30, 2010

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 18,913,578	\$ 78,213	\$ 2,431,329	\$ (16,404,036)
Support Services	10,633,838	56,935	143,492	(10,433,411)
Operation of Non-Instructional Services	2,530,979	681,788	1,902,688	53,497
Other Debt Service	722,858	0	0	(722,858)
Total Governmental Activities	\$ 32,801,253	\$ 816,936	\$ 4,477,509	\$ (27,506,808)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 3,436,187
Local Option Sales Taxes				2,871,648
Other Local Taxes				2,109
Grants and Contributions Not Restricted to Specific Programs				21,823,196
Unrestricted Investment Earnings				11,391
Miscellaneous				65,435
Total General Revenues				\$ 28,209,966
Change in Net Assets				\$ 703,158
Prior-period Adjustment				459,123
Net Assets, July 1, 2009				33,283,293
Net Assets, June 30, 2010				\$ 34,445,574

Exhibit J-2

Rhea County, Tennessee  
 Balance Sheet - Governmental Funds  
 Discretely Presented Rhea County School Department  
 June 30, 2010

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General Purpose School	School Federal Projects	School Transportation	Other Governmental Funds	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 2,492	\$ 2,492
Equity in Pooled Cash and Investments	2,879,182	43,667	560,072	1,508,388	4,991,309
Accounts Receivable	129	0	537	67	733
Due from Other Governments	642,213	57,206	1,123	109,901	810,443
Due from Primary Government	7,478	0	5	0	7,483
Property Taxes Receivable	2,011,015	0	1,586,015	0	3,597,030
Allowance for Uncollectible Property Taxes	(99,191)	0	(78,163)	0	(177,354)
<b>Total Assets</b>	<b>\$ 5,440,826</b>	<b>\$ 100,873</b>	<b>\$ 2,069,589</b>	<b>\$ 1,620,848</b>	<b>\$ 9,232,136</b>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 651	\$ 1,060	\$ 1,839	\$ 0	\$ 3,550
Accrued Payroll	3,847	0	0	0	3,847
Payroll Deductions Payable	551,175	72,025	13,915	12,358	649,473
Due to Primary Government	3,075	0	2,693	0	5,768
Due to State of Tennessee	0	758	0	0	758
Deferred Revenue - Current Property Taxes	1,815,939	0	1,432,374	0	3,248,313
Deferred Revenue - Delinquent Property Taxes	87,885	0	68,478	0	156,363
Other Deferred Revenues	209,383	0	0	56,000	265,383
<b>Total Liabilities</b>	<b>\$ 2,671,955</b>	<b>\$ 73,843</b>	<b>\$ 1,519,299</b>	<b>\$ 68,358</b>	<b>\$ 4,333,455</b>
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 30,801	\$ 0	\$ 0	\$ 5,206	\$ 36,007
Reserved for Career Ladder - Extended Contract	1,373	0	0	0	1,373
Reserved for Career Ladder Program	3,961	0	0	0	3,961
Reserved for Technology	39,926	0	0	0	39,926
Other Federal Reserves	0	27,030	0	0	27,030
Unreserved, Reported In:					
General Fund	2,692,810	0	0	0	2,692,810
Special Revenue Funds	0	0	550,290	689,091	1,239,381
Capital Projects Funds	0	0	0	858,193	858,193
<b>Total Fund Balances</b>	<b>\$ 2,768,871</b>	<b>\$ 27,030</b>	<b>\$ 550,290</b>	<b>\$ 1,552,490</b>	<b>\$ 4,898,681</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,440,826</b>	<b>\$ 100,873</b>	<b>\$ 2,069,589</b>	<b>\$ 1,620,848</b>	<b>\$ 9,232,136</b>

Exhibit J-3

Rhea County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets  
Discretely Presented Rhea County School Department  
June 30, 2010

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

Total fund balances - balance sheet - governmental funds (Exhibit J-2)		\$	4,898,681
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	939,515	
Add: buildings and improvements net of accumulated depreciation		27,488,492	
Add: other capital assets net of accumulated depreciation		<u>1,584,112</u>	30,012,119
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: compensated absences payable	\$	(498,759)	
Less: other postemployment benefits liability		<u>(388,213)</u>	(886,972)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>421,746</u>
Net assets of governmental activities (Exhibit A)			<u><u>\$ 34,445,574</u></u>

Exhibit J-4

Rhea County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Governmental Funds  
Discretely Presented Rhea County School Department  
For the Year Ended June 30, 2010

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General Purpose School	School Federal Projects	School Transpor- tation	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 4,198,435	\$ 0	\$ 1,529,210	\$ 599,982	\$ 6,327,627
Licenses and Permits	1,877	0	0	0	1,877
Charges for Current Services	41,377	0	0	681,788	723,165
Other Local Revenues	121,141	0	57,927	13,548	192,616
State of Tennessee	20,940,001	0	0	328,249	21,268,250
Federal Government	258,892	3,171,366	0	1,509,749	4,940,007
Total Revenues	<u>\$ 25,561,723</u>	<u>\$ 3,171,366</u>	<u>\$ 1,587,137</u>	<u>\$ 3,133,316</u>	<u>\$ 33,453,542</u>
<u>Expenditures</u>					
Current:					
Instruction	\$ 16,075,111	\$ 2,483,667	\$ 0	\$ 0	\$ 18,558,778
Support Services	8,000,481	769,204	1,416,312	0	10,185,997
Operation of Non-Instructional Services	377,709	0	0	2,148,355	2,526,064
Capital Outlay	78,311	0	0	341,537	419,848
Debt Service:					
Other Debt Service	525,610	0	51,844	145,404	722,858
Total Expenditures	<u>\$ 25,057,222</u>	<u>\$ 3,252,871</u>	<u>\$ 1,468,156</u>	<u>\$ 2,635,296</u>	<u>\$ 32,413,545</u>
Excess (Deficiency) of Revenues Over Expenditures					
	<u>\$ 504,501</u>	<u>\$ (81,505)</u>	<u>\$ 118,981</u>	<u>\$ 498,020</u>	<u>\$ 1,039,997</u>
<u>Other Financing Sources (Uses)</u>					
Proceeds from Sale of Capital Assets	\$ 0	\$ 0	\$ 8,232	\$ 0	\$ 8,232
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 8,232</u>	<u>\$ 0</u>	<u>\$ 8,232</u>
Net Change in Fund Balances					
Fund Balance, July 1, 2009	<u>\$ 2,264,370</u>	<u>\$ 108,535</u>	<u>\$ 423,077</u>	<u>\$ 1,054,470</u>	<u>\$ 3,850,452</u>
Fund Balance, June 30, 2010	<u>\$ 2,768,871</u>	<u>\$ 27,030</u>	<u>\$ 550,290</u>	<u>\$ 1,552,490</u>	<u>\$ 4,898,681</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, 2010

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

Net change in fund balances - total governmental funds (Exhibit J-4)		\$ 1,048,229
(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	\$ 295,944	
Less: current-year depreciation expense	<u>(725,069)</u>	(429,125)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.		
Less: proceeds for the disposal of capital assets	\$ (8,232)	
Less: loss on disposal of capital assets	<u>(11,230)</u>	(19,462)
(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, 2010	\$ 421,746	
Less: deferred delinquent property taxes and other deferred June 30, 2009	<u>(379,109)</u>	42,637
(4) 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	\$ 41,852	
Change in other postemployment benefits liability	<u>19,027</u>	<u>60,879</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 703,158</u>

Exhibit J-6

Rhea County, Tennessee  
Combining Balance Sheet - Nonmajor Governmental Funds  
Discretely Presented Rhea County School Department  
June 30, 2010

	Special Revenue Fund	Capital Projects Fund	Total
	Central Cafeteria	Education Capital Projects	Nonmajor Governmental Funds
<u>ASSETS</u>			
Cash	\$ 2,492	\$ 0	\$ 2,492
Equity in Pooled Cash and Investments	702,591	805,797	1,508,388
Accounts Receivable	67	0	67
Due from Other Governments	1,505	108,396	109,901
Total Assets	<u>\$ 706,655</u>	<u>\$ 914,193</u>	<u>\$ 1,620,848</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Payroll Deductions Payable	\$ 12,358	\$ 0	\$ 12,358
Other Deferred Revenues	0	56,000	56,000
Total Liabilities	<u>\$ 12,358</u>	<u>\$ 56,000</u>	<u>\$ 68,358</u>
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 5,206	\$ 0	\$ 5,206
Unreserved	689,091	858,193	1,547,284
Total Fund Balances	<u>\$ 694,297</u>	<u>\$ 858,193</u>	<u>\$ 1,552,490</u>
Total Liabilities and Fund Balances	<u>\$ 706,655</u>	<u>\$ 914,193</u>	<u>\$ 1,620,848</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, 2010

	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Central Cafeteria	Education Capital Projects	
<u>Revenues</u>			
Local Taxes	\$ 0	\$ 599,982	\$ 599,982
Charges for Current Services	681,788	0	681,788
Other Local Revenues	5,575	7,973	13,548
State of Tennessee	19,837	308,412	328,249
Federal Government	1,509,749	0	1,509,749
Total Revenues	<u>\$ 2,216,949</u>	<u>\$ 916,367</u>	<u>\$ 3,133,316</u>
<u>Expenditures</u>			
Current:			
Operation of Non-Instructional Services	\$ 2,148,355	\$ 0	\$ 2,148,355
Capital Outlay	0	341,537	341,537
Debt Service:			
Other Debt Service	0	145,404	145,404
Total Expenditures	<u>\$ 2,148,355</u>	<u>\$ 486,941</u>	<u>\$ 2,635,296</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 68,594</u>	<u>\$ 429,426</u>	<u>\$ 498,020</u>
Net Change in Fund Balances	\$ 68,594	\$ 429,426	\$ 498,020
Fund Balance, July 1, 2009	625,703	428,767	1,054,470
Fund Balance, June 30, 2010	<u>\$ 694,297</u>	<u>\$ 858,193</u>	<u>\$ 1,552,490</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, 2010

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2009	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 4,198,435	\$ 0	\$ 0	\$ 4,198,435	\$ 4,020,815	\$ 4,020,815	\$ 177,620
Licenses and Permits	1,877	0	0	1,877	1,800	1,800	77
Charges for Current Services	41,377	0	0	41,377	13,000	13,000	28,377
Other Local Revenues	121,141	0	0	121,141	79,660	132,901	(11,760)
State of Tennessee	20,940,001	0	0	20,940,001	21,063,520	21,205,227	(265,226)
Federal Government	258,892	0	0	258,892	220,161	399,736	(140,844)
Other Governments and Citizens Groups	0	0	0	0	3,600	3,600	(3,600)
<b>Total Revenues</b>	<b>\$ 25,561,723</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 25,561,723</b>	<b>\$ 25,402,556</b>	<b>\$ 25,777,079</b>	<b>\$ (215,356)</b>
<u>Expenditures</u>							
<u>Other Operations</u>							
Contributions to Other Agencies	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,269	\$ 0	\$ 0
<u>Instruction</u>							
Regular Instruction Program	13,186,408	(935)	4,549	13,190,022	13,294,998	13,441,104	251,082
Special Education Program	2,082,476	(7,176)	0	2,075,300	2,160,112	2,172,058	96,758
Vocational Education Program	741,283	0	0	741,283	813,331	756,165	14,882
Adult Education Program	64,944	0	1,058	66,002	14,236	95,084	29,082
<u>Support Services</u>							
Attendance	85,260	0	0	85,260	85,859	87,593	2,333
Health Services	171,191	(1,998)	0	169,193	183,575	183,576	14,383
Other Student Support	1,603,448	(17,612)	4,626	1,590,462	1,727,985	1,839,125	248,663
Regular Instruction Program	354,057	0	13,292	367,349	373,176	384,776	17,427
Special Education Program	270,579	(444)	0	270,135	274,610	275,162	5,027
Vocational Education Program	1,155	0	0	1,155	0	1,200	45

(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 7/1/2009	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Adult Programs	\$ 105,052	\$ 0	\$ 0	\$ 105,052	\$ 16,840	\$ 129,975	\$ 24,923
Other Programs	238,904	0	0	238,904	135,714	246,368	7,464
Board of Education	287,619	0	0	287,619	334,217	365,483	77,864
Director of Schools	343,324	0	200	343,524	347,380	351,156	7,632
Office of the Principal	1,514,799	0	0	1,514,799	1,539,314	1,555,416	40,617
Operation of Plant	2,075,093	(10,775)	6,734	2,071,052	2,298,215	2,307,836	236,784
Maintenance of Plant	777,157	0	0	777,157	773,472	866,940	89,783
Transportation	172,843	0	0	172,843	24,992	180,365	7,522
<u>Operation of Non-Instructional Services</u>							
Early Childhood Education	377,709	(479)	342	377,572	0	387,416	9,844
Capital Outlay							
Regular Capital Outlay	78,311	0	0	78,311	543,851	78,311	0
Other Debt Service							
Education	525,610	0	0	525,610	0	543,851	18,241
Total Expenditures	\$ 25,057,222	\$ (39,419)	\$ 30,801	\$ 25,048,604	\$ 24,947,146	\$ 26,248,960	\$ 1,200,356
<u>Excess (Deficiency) of Revenues</u>							
Over Expenditures	\$ 504,501	\$ 39,419	\$ (30,801)	\$ 513,119	\$ 455,410	\$ (471,881)	\$ 985,000
Net Change in Fund Balance	\$ 504,501	\$ 39,419	\$ (30,801)	\$ 513,119	\$ 455,410	\$ (471,881)	\$ 985,000
Fund Balance, July 1, 2009	2,264,370	(39,419)	0	2,224,951	2,261,107	2,261,107	(36,156)
Fund Balance, June 30, 2010	\$ 2,768,871	\$ 0	\$ (30,801)	\$ 2,738,070	\$ 2,716,517	\$ 1,789,226	\$ 948,844

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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 3,171,366	\$ 2,374,098	\$ 4,340,736	\$ (1,169,370)
Total Revenues	\$ 3,171,366	\$ 2,374,098	\$ 4,340,736	\$ (1,169,370)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 1,207,997	\$ 128,862	\$ 1,287,095	\$ 79,098
Special Education Program	1,188,530	1,802,916	1,815,837	627,307
Vocational Education Program	87,140	80,000	87,904	764
<u>Support Services</u>				
Other Student Support	291,114	155,302	668,931	377,817
Regular Instruction Program	299,169	78,360	366,186	67,017
Special Education Program	25,203	54,324	47,046	21,843
Vocational Education Program	169	1,132	169	0
Transportation	153,549	181,738	176,104	22,555
Total Expenditures	\$ 3,252,871	\$ 2,482,634	\$ 4,449,272	\$ 1,196,401
Excess (Deficiency) of Revenues Over Expenditures	\$ (81,505)	\$ (108,536)	\$ (108,536)	\$ 27,031
Net Change in Fund Balance	\$ (81,505)	\$ (108,536)	\$ (108,536)	\$ 27,031
Fund Balance, July 1, 2009	108,535	108,536	108,536	(1)
Fund Balance, June 30, 2010	\$ 27,030	\$ 0	\$ 0	\$ 27,030

Exhibit J-10

Rhea County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Discretely Presented Rhea County School Department  
Central Cafeteria Fund  
For the Year Ended June 30, 2010

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Charges for Current Services	\$ 681,788	\$ 0	\$ 681,788	\$ 758,320	\$ 758,320	\$ (76,532)
Other Local Revenues	5,575	0	5,575	3,000	3,000	2,575
State of Tennessee	19,837	0	19,837	20,000	20,000	(163)
Federal Government	1,509,749	0	1,509,749	1,266,400	1,440,915	68,834
Total Revenues	\$ 2,216,949	\$ 0	\$ 2,216,949	\$ 2,047,720	\$ 2,222,235	\$ (5,286)
<u>Expenditures</u>						
<u>Operation of Non-Instructional Services</u>						
Food Service	\$ 2,148,355	\$ 5,206	\$ 2,153,561	\$ 2,037,770	\$ 2,277,170	\$ 123,609
Total Expenditures	\$ 2,148,355	\$ 5,206	\$ 2,153,561	\$ 2,037,770	\$ 2,277,170	\$ 123,609
Excess (Deficiency) of Revenues Over Expenditures	\$ 68,594	\$ (5,206)	\$ 63,388	\$ 9,950	\$ (54,935)	\$ 118,323
Net Change in Fund Balance Fund Balance, July 1, 2009	\$ 68,594	\$ (5,206)	\$ 63,388	\$ 9,950	\$ (54,935)	\$ 118,323
	625,703	0	625,703	606,362	606,362	19,341
Fund Balance, June 30, 2010	\$ 694,297	\$ (5,206)	\$ 689,091	\$ 616,312	\$ 551,427	\$ 137,664

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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,529,210	\$ 1,448,575	\$ 1,448,575	\$ 80,635
Other Local Revenues	57,927	50,000	50,000	7,927
Total Revenues	<u>\$ 1,587,137</u>	<u>\$ 1,498,575</u>	<u>\$ 1,498,575</u>	<u>\$ 88,562</u>
<u>Expenditures</u>				
<u>Other Operations</u>				
Contributions to Other Agencies	\$ 0	\$ 4,148	\$ 0	\$ 0
<u>Support Services</u>				
Other Programs	4,185	0	4,185	0
Board of Education	30,602	29,212	31,212	610
Operation of Plant	1,205	700	1,700	495
Transportation	1,380,320	1,821,269	1,819,732	439,412
<u>Other Debt Service</u>				
Education	51,844	51,844	51,844	0
Total Expenditures	<u>\$ 1,468,156</u>	<u>\$ 1,907,173</u>	<u>\$ 1,908,673</u>	<u>\$ 440,517</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 118,981	\$ (408,598)	\$ (410,098)	\$ 529,079
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 0	\$ 225,000	\$ 225,000	\$ (225,000)
Proceeds from Sale of Capital Assets	8,232	0	1,500	6,732
Total Other Financing Sources (Uses)	<u>\$ 8,232</u>	<u>\$ 225,000</u>	<u>\$ 226,500</u>	<u>\$ (218,268)</u>
Net Change in Fund Balance	\$ 127,213	\$ (183,598)	\$ (183,598)	\$ 310,811
Fund Balance, July 1, 2009	423,077	423,075	423,075	2
Fund Balance, June 30, 2010	<u>\$ 550,290</u>	<u>\$ 239,477</u>	<u>\$ 239,477</u>	<u>\$ 310,813</u>

Exhibit J-12

Rhea County, Tennessee  
Statement of Fiduciary Net Assets  
Discretely Presented Rhea County School Department  
Fiduciary Fund  
June 30, 2010

	<u>Private Purpose Trust Fund</u> <u>Other Trust Fund</u>
<u>ASSETS</u>	
Current Assets:	
Equity in Pooled Cash and Investments	\$ 200,013
Total Assets	<u>\$ 200,013</u>
<u>NET ASSETS</u>	
Funds Held in Trust for Scholarships	<u>\$ 200,013</u>
Total Net Assets	<u><u>\$ 200,013</u></u>

Exhibit J-13

Rhea County, Tennessee  
Statement of Changes in Fiduciary Net Assets  
Discretely Presented Rhea County School Department  
Fiduciary Fund  
For the Year Ended June 30, 2010

	Private Purpose Trust Fund	Other Trust Fund
	<hr/>	<hr/>
<u>ADDITIONS</u>		
Investment Income	\$ 4,669	
Total Additions	<hr/>	<hr/>
	\$ 4,669	
<u>DEDUCTIONS</u>		
Awards	\$ 6,138	
Total Deductions	<hr/>	<hr/>
	\$ 6,138	
Change in Net Assets	\$ (1,469)	
Net Assets, July 1, 2009	<hr/>	<hr/>
	201,482	
Net Assets, June 30, 2010	<hr/>	<hr/>
	\$ 200,013	

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## MISCELLANEOUS SCHEDULES

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Exhibit K-1

Rhea County, Tennessee  
Schedule of Changes in Long-term Notes, Capital Leases, Other Loans, and Bonds  
For the Year Ended June 30, 2010

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-09	Paid and/or Matured During Period	Reduction of Lease - Asset Returned	Outstanding 6-30-10
<b>NOTES PAYABLE</b>								
<u>Payable through General Debt Service Fund</u>								
School Buses	\$ 380,000	4.17 %	1-22-07	1-22-16	\$ 308,000	\$ 39,000	\$ 0	\$ 269,000
School Improvements Extension	222,200	2.75	6-30-09	6-30-10	222,200	222,200	0	0
School Buses	225,000	5.25	2-18-09	2-18-12	225,000	71,197	0	153,803
Total Notes Payable					\$ 755,200	\$ 332,397	\$ 0	\$ 422,803
<b>CAPITAL LEASES PAYABLE</b>								
<u>Payable through Highway/Public Works Fund</u>								
Two Graders	368,662	5.6	6-26-06	6-26-10	\$ 34,882	\$ 31,477	\$ 3,405	\$ 0
Modular Buildings	868,018	9.64	2-28-08	5-1-13	696,411	168,975	0	527,436
Total Capital Leases Payable					\$ 731,293	\$ 200,452	\$ 3,405	\$ 527,436
<b>OTHER LOANS PAYABLE</b>								
<u>Payable through General Debt Service Fund</u>								
School HVAC Loan	930,817	0	3-13-00	11-30-11	\$ 232,705	\$ 77,568	\$ 0	\$ 155,137
School Renovation, Repair, and Equipment	517,500	0	12-28-05	12-28-20	414,000	34,500	0	379,500
Sewer Project	1,000,000	Various	5-15-06	5-25-26	898,000	38,000	0	860,000
Total Other Loans Payable					\$ 1,544,705	\$ 150,068	\$ 0	\$ 1,394,637
<b>BONDS PAYABLE</b>								
<u>Payable through General Debt Service Fund</u>								
General Obligation School Series 2001	6,980,000	4.1 to 5	8-28-01	4-1-18	\$ 930,000	\$ 280,000	\$ 0	\$ 650,000
General Obligation County District School Series 2001	5,150,000	4.1 to 5	8-28-01	4-1-23	400,000	195,000	0	205,000
School Refunding Bonds, Series 2006	6,180,000	3.375 to 3.75	2-1-06	4-1-18	6,090,000	35,000	0	6,055,000
County District School Refunding Bonds, Series 2006	3,615,000	3.375 to 4	2-1-06	4-1-23	3,555,000	20,000	0	3,535,000
County District School Refunding Bonds, Series 2007	2,760,000	3.42	12-27-07	4-1-12	1,680,000	560,000	0	1,120,000
Total Bonds Payable					\$ 12,655,000	\$ 1,090,000	\$ 0	\$ 11,565,000

Exhibit K-2

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

Year Ending June 30	Notes		
	Principal	Interest	Total
2011	\$ 114,935	\$ 19,292	\$ 134,227
2012	120,868	13,689	134,557
2013	44,000	7,798	51,798
2014	46,000	5,963	51,963
2015	48,000	4,045	52,045
2016	49,000	2,043	51,043
Total	\$ 422,803	\$ 52,830	\$ 475,633

Year Ending June 30	Capital Leases		
	Principal	Interest	Total
2011	\$ 174,898	\$ 15,448	\$ 190,346
2012	181,028	9,318	190,346
2013	171,510	2,973	174,483
Total	\$ 527,436	\$ 27,739	\$ 555,175

Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2011	\$ 151,068	\$ 3,784	\$ 2,998	\$ 157,850
2012	153,069	3,612	2,908	159,589
2013	77,500	3,432	2,814	83,746
2014	78,500	3,243	2,715	84,458
2015	80,500	3,049	2,614	86,163
2016	82,500	2,847	2,508	87,855
2017	84,500	2,636	2,398	89,534
2018	86,500	2,416	2,284	91,200
2019	88,500	2,187	2,165	92,852
2020	90,500	1,949	2,041	94,490
2021	92,500	1,703	1,911	96,114
2022	61,000	1,448	1,778	64,226
2023	63,000	1,179	1,637	65,816
2024	66,000	902	1,493	68,395
2025	68,000	612	1,341	69,953
2026	71,000	312	1,264	72,576
Total	\$ 1,394,637	\$ 35,311	\$ 34,869	\$ 1,464,817

(Continued)

Exhibit K-2

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

Ending June 30	Bonds		
	Principal	Interest	Total
2011	\$ 1,455,000	\$ 441,472	\$ 1,896,472
2012	1,490,000	385,067	1,875,067
2013	1,025,000	333,376	1,358,376
2014	1,105,000	292,377	1,397,377
2015	1,160,000	248,177	1,408,177
2016	1,195,000	201,777	1,396,777
2017	1,215,000	156,964	1,371,964
2018	1,240,000	112,008	1,352,008
2019	305,000	65,509	370,509
2020	325,000	53,919	378,919
2021	335,000	41,406	376,406
2022	350,000	28,425	378,425
2023	365,000	14,600	379,600
Total	<u>\$ 11,565,000</u>	<u>\$ 2,375,077</u>	<u>\$ 13,940,077</u>

Exhibit K-3

Rhea County, Tennessee  
Schedule of Notes Receivable  
For the Year Ended June 30, 2010

Description	Debtor	Original Amount of Note	Date of Issue	Date of Maturity	Interest Rate	Balance 6-30-10
<u>Solid Waste/Sanitation Fund</u> Landfill Property	General Debt Service Fund	\$ 500,000	3-22-07	3-22-10	2%	\$ 333,332
Total Notes Receivable						<u>\$ 333,332</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, 2010

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Executive	Section 8-24-102, <u>TCA</u>	\$ 71,322	\$ 50,000	Travelers Casualty and Surety Company of America
Highway Supervisor	Section 8-24-102, <u>TCA</u>	67,927	100,000	"
Director of Schools	State Board of Education and Rhea County Board of Education	90,000 (1)	(2)	
Trustee	Section 8-24-102, <u>TCA</u>	61,751	848,000	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	61,751	10,000	"
Finance Director	County Commission	61,751	50,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	61,751	50,000	"
Circuit and General Sessions Courts Clerk	Section 8-24-102, <u>TCA</u>	61,751	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u>	61,751	50,000	"
Register	Section 8-24-102, <u>TCA</u>	61,751	25,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	67,927 (3)	25,000	"
Employee Blanket Bond Coverage: All County Departments			150,000	Tennessee Risk Management Trust

- (1) Does not include a chief executive officer training supplement of \$600.
- (2) Director of schools was covered by the \$150,000 employee blanket bond.
- (3) Does not include a law enforcement training supplement of \$557.

Note:

During the year, Dallas Smith, former director of schools, was paid \$10,000 for his unused sick leave in accordance with contract provisions.

Exhibit K-5

Rhea County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types  
 For the Year Ended June 30, 2010

	Special Revenue Funds							Total	
	General	Solid Waste / Sanitation	Drug Control	District Attorney General	Constitutional Officers - Fees	Highway / Public Works	General Debt Service		Capital Projects Fund
<b>Local Taxes</b>									
<u>County Property Taxes</u>									
Current Property Tax	\$ 4,828,731	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 744,794	\$ 5,573,525	
Trustee's Collections - Prior Year	118,082	0	0	0	0	0	21,605	139,687	
Trustee's Collections - Bankruptcy	2,540	0	0	0	0	0	425	2,965	
Circuit/Clerk & Master Collections - Prior Years	178,160	0	0	0	0	0	27,602	205,762	
Interest and Penalty	32,262	0	0	0	0	0	5,035	37,297	
Pick-up Taxes	462	0	0	0	0	0	72	534	
Payments in-Lieu-of Taxes - T.V.A.	3,381	0	0	0	0	0	524	3,905	
Payments in-Lieu-of Taxes - Local Utilities	48,933	0	0	0	0	0	7,581	56,514	
Payments in-Lieu-of Taxes - Other	861	0	0	0	0	0	133	994	
<u>County Local Option Taxes</u>									
Local Option Sales Tax	0	0	0	0	0	0	438,777	438,777	
Hotel/Motel Tax	132,936	0	0	0	0	0	0	132,936	
Litigation Tax - General	138,928	0	0	0	0	0	0	138,928	
Litigation Tax - Jail, Workhouse, or Courthouse	35,458	0	0	0	0	0	0	35,458	
Business Tax	196,053	0	0	0	0	0	0	196,053	
Mineral Severance Tax	0	0	0	0	0	59,596	0	59,596	
Other County Local Option Taxes	0	0	0	0	0	1,808	0	1,808	
<u>Statutory Local Taxes</u>									
Bank Excise Tax	38,152	0	0	0	0	0	5,911	44,063	
Wholesale Beer Tax	93,060	0	0	0	0	0	0	93,060	
Interstate Telecommunications Tax	0	0	0	0	0	0	1,606	1,606	
<b>Total Local Taxes</b>	<b>\$ 5,847,939</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 61,404</b>	<b>\$ 1,254,065</b>	<b>\$ 7,163,468</b>	
<u>Licenses and Permits</u>									
<u>Licenses</u>									
Cable TV Franchise	\$ 46,160	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 46,160	
<u>Permits</u>									
Beer Permits	15,076	0	0	0	0	0	0	15,076	
Building Permits	2,017	0	0	0	0	0	0	2,017	
Other Permits	4,090	0	0	0	0	0	0	4,090	
<b>Total Licenses and Permits</b>	<b>\$ 67,343</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 67,343</b>	

(Continued)

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

	Special Revenue Funds							Debt Service Fund	Capital Projects Fund	Total	
	General	Solid Waste / Sanitation	Drug Control	District Attorney General	Constitutional Officers - Fees	Highway / Public Works	General Debt Service				HUD Grant Projects
<u>Circuit Court</u>											
Fines	\$ 5,465	\$ 0	\$ 0	\$ 4,513	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,978	
Officers Costs	15,791	0	0	0	0	0	0	0	0	15,791	
Game and Fish Fines	225	0	0	0	0	0	0	0	0	225	
Drug Control Fines	3,848	0	4,354	0	0	0	0	0	0	8,202	
Drug Court Fees	537	0	0	0	0	0	0	0	0	537	
Jail Fees	3,863	0	0	0	0	0	0	0	0	3,863	
DUI Treatment Fines	1,013	0	0	0	0	0	0	0	0	1,013	
Data Entry Fee - Circuit Court	2,142	0	0	0	0	0	0	0	0	2,142	
<u>General Sessions Court</u>											
Fines	17,669	0	0	13,217	0	0	0	0	0	30,886	
Officers Costs	83,321	0	0	0	0	0	0	0	0	83,321	
Game and Fish Fines	967	0	0	0	0	0	0	0	0	967	
Drug Control Fines	14,983	0	20,145	0	0	0	0	0	0	35,128	
Drug Court Fees	8,892	0	0	0	0	0	0	0	0	8,892	
Jail Fees	46,817	0	0	0	0	0	0	0	0	46,817	
DUI Treatment Fines	5,420	0	0	0	0	0	0	0	0	5,420	
Data Entry Fee - General Sessions Court	8,612	0	0	0	0	0	0	0	0	8,612	
Courtroom Security Fee	648	0	0	0	0	0	0	0	0	648	
<u>Juvenile Court</u>											
Jail Fees	6,619	0	0	0	0	0	0	0	0	6,619	
<u>Chancery Court</u>											
Officers Costs	11,533	0	0	0	0	0	0	0	0	11,533	
Data Entry Fee - Chancery Court	2,852	0	0	0	0	0	0	0	0	2,852	
Courtroom Security Fee	316	0	0	0	0	0	0	0	0	316	
<u>Other Fines, Forfeitures, and Penalties</u>											
Proceeds from Confiscated Property	13,875	0	22,217	0	0	0	0	0	0	36,092	
<b>Total Fines, Forfeitures, and Penalties</b>	<b>\$ 255,408</b>	<b>\$ 0</b>	<b>\$ 46,716</b>	<b>\$ 17,730</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 319,854</b>	

(Continued)

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

	Special Revenue Funds							Total
	General	Solid Waste / Sanitation	Drug Control	District Attorney General	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Charges for Current Services</u>								
<u>General Service Charges</u>								
Surcharge - Host Agency	\$ 0	\$ 169,903	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 169,903
Work Release Charges for Board Fees	13,588	0	0	0	0	0	0	13,588
Copy Fees	3,056	0	0	0	0	0	0	3,056
Telephone Commissions	5,044	0	0	0	0	0	0	5,044
Vending Machine Collections	137	0	0	0	0	0	0	137
Constitutional Officers' Fees and Commissions	0	0	0	0	381,651	0	0	381,651
Data Processing Fee - Register	10,030	0	0	0	0	0	0	10,030
Data Processing Fee - Sheriff	10,202	0	0	0	0	0	0	10,202
Sexual Offender Registration Fees - Sheriff	7,320	0	0	0	0	0	0	7,320
Total Charges for Current Services	\$ 49,377	\$ 169,903	\$ 0	\$ 0	\$ 381,651	\$ 0	\$ 0	\$ 600,931
<u>Other Local Revenues</u>								
<u>Recurring Items</u>								
Investment Income	\$ 509	\$ 9,478	\$ 0	\$ 0	\$ 0	\$ 0	\$ 88,606	\$ 98,593
Lease/Rentals	92,391	0	0	0	0	50	0	92,441
Sale of Materials and Supplies	0	0	0	0	0	33,798	0	33,798
Commissary Sales	7,404	0	0	0	0	0	0	7,404
Sale of Recycled Materials	0	3,694	0	0	0	0	0	3,694
Sale of Animals/Livestock	6,142	0	0	0	0	0	0	6,142
Miscellaneous Refunds	42,539	123	128	0	0	0	0	42,790
<u>Nonrecurring Items</u>								
Sale of Equipment	134	17	0	0	0	600	0	751
Damages Recovered from Individuals	431	0	0	0	0	0	0	431
Contributions and Gifts	28,701	0	0	0	0	0	0	28,701
<u>Other Local Revenues</u>								
Other Local Revenues	648,294	3,217	2,041	0	0	11	0	653,563
Total Other Local Revenues	\$ 826,545	\$ 16,529	\$ 2,169	\$ 0	\$ 0	\$ 34,459	\$ 88,606	\$ 968,308

(Continued)

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

	Special Revenue Funds										Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	District Attorney General	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	HUD Grant Projects	Special Revenue Funds				
									General	HUD Grant Projects			
<u>Fees Received from County Officials</u>													
<u>Excess Fees</u>													
County Clerk	\$ 14,554	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 14,554
Trustee	183,361	0	0	0	0	0	0	0	0	0	0	0	183,361
<u>Fees in-Lieu-of-Salary</u>													
Circuit Court Clerk	102,459	0	0	0	0	0	0	0	0	0	0	0	102,459
General Sessions Court Clerk	219,679	0	0	0	0	0	0	0	0	0	0	0	219,679
Clerk and Master	124,251	0	0	0	0	0	0	0	0	0	0	0	124,251
Juvenile Court Clerk	40	0	0	0	0	0	0	0	0	0	0	0	40
Register	110,768	0	0	0	0	0	0	0	0	0	0	0	110,768
Sheriff	6,931	0	0	0	0	0	0	0	0	0	0	0	6,931
<b>Total Fees Received from County Officials</b>	<b>\$ 762,043</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 762,043</b>
<u>State of Tennessee</u>													
<u>General Government Grants</u>													
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,000
Child Restraint Program	8,922	0	0	0	0	0	0	0	0	0	0	0	8,922
<u>Public Safety Grants</u>													
Law Enforcement Training Programs	18,600	0	0	0	0	0	0	0	0	0	0	0	18,600
Health and Welfare Grants	140,124	0	0	0	0	0	0	0	0	0	0	0	140,124
<u>Public Health Nurses</u>													
Public Works Grants													
State Aid Program	0	0	0	0	0	0	0	214,006	0	0	0	0	214,006
Litter Program	0	29,237	0	0	0	0	0	0	0	0	0	0	29,237
<u>Other State Revenues</u>													
Income Tax	57,412	0	0	0	0	0	0	0	0	0	0	0	57,412
Beer Tax	17,778	0	0	0	0	0	0	0	0	0	0	0	17,778
Alcoholic Beverage Tax	42,944	0	0	0	0	0	0	0	0	0	0	0	42,944
State Revenue Sharing - T.V.A.	0	0	0	0	0	0	0	0	270,522	0	0	0	270,522
Contracted Prisoner Boarding	262,127	0	0	0	0	0	0	0	0	0	0	0	262,127
Gasoline and Motor Fuel Tax	0	0	0	0	0	0	0	0	1,527,453	0	0	0	1,527,453
Petroleum Special Tax	0	0	0	0	0	0	0	0	22,808	0	0	0	22,808

(Continued)

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

	Special Revenue Funds										Total	
	General	Solid Waste / Sanitation	Drug Control	District Attorney General	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	HUD Grant Projects	Debt Service Fund	Capital Projects Fund		
												General
<u>State of Tennessee (Cont.)</u>												
<u>Other State Revenues (Cont.)</u>												
Reappraisal Program Reimbursement	\$ 11,740	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,740
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	0	0	0	0	16,380
Other State Grants	70,290	15,948	0	0	0	0	0	0	0	0	0	86,238
Other State Revenues	7,377	0	0	0	0	0	0	0	0	0	0	7,377
Total State of Tennessee	\$ 662,694	\$ 45,185	\$ 0	\$ 0	\$ 0	\$ 1,764,267	\$ 270,522	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,742,668
<u>Federal Government</u>												
<u>Federal Through State</u>												
Homeland Security Grants	\$ 187,501	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 187,501
Law Enforcement Grants	8,469	0	0	0	0	0	0	0	0	0	0	8,469
Other Federal through State	0	0	0	0	0	79,824	0	0	0	0	0	524,376
<u>Direct Federal Revenue</u>												
Other Direct Federal Revenue	70,582	0	0	0	0	0	0	0	0	0	0	70,582
Total Federal Government	\$ 266,552	\$ 0	\$ 0	\$ 0	\$ 0	\$ 79,824	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 790,928
<u>Other Governments and Citizens Groups</u>												
<u>Other Governments</u>												
Contributions	\$ 177,798	\$ 0	\$ 2,114	\$ 0	\$ 0	\$ 0	\$ 722,858	\$ 0	\$ 0	\$ 0	\$ 0	\$ 902,770
<u>Other</u>												
Other	0	6,838	0	0	0	0	0	0	0	0	0	6,838
Total Other Governments and Citizens Groups	\$ 177,798	\$ 6,838	\$ 2,114	\$ 0	\$ 0	\$ 0	\$ 722,858	\$ 0	\$ 0	\$ 0	\$ 0	\$ 909,608
Total	\$ 8,915,759	\$ 238,455	\$ 50,999	\$ 17,730	\$ 381,651	\$ 1,939,954	\$ 2,336,051	\$ 444,552	\$ 14,325,151	\$ 0	\$ 0	\$ 14,325,151

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, 2010

	General Purpose School	School Federal Projects	Central Cafeteria	School Transportation	Education Capital Projects	Total
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 1,773,829	\$ 0	\$ 0	\$ 1,399,917	\$ 0	\$ 3,173,746
Trustee's Collections - Prior Year	50,600	0	0	40,596	0	91,196
Trustee's Collections - Bankruptcy	977	0	0	735	0	1,712
Circuit/Clerk & Master Collections - Prior Years	66,081	0	0	51,859	0	117,940
Interest and Penalty	11,966	0	0	9,385	0	21,351
Pick-up Taxes	172	0	0	135	0	307
Payments in-Lieu-of Taxes - T.V.A.	1,250	0	0	984	0	2,234
Payments in-Lieu-of Taxes - Local Utilities	18,061	0	0	14,243	0	32,304
Payments in-Lieu-of Taxes - Other	318	0	0	251	0	569
<u>County Local Option Taxes</u>						
Local Option Sales Tax	2,258,964	0	0	0	599,982	2,858,946
<u>Statutory Local Taxes</u>						
Bank Excise Tax	14,108	0	0	11,105	0	25,213
Interstate Telecommunications Tax	2,109	0	0	0	0	2,109
Total Local Taxes	\$ 4,198,435	\$ 0	\$ 0	\$ 1,529,210	\$ 599,982	\$ 6,327,627
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Marriage Licenses	\$ 1,877	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,877
Total Licenses and Permits	\$ 1,877	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,877
<u>Charges for Current Services</u>						
<u>Education Charges</u>						
Tuition - Other	\$ 41,377	\$ 0	\$ 0	\$ 0	\$ 0	\$ 41,377
Lunch Payments - Children	0	0	408,656	0	0	408,656
Lunch Payments - Adults	0	0	52,630	0	0	52,630
Income from Breakfast	0	0	4,521	0	0	4,521
A la carte Sales	0	0	215,981	0	0	215,981
Total Charges for Current Services	\$ 41,377	\$ 0	\$ 681,788	\$ 0	\$ 0	\$ 723,165

(Continued)

Exhibit K-6

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

	General Purpose School	School Federal Projects	Central Cafeteria	School Transportation	Education Capital Projects	Total
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 0	\$ 0	\$ 3,418	\$ 0	\$ 7,973	\$ 11,391
Lease/Rentals	1,271	0	0	56,935	0	58,206
Refund of Telecommunication and Internet Fees (E-Rate)	25,251	0	0	0	0	25,251
Miscellaneous Refunds	38,695	0	1,157	856	0	40,708
<u>Nonrecurring Items</u>						
Sale of Equipment	173	0	0	117	0	290
Damages Recovered from Individuals	0	0	0	15	0	15
Contributions and Gifts	5,000	0	0	0	0	5,000
<u>Other Local Revenues</u>	50,751	0	1,000	4	0	51,755
Total Other Local Revenues	\$ 121,141	\$ 0	\$ 5,575	\$ 57,927	\$ 7,973	\$ 192,616
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
On-Behalf Contributions for OPEB	\$ 105,338	\$ 0	\$ 0	\$ 0	\$ 0	\$ 105,338
<u>State Education Funds</u>						
Basic Education Program	18,273,379	0	0	0	0	18,273,379
Basic Education Program - ARRA	751,100	0	0	0	0	751,100
Early Childhood Education	373,102	0	0	0	0	373,102
School Food Service	0	0	19,837	0	0	19,837
Driver Education	9,533	0	0	0	0	9,533
Other State Education Funds	2,834	0	0	0	0	2,834
Coordinated School Health - ARRA	88,584	0	0	0	0	88,584
Internet Connectivity - ARRA	11,908	0	0	0	0	11,908
Career Ladder Program	197,932	0	0	0	0	197,932
Career Ladder - Extended Contract - ARRA	45,568	0	0	0	0	45,568
<u>Other State Revenues</u>						
State Revenue Sharing - T.V.A.	1,067,123	0	0	0	308,412	1,375,535
Safe Schools - ARRA	13,600	0	0	0	0	13,600
Total State of Tennessee	\$ 20,940,001	\$ 0	\$ 19,837	\$ 0	\$ 308,412	\$ 21,268,250

(Continued)

Exhibit K-6

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

	General Purpose School	School Federal Projects	Central Cafeteria	School Transportation	Education Capital Projects	Total
<u>Federal Government</u>						
<u>Federal Through State</u>						
USDA School Lunch Program	\$ 0	\$ 0	\$ 1,006,229	\$ 0	\$ 0	\$ 1,006,229
USDA - Commodities	0	0	149,943	0	0	149,943
Breakfast	0	0	329,005	0	0	329,005
USDA Food Service Equipment Grant - ARRA	0	0	24,572	0	0	24,572
Adult Education State Grant Program	156,178	0	0	0	0	156,178
Vocational Education - Basic Grants to States	0	93,549	0	0	0	93,549
Title I Grants to Local Education Agencies	0	1,250,647	0	0	0	1,250,647
Special Education - Grants to States	41,940	1,346,128	0	0	0	1,388,068
Special Education Preschool Grants	0	21,152	0	0	0	21,152
English Language Acquisition Grants	0	17,746	0	0	0	17,746
Safe and Drug-free Schools - State Grants	0	19,080	0	0	0	19,080
Rural Education	0	165,641	0	0	0	165,641
Education for Homeless Children and Youth	0	8,820	0	0	0	8,820
Eisenhower Professional Development State Grants	0	248,603	0	0	0	248,603
<u>Direct Federal Revenue</u>						
ROTC Reimbursement	53,716	0	0	0	0	53,716
Other Direct Federal Revenue	7,058	0	0	0	0	7,058
Total Federal Government	\$ 258,892	\$ 3,171,366	\$ 1,509,749	\$ 0	\$ 0	\$ 4,940,007
Total	\$ 25,561,723	\$ 3,171,366	\$ 2,216,949	\$ 1,587,137	\$ 916,367	\$ 33,453,542

Exhibit K-7

Rhea County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2010

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	43,200	
Social Security		2,678	
Employer Medicare		626	
Audit Services		8,520	
Dues and Memberships		4,150	
Other Contracted Services		9,094	
Other Supplies and Materials		14,500	
Medical Claims		3,068	
Other Charges		188	
Land		6,613	
Motor Vehicles		3,120	
Total County Commission			\$ 95,757

Board of Equalization

Board and Committee Members Fees	\$	3,400	
Social Security		211	
Employer Medicare		49	
Total Board of Equalization			3,660

Other Boards and Committees

Board and Committee Members Fees	\$	1,720	
Social Security		107	
Employer Medicare		25	
Printing, Stationery, and Forms		278	
Total Other Boards and Committees			2,130

County Mayor/Executive

County Official/Administrative Officer	\$	71,322	
Mechanic(s)		60	
Secretary(ies)		19,279	
Social Security		5,853	
State Retirement		6,225	
Life Insurance		96	
Medical Insurance		13,282	
Employer Medicare		1,369	
Communication		430	
Dues and Memberships		1,450	
Operating Lease Payments		1,524	
Travel		470	
Gasoline		1,364	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

General Government (Cont.)

County Mayor/Executive (Cont.)

Lubricants	\$	28	
Office Supplies		993	
Vehicle Parts		39	
Vehicle and Equipment Insurance		626	
Data Processing Equipment		150	
Total County Mayor/Executive			\$ 124,560

County Attorney

Legal Services	\$	30,071	
Total County Attorney			30,071

Election Commission

County Official/Administrative Officer	\$	55,576	
Clerical Personnel		22,509	
Part-time Personnel		7,562	
Overtime Pay		1,204	
Election Commission		3,360	
Election Workers		2,000	
Social Security		5,577	
State Retirement		6,914	
Life Insurance		96	
Medical Insurance		13,869	
Unemployment Compensation		5,065	
Employer Medicare		1,304	
Communication		1,766	
Dues and Memberships		398	
Operating Lease Payments		1,510	
Legal Notices, Recording, and Court Costs		4,190	
Maintenance Agreements		22,801	
Maintenance and Repair Services - Equipment		184	
Rentals		1,010	
Travel		5,038	
Other Contracted Services		13,250	
Office Supplies		1,687	
Other Supplies and Materials		4,956	
Data Processing Equipment		327	
Furniture and Fixtures		271	
Total Election Commission			182,424

(Continued)

Exhibit K-7

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

General Fund (Cont.)

General Government (Cont.)

Register of Deeds

County Official/Administrative Officer	\$	61,751	
Deputy(ies)		30,236	
Clerical Personnel		26,292	
Social Security		7,310	
State Retirement		4,929	
Life Insurance		144	
Medical Insurance		20,905	
Employer Medicare		1,710	
Data Processing Services		6,155	
Dues and Memberships		468	
Operating Lease Payments		1,859	
Office Supplies		5,024	
Furniture and Fixtures		445	
Total Register of Deeds			\$ 167,228

Planning

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

County Buildings

Custodial Personnel	\$	24,986	
Other Salaries and Wages		88,386	
Social Security		6,980	
State Retirement		9,539	
Life Insurance		100	
Medical Insurance		14,151	
Employer Medicare		1,632	
Communication		36,808	
Dues and Memberships		7,621	
Postal Charges		43,741	
Other Contracted Services		195,218	
Custodial Supplies		29,958	
Electricity		169,342	
Natural Gas		22,440	
Water and Sewer		23,145	
Other Supplies and Materials		27,362	
Building and Contents Insurance		22,798	
Communication Equipment		165	
Total County Buildings			724,372

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Finance

Accounting and Budgeting

Accountants/Bookkeepers	\$	61,751	
Other Salaries and Wages		297,301	
In-Service Training		971	
Social Security		21,253	
State Retirement		31,310	
Life Insurance		528	
Medical Insurance		76,893	
Employer Medicare		4,970	
Data Processing Services		16,070	
Dues and Memberships		35	
Operating Lease Payments		5,312	
Legal Notices, Recording, and Court Costs		1,656	
Travel		1,151	
Office Supplies		13,197	
Data Processing Equipment		553	
Office Equipment		279	
Total Accounting and Budgeting			\$ 533,230

Property Assessor's Office

County Official/Administrative Officer	\$	61,751	
Mechanic(s)		75	
Clerical Personnel		105,353	
Social Security		9,444	
State Retirement		14,578	
Life Insurance		240	
Medical Insurance		28,508	
Employer Medicare		2,209	
Communication		414	
Data Processing Services		4,585	
Dues and Memberships		1,211	
Operating Lease Payments		1,500	
Travel		94	
Other Contracted Services		8,100	
Gasoline		1,047	
Lubricants		28	
Office Supplies		1,723	
Vehicle Parts		32	
Vehicle and Equipment Insurance		626	
Total Property Assessor's Office			241,518

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office

Life Insurance	\$	144	
Medical Insurance		6,935	
Data Processing Services		19,937	
Dues and Memberships		468	
Operating Lease Payments		1,500	
Legal Notices, Recording, and Court Costs		91	
Postal Charges		5,304	
Other Contracted Services		487	
Office Supplies		2,324	
Data Processing Equipment		553	
Total County Trustee's Office			\$ 37,743

County Clerk's Office

Life Insurance	\$	268	
Medical Insurance		39,239	
Communication		588	
Data Processing Services		15,848	
Dues and Memberships		618	
Operating Lease Payments		1,863	
Travel		38	
Office Supplies		3,375	
Total County Clerk's Office			61,837

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	61,751	
Clerical Personnel		110,915	
Jury and Witness Expense		28,129	
Social Security		10,657	
State Retirement		14,478	
Life Insurance		240	
Medical Insurance		35,519	
Employer Medicare		2,492	
Data Processing Services		9,490	
Dues and Memberships		468	
Operating Lease Payments		2,618	
Office Supplies		10,243	
Total Circuit Court			287,000

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Court

Clerical Personnel	\$	106,531	
Social Security		6,533	
State Retirement		7,488	
Life Insurance		284	
Medical Insurance		32,583	
Employer Medicare		1,528	
Operating Lease Payments		1,911	
Travel		114	
Other Contracted Services		1,430	
Office Supplies		4,999	
Furniture and Fixtures		3,934	
Total General Sessions Court			\$ 167,335

General Sessions Judge

Judge(s)	\$	121,298	
Probation Officer(s)		46,162	
Secretary(ies)		26,292	
Other Salaries and Wages		26,292	
Social Security		12,786	
State Retirement		19,188	
Life Insurance		192	
Medical Insurance		28,150	
Employer Medicare		3,011	
Communication		985	
Data Processing Services		5,237	
Operating Lease Payments		1,153	
Travel		8,199	
Office Supplies		2,820	
Other Supplies and Materials		3,900	
Office Equipment		33	
Total General Sessions Judge			305,698

Drug Court

Fines, Assessments, and Penalties	\$	12,320	
Total Drug Court			12,320

Chancery Court

County Official/Administrative Officer	\$	61,751	
Clerical Personnel		111,641	
Social Security		10,548	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court (Cont.)

State Retirement	\$	15,120	
Life Insurance		240	
Medical Insurance		35,649	
Employer Medicare		2,467	
Data Processing Services		4,188	
Dues and Memberships		558	
Operating Lease Payments		1,982	
Travel		76	
Office Supplies		4,611	
Total Chancery Court			\$ 248,831

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	67,927
Deputy(ies)		610,164
Investigator(s)		151,314
Sergeant(s)		135,173
Mechanic(s)		17,413
School Resource Officer		129,574
Educational Incentive - Other County Employees		17,278
In-Service Training		7,057
Social Security		69,786
State Retirement		89,386
Life Insurance		1,516
Medical Insurance		227,542
Unemployment Compensation		4,675
Employer Medicare		16,322
Communication		5,578
Dues and Memberships		1,045
Operating Lease Payments		6,232
Rentals		960
Tow-in Services		2,175
Travel		3,711
Veterinary Services		1,840
Remittance of Revenue Collected		2,934
Other Contracted Services		43,785
Animal Food and Supplies		1,839
Diesel Fuel		1,096
Gasoline		138,097
Lubricants		2,360

(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.)

Office Supplies	\$	3,177	
Tires and Tubes		11,602	
Uniforms		10,515	
Vehicle Parts		27,792	
Other Supplies and Materials		7,066	
Liability Insurance		27,316	
Vehicle and Equipment Insurance		33,718	
Other Charges		160	
Communication Equipment		1,050	
Data Processing Equipment		16,662	
Motor Vehicles		102,879	
Total Sheriff's Department			\$ 1,998,716

Administration of the Sexual Offender Registry

Office Supplies	\$	2,250	
Other Charges		3,013	
Total Administration of the Sexual Offender Registry			5,263

Jail

Guards	\$	433,022	
In-Service Training		1,985	
Social Security		26,223	
State Retirement		32,155	
Life Insurance		784	
Medical Insurance		97,786	
Unemployment Compensation		5,013	
Employer Medicare		6,133	
Operating Lease Payments		1,399	
Medical and Dental Services		76,815	
Travel		2,703	
Other Contracted Services		4,819	
Drugs and Medical Supplies		41,782	
Food Supplies		149,611	
Office Supplies		1,636	
Prisoners Clothing		2,500	
Uniforms		6,075	
Other Supplies and Materials		5,436	
Other Equipment		2,574	
Total Jail			898,451

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Juvenile Services

Guards	\$	133,084	
Social Security		8,328	
State Retirement		11,605	
Life Insurance		200	
Medical Insurance		35,084	
Employer Medicare		1,948	
Operating Lease Payments		1,059	
Prisoners Clothing		998	
Uniforms		1,800	
Other Supplies and Materials		237	
Total Juvenile Services			\$ 194,343

Fire Prevention and Control

Supervisor/Director	\$	13,534	
Mechanic(s)		75	
Other Salaries and Wages		6,000	
In-Service Training		1,499	
Social Security		1,206	
State Retirement		1,187	
Life Insurance		48	
Medical Insurance		6,934	
Employer Medicare		282	
Communication		430	
Contracts with Government Agencies		2,000	
Diesel Fuel		6,523	
Electricity		18,310	
Gasoline		4,477	
Lubricants		54	
Natural Gas		18,904	
Office Supplies		225	
Vehicle Parts		7	
Water and Sewer		1,759	
Other Supplies and Materials		50,775	
Liability Insurance		1,145	
Vehicle and Equipment Insurance		18,652	
Other Charges		33,617	
Other Equipment		1,261	
Total Fire Prevention and Control			188,904

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Civil Defense

Supervisor/Director	\$	25,258	
Social Security		1,566	
State Retirement		2,202	
Employer Medicare		366	
Dues and Memberships		35	
Other Equipment		228,398	
Total Civil Defense			\$ 257,825

Rescue Squad

Contributions	\$	29,842	
Total Rescue Squad			29,842

County Coroner/Medical Examiner

Contracts with Private Agencies	\$	48,685	
Total County Coroner/Medical Examiner			48,685

Public Safety Grant Programs

Overtime Pay	\$	352	
Social Security		21	
State Retirement		31	
Employer Medicare		5	
Other Capital Outlay		7,990	
Total Public Safety Grant Programs			8,399

Other Public Safety

Supervisor/Director	\$	45,000	
Deputy(ies)		32,000	
Dispatchers/Radio Operators		332,099	
Other Salaries and Wages		695	
In-Service Training		1,003	
Social Security		25,037	
State Retirement		31,445	
Life Insurance		668	
Medical Insurance		96,675	
Unemployment Compensation		140	
Employer Medicare		5,856	
Other Contracted Services		384	
Electricity		8,294	
Gasoline		2,669	
Lubricants		9	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Other Public Safety (Cont.)

Natural Gas	\$	444	
Office Supplies		1,283	
Tires and Tubes		149	
Vehicle Parts		4	
Water and Sewer		270	
Building and Contents Insurance		4,766	
Liability Insurance		854	
Vehicle and Equipment Insurance		1,067	
Total Other Public Safety			\$ 590,811

Public Health and Welfare

Local Health Center

Medical Personnel	\$	29,855	
Custodial Personnel		7,635	
Overtime Pay		602	
Other Salaries and Wages		64,271	
Social Security		5,950	
State Retirement		3,975	
Life Insurance		136	
Medical Insurance		12,696	
Unemployment Compensation		48	
Employer Medicare		1,391	
Contributions		71,716	
Travel		3,592	
Other Contracted Services		4,995	
Other Supplies and Materials		4,404	
In Service/Staff Development		3,800	
Other Equipment		4,995	
Total Local Health Center			220,061

Rabies and Animal Control

Other Supplies and Materials	\$	1,342	
Total Rabies and Animal Control			1,342

Ambulance/Emergency Medical Services

Ambulance Services	\$	1,770	
Total Ambulance/Emergency Medical Services			1,770

Crippled Children Services

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

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Other Public Health and Welfare

Other Supplies and Materials	\$ 4,298	
Total Other Public Health and Welfare		\$ 4,298

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$ 79,396	
Dues and Memberships	210	
Travel	3,658	
Other Contracted Services	4,196	
Diesel Fuel	832	
Electricity	1,419	
Gasoline	25	
Office Supplies	470	
Water and Sewer	177	
Other Supplies and Materials	15,584	
Total Agriculture Extension Service		105,967

Soil Conservation

Other Salaries and Wages	\$ 61,423	
Social Security	3,679	
State Retirement	5,328	
Life Insurance	92	
Medical Insurance	13,869	
Employer Medicare	860	
Dues and Memberships	1,245	
Travel	1,238	
Other Charges	329	
Total Soil Conservation		88,063

Other Operations

Other Economic and Community Development

Contributions	\$ 94,137	
Total Other Economic and Community Development		94,137

Veterans' Services

Supervisor/Director	\$ 36,621	
Secretary(ies)	28,491	
Social Security	4,004	
State Retirement	5,678	
Life Insurance	96	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Other Operations (Cont.)

Veterans' Services (Cont.)

Medical Insurance	\$	14,075	
Employer Medicare		936	
Data Processing Services		1,375	
Dues and Memberships		25	
Operating Lease Payments		972	
Travel		701	
Office Supplies		969	
Total Veterans' Services			\$ 93,943

Other Charges

Liability Insurance	\$	15,391	
Premiums on Corporate Surety Bonds		258	
Trustee's Commission		114,385	
Total Other Charges			130,034

Contributions to Other Agencies

Contributions	\$	67,700	
Total Contributions to Other Agencies			67,700

Employee Benefits

Workers' Compensation Insurance	\$	30,767	
Total Employee Benefits			30,767

Total General Fund \$ 8,296,357

Solid Waste/Sanitation Fund

Public Health and Welfare

Waste Pickup

Supervisor/Director	\$	28,153	
Deputy(ies)		27,124	
Mechanic(s)		2,556	
Truck Drivers		71,665	
Other Salaries and Wages		147,037	
Social Security		17,110	
State Retirement		11,745	
Life Insurance		240	
Medical Insurance		35,367	
Employer Medicare		3,992	
Communication		2,770	
Rentals		5,500	

(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.)

Tow-in Services	\$	250	
Travel		65	
Disposal Fees		31,853	
Other Contracted Services		23,857	
Custodial Supplies		2,182	
Diesel Fuel		29,584	
Electricity		9,656	
Gasoline		6,238	
Lubricants		719	
Natural Gas		542	
Tires and Tubes		6,838	
Uniforms		360	
Vehicle Parts		3,557	
Water and Sewer		2,271	
Other Supplies and Materials		4,092	
Building and Contents Insurance		6,374	
Liability Insurance		2,505	
Vehicle and Equipment Insurance		9,560	
Other Charges		11,592	
Other Equipment		6,149	
Other Construction		16,225	
Total Waste Pickup			\$ 527,728

Other Operations

Other Charges

Trustee's Commission	\$	2,022	
Total Other Charges			2,022

Employee Benefits

Workers' Compensation Insurance	\$	4,325	
Total Employee Benefits			4,325

Total Solid Waste/Sanitation Fund \$ 534,075

Drug Control Fund

Public Safety

Drug Enforcement

Communication	\$	5,604	
Confidential Drug Enforcement Payments		6,000	
Legal Notices, Recording, and Court Costs		360	

(Continued)

Exhibit K-7

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

Drug Control Fund (Cont.)

Public Safety (Cont.)

Drug Enforcement (Cont.)

Maintenance and Repair Services - Equipment	\$	4,774	
Tow-in Services		1,525	
Travel		128	
Other Contracted Services		3,613	
Other Supplies and Materials		16,311	
Trustee's Commission		444	
Other Charges		8,375	
Communication Equipment		3,033	
Motor Vehicles		8,078	
Other Equipment		350	
Total Drug Enforcement			\$ 58,595

Total Drug Control Fund \$ 58,595

District Attorney General Fund

Administration of Justice

District Attorney General

Communication	\$	2,924	
Dues and Memberships		75	
Janitorial Services		980	
Maintenance and Repair Services - Buildings		462	
Pest Control		110	
Rentals		8,060	
Office Supplies		248	
Periodicals		3,480	
Utilities		22	
Other Supplies and Materials		431	
In Service/Staff Development		2,050	
Other Charges		592	
Total District Attorney General			\$ 19,434

Other Operations

Other Charges

Trustee's Commission	\$	187	
Total Other Charges			187

Total District Attorney General Fund 19,621

(Continued)

Exhibit K-7

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

Constitutional Officers - Fees Fund

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$ 157,458	
Total County Trustee's Office		\$ 157,458

County Clerk's Office

Constitutional Officers' Operating Expenses	\$ 220,704	
Total County Clerk's Office		220,704

Administration of Justice

Circuit Court

Constitutional Officers' Operating Expenses	\$ 93	
Total Circuit Court		93

General Sessions Court Clerk

Constitutional Officers' Operating Expenses	\$ 96	
Total General Sessions Court Clerk		96

Public Safety

Sheriff's Department

Constitutional Officers' Operating Expenses	\$ 32	
Total Sheriff's Department		<u>32</u>

Total Constitutional Officers - Fees Fund		\$ 378,383
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Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 67,927
Assistant(s)	49,569
Secretary(ies)	40,275
Social Security	9,210
State Retirement	13,510
Employer Medicare	2,154
Communication	4,841
Dues and Memberships	2,605
Postal Charges	396
Travel	512
Other Contracted Services	526
Custodial Supplies	246
Drugs and Medical Supplies	104
Electricity	3,102

(Continued)

Exhibit K-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Gasoline	\$	4,245	
Natural Gas		1,909	
Office Supplies		570	
Water and Sewer		203	
Other Supplies and Materials		490	
Office Equipment		1,875	
Total Administration			\$ 204,269

Highway and Bridge Maintenance

Equipment Operators	\$	62,808	
Equipment Operators - Light		253,116	
Truck Drivers		116,892	
Social Security		26,627	
State Retirement		35,726	
Employer Medicare		6,227	
Asphalt		194,131	
Concrete		282	
Crushed Stone		142,641	
Fertilizer, Lime, and Seed		2,963	
Pipe		7,688	
Road Signs		8,288	
Other Supplies and Materials		2,785	
Total Highway and Bridge Maintenance			860,174

Operation and Maintenance of Equipment

Foremen	\$	34,227	
Social Security		2,135	
State Retirement		2,899	
Employer Medicare		499	
Tow-in Services		150	
Diesel Fuel		49,037	
Gasoline		22,660	
Lubricants		7,751	
Tires and Tubes		41,797	
Vehicle Parts		49,096	
Total Operation and Maintenance of Equipment			210,251

Other Charges

Building and Contents Insurance	\$	8,024	
Liability Insurance		15,715	

(Continued)

Exhibit K-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Other Charges (Cont.)

Trustee's Commission	\$	16,073	
Vehicle and Equipment Insurance		23,069	
Other Charges		18	
Total Other Charges			\$ 62,899

Employee Benefits

Life Insurance	\$	892	
Medical Insurance		126,375	
Unemployment Compensation		2,298	
Uniforms		3,430	
Workers' Compensation Insurance		20,060	
Total Employee Benefits			153,055

Capital Outlay

Other Contracted Services	\$	96,895	
Highway Construction		272,624	
Highway Equipment		5,000	
Total Capital Outlay			374,519

Principal on Debt

Highways and Streets

Principal on Capital Leases	\$	31,477	
Total Highways and Streets			31,477

Interest on Debt

Highways and Streets

Interest on Capital Leases	\$	768	
Total Highways and Streets			768

Total Highway/Public Works Fund \$ 1,897,412

General Debt Service Fund

Other Operations

Other Charges

Other Charges	\$	2,227	
Total Other Charges			\$ 2,227

Principal on Debt

General Government

Principal on Other Loans	\$	38,000	
Total General Government			38,000

(Continued)

Exhibit K-7

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

<u>General Debt Service Fund (Cont.)</u>		
<u>Principal on Debt (Cont.)</u>		
<u>Education</u>		
Principal on Bonds	\$ 1,090,000	
Principal on Notes	332,397	
Principal on Capital Leases	168,975	
Principal on Other Loans	<u>112,068</u>	
Total Education		\$ 1,703,440
 <u>Interest on Debt</u>		
<u>General Government</u>		
Interest on Notes	\$ 9,478	
Interest on Other Loans	<u>3,308</u>	
Total General Government		12,786
 <u>Education</u>		
Interest on Bonds	\$ 481,955	
Interest on Notes	28,037	
Interest on Capital Leases	<u>21,371</u>	
Total Education		531,363
 <u>Other Debt Service</u>		
<u>General Government</u>		
Trustee's Commission	\$ 23,760	
Other Debt Service	<u>4,458</u>	
Total General Government		28,218
 <u>Education</u>		
Other Debt Service	\$ 2,039	
Total Education		<u>2,039</u>
Total General Debt Service Fund		\$ 2,318,073
 <u>Community Development/Industrial Park Fund</u>		
<u>Other Operations</u>		
<u>Industrial Development</u>		
Refunds	\$ 120,454	
Total Industrial Development		<u>\$ 120,454</u>
Total Community Development/Industrial Park Fund		120,454
 <u>HUD Grant Projects Fund</u>		
<u>Other Operations</u>		
<u>Housing and Urban Development</u>		
Contracts with Other Public Agencies	\$ 25,900	
Other Charges	<u>376,403</u>	
Total Housing and Urban Development		<u>\$ 402,303</u>
Total HUD Grant Projects Fund		<u>402,303</u>
Total Governmental Funds - Primary Government		<u>\$ 14,025,273</u>

Exhibit K-8

Rhea County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Discretely Presented Rhea County School Department  
For the Year Ended June 30, 2010

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	8,987,535	
Career Ladder Program		124,500	
Career Ladder Extended Contracts		56,884	
Homebound Teachers		40,608	
Paraprofessionals		22,324	
Salary Supplements		4,340	
Educational Assistants		341,467	
Certified Substitute Teachers		9,240	
Non-certified Substitute Teachers		154,841	
Social Security		580,366	
State Retirement		615,942	
Life Insurance		11,504	
Medical Insurance		1,469,836	
Unemployment Compensation		7,601	
Employer Medicare		135,733	
Other Contracted Services		2,747	
Instructional Supplies and Materials		116,741	
Textbooks		408,734	
Other Supplies and Materials		5,921	
Other Charges		18,841	
Data Processing Equipment		60,000	
Regular Instruction Equipment		10,703	
Total Regular Instruction Program			\$ 13,186,408

Special Education Program

Teachers	\$	1,150,909
Career Ladder Program		16,000
Career Ladder Extended Contracts		9,967
Homebound Teachers		13,934
Educational Assistants		199,775
Speech Pathologist		51,189
Other Salaries and Wages		10,833
Certified Substitute Teachers		770
Non-certified Substitute Teachers		20,402
Social Security		87,197
State Retirement		90,197
Life Insurance		1,916
Medical Insurance		224,274
Unemployment Compensation		896

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Employer Medicare	\$	20,395	
Contracts with Private Agencies		149,785	
Evaluation and Testing		6,945	
Maintenance and Repair Services - Equipment		606	
Other Contracted Services		14,003	
Instructional Supplies and Materials		2,854	
Other Supplies and Materials		961	
Special Education Equipment		8,668	
Total Special Education Program			\$ 2,082,476

Vocational Education Program

Teachers	\$	536,941	
Career Ladder Program		2,000	
Non-certified Substitute Teachers		6,270	
Social Security		32,644	
State Retirement		34,600	
Life Insurance		672	
Medical Insurance		93,025	
Employer Medicare		7,635	
Instructional Supplies and Materials		27,496	
Total Vocational Education Program			741,283

Adult Education Program

Teachers	\$	32,110	
Social Security		1,785	
State Retirement		1,269	
Life Insurance		96	
Medical Insurance		5,166	
Unemployment Compensation		118	
Employer Medicare		466	
Communication		1,898	
Operating Lease Payments		1,800	
Travel		1,041	
Other Supplies and Materials		5,721	
Other Equipment		13,474	
Total Adult Education Program			64,944

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services

Attendance

Supervisor/Director	\$	67,031	
Career Ladder Program		1,000	
Social Security		3,954	
State Retirement		4,368	
Life Insurance		44	
Medical Insurance		7,938	
Employer Medicare		925	
Total Attendance			\$ 85,260

Health Services

Medical Personnel	\$	120,492	
Social Security		7,189	
State Retirement		7,870	
Life Insurance		280	
Medical Insurance		25,539	
Employer Medicare		1,681	
Travel		1,601	
Other Contracted Services		75	
Other Supplies and Materials		3,663	
Other Equipment		2,801	
Total Health Services			171,191

Other Student Support

Teachers	\$	1,349	
Career Ladder Program		3,000	
Guidance Personnel		412,723	
Mechanic(s)		132	
Secretary(ies)		21,916	
Educational Assistants		59,751	
School Resource Officer		2,300	
Other Salaries and Wages		346,098	
In-Service Training		7,058	
Social Security		51,232	
State Retirement		59,912	
Life Insurance		1,056	
Medical Insurance		127,962	
Employer Medicare		11,982	
Communication		963	
Evaluation and Testing		33,600	

(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.)

Maintenance and Repair Services - Equipment	\$	8,222	
Travel		9,787	
Other Contracted Services		164,079	
Gasoline		792	
Instructional Supplies and Materials		88,079	
Lubricants		28	
Tires and Tubes		228	
Vehicle Parts		158	
Other Supplies and Materials		72,590	
In Service/Staff Development		2,631	
Other Charges		7,628	
Data Processing Equipment		84,835	
Furniture and Fixtures		1,152	
Regular Instruction Equipment		1,001	
Other Equipment		21,204	
Total Other Student Support			\$ 1,603,448

Regular Instruction Program

Career Ladder Program	\$	3,000	
Librarians		227,883	
Social Security		13,857	
State Retirement		14,823	
Life Insurance		240	
Medical Insurance		30,888	
Employer Medicare		3,241	
Dues and Memberships		300	
Travel		11,958	
Library Books/Media		42,285	
Periodicals		4,107	
Other Supplies and Materials		1,475	
Total Regular Instruction Program			354,057

Special Education Program

Supervisor/Director	\$	58,072	
Career Ladder Program		5,000	
Psychological Personnel		98,813	
Career Ladder Extended Contracts		1,600	
Secretary(ies)		26,299	
Social Security		11,052	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Special Education Program (Cont.)

State Retirement	\$	12,789	
Life Insurance		192	
Medical Insurance		29,885	
Employer Medicare		2,585	
Consultants		9,845	
Maintenance and Repair Services - Equipment		444	
Travel		3,857	
Other Contracted Services		7,500	
Other Supplies and Materials		681	
In Service/Staff Development		1,000	
Other Equipment		965	
Total Special Education Program			\$ 270,579

Vocational Education Program

Travel	\$	1,155	
Total Vocational Education Program			1,155

Adult Programs

Supervisor/Director	\$	50,754	
Other Salaries and Wages		37,985	
Social Security		5,423	
State Retirement		6,408	
Employer Medicare		1,268	
In Service/Staff Development		3,214	
Total Adult Programs			105,052

Other Programs

Salary Supplements	\$	113,311	
Social Security		6,738	
State Retirement		6,625	
Employer Medicare		1,576	
On-Behalf Payments to OPEB		105,338	
Contributions		5,316	
Total Other Programs			238,904

Board of Education

Board and Committee Members Fees	\$	43,200	
Social Security		2,678	
Employer Medicare		626	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education (Cont.)

Audit Services	\$	6,275	
Contributions		864	
Dues and Memberships		9,153	
Legal Services		1,171	
Travel		22,180	
Penalties		5,602	
Liability Insurance		44,362	
Premiums on Corporate Surety Bonds		250	
Trustee's Commission		113,622	
Workers' Compensation Insurance		36,021	
Other Charges		1,615	
Total Board of Education			\$ 287,619

Director of Schools

County Official/Administrative Officer	\$	100,000	
Assistant(s)		69,245	
Career Ladder Program		1,600	
Paraprofessionals		1,858	
Mechanic(s)		89	
Secretary(ies)		52,598	
Clerical Personnel		26,299	
Social Security		15,325	
State Retirement		17,214	
Life Insurance		240	
Medical Insurance		29,770	
Employer Medicare		3,584	
Communication		1,311	
Dues and Memberships		2,966	
Legal Notices, Recording, and Court Costs		1,526	
Postal Charges		3,155	
Travel		3,528	
Other Contracted Services		6,060	
Gasoline		2,530	
Lubricants		26	
Office Supplies		4,179	
Other Charges		221	
Total Director of Schools			343,324

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal

Principals	\$	387,915	
Career Ladder Program		15,000	
Accountants/Bookkeepers		149,029	
Career Ladder Extended Contracts		10,600	
Assistant Principals		362,782	
Secretary(ies)		218,578	
Social Security		66,777	
State Retirement		81,010	
Life Insurance		1,336	
Medical Insurance		160,553	
Employer Medicare		15,617	
Communication		43,825	
Other Contracted Services		1,777	
Total Office of the Principal			\$ 1,514,799

Operation of Plant

Custodial Personnel	\$	605,520	
Social Security		36,615	
State Retirement		42,802	
Life Insurance		1,296	
Medical Insurance		142,838	
Unemployment Compensation		2,521	
Employer Medicare		8,563	
Operating Lease Payments		15,168	
Maintenance and Repair Services - Equipment		820	
Other Contracted Services		13,848	
Custodial Supplies		47,266	
Electricity		801,524	
Natural Gas		261,016	
Water and Sewer		70,147	
Other Supplies and Materials		13,183	
Plant Operation Equipment		11,966	
Total Operation of Plant			2,075,093

Maintenance of Plant

Other Salaries and Wages	\$	200,103	
Social Security		12,406	
State Retirement		17,449	
Employer Medicare		2,902	

(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.)

Maintenance of Plant (Cont.)

Maintenance Agreements	\$	9,936	
Other Contracted Services		377,287	
Other Supplies and Materials		84,638	
Building and Contents Insurance		54,380	
Other Equipment		18,056	
Total Maintenance of Plant			\$ 777,157

Transportation

Contracts with Parents	\$	17,470	
Transportation Equipment		155,373	
Total Transportation			172,843

Operation of Non-Instructional Services

Early Childhood Education

Teachers	\$	155,229	
Salary Supplements		4,000	
Bus Drivers		26,395	
Educational Assistants		74,138	
Other Salaries and Wages		8,588	
Certified Substitute Teachers		82	
Non-certified Substitute Teachers		1,210	
Social Security		15,999	
State Retirement		16,900	
Life Insurance		384	
Medical Insurance		43,535	
Employer Medicare		3,744	
Other Fringe Benefits		2,318	
Travel		763	
Other Contracted Services		3,668	
Diesel Fuel		2,900	
Instructional Supplies and Materials		17,856	
Total Early Childhood Education			377,709

Capital Outlay

Regular Capital Outlay

Other Contracted Services	\$	63,778	
Motor Vehicles		9,900	
Other Capital Outlay		4,633	
Total Regular Capital Outlay			78,311

(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.)

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$ 525,610	
Total Education		\$ 525,610

Total General Purpose School Fund \$ 25,057,222

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 717,788	
Educational Assistants	139,726	
Other Salaries and Wages	5,083	
Certified Substitute Teachers	82	
Non-certified Substitute Teachers	25,180	
Social Security	53,002	
State Retirement	55,513	
Life Insurance	1,024	
Medical Insurance	122,725	
Unemployment Compensation	1,484	
Employer Medicare	12,396	
Instructional Supplies and Materials	60,777	
Workers' Compensation Insurance	2,931	
Regular Instruction Equipment	10,286	
Total Regular Instruction Program		\$ 1,207,997

Special Education Program

Teachers	\$ 239,418	
Educational Assistants	526,963	
Non-certified Substitute Teachers	1,568	
Social Security	45,910	
State Retirement	55,309	
Life Insurance	1,612	
Medical Insurance	171,061	
Unemployment Compensation	1,803	
Employer Medicare	10,737	
Other Fringe Benefits	2,581	
Contracts with Private Agencies	45,655	
Evaluation and Testing	1,762	
Other Contracted Services	8,389	
Instructional Supplies and Materials	44,170	

(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.)

Other Supplies and Materials	\$	1,459	
Special Education Equipment		30,133	
Total Special Education Program			\$ 1,188,530

Vocational Education Program

Other Supplies and Materials	\$	3,858	
Vocational Instruction Equipment		83,282	
Total Vocational Education Program			87,140

Support Services

Other Student Support

Other Salaries and Wages	\$	177,416	
Social Security		10,856	
State Retirement		11,154	
Life Insurance		176	
Medical Insurance		19,703	
Unemployment Compensation		312	
Employer Medicare		2,539	
Travel		3,572	
Other Contracted Services		8,731	
Other Supplies and Materials		50,949	
Workers' Compensation Insurance		588	
In Service/Staff Development		1,654	
Other Charges		3,464	
Total Other Student Support			291,114

Regular Instruction Program

Supervisor/Director	\$	67,022	
Secretary(ies)		39,449	
Other Salaries and Wages		54,162	
Social Security		9,507	
State Retirement		11,156	
Life Insurance		172	
Medical Insurance		22,495	
Unemployment Compensation		200	
Employer Medicare		2,223	
Travel		46,061	
Other Supplies and Materials		666	
Workers' Compensation Insurance		608	

(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.)

Regular Instruction Program (Cont.)

In Service/Staff Development	\$ 45,298	
Other Charges	150	
Total Regular Instruction Program		\$ 299,169

Special Education Program

Consultants	\$ 4,100	
Travel	7,076	
Other Supplies and Materials	786	
In Service/Staff Development	13,241	
Total Special Education Program		25,203

Vocational Education Program

Travel	\$ 169	
Total Vocational Education Program		169

Transportation

Bus Drivers	\$ 11,140	
Social Security	691	
State Retirement	925	
Unemployment Compensation	19	
Employer Medicare	162	
Other Fringe Benefits	40	
Transportation Equipment	140,572	
Total Transportation		153,549

Total School Federal Projects Fund \$ 3,252,871

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$ 57,724
Clerical Personnel	50,405
Cafeteria Personnel	580,479
Social Security	41,823
State Retirement	46,924
Life Insurance	1,672
Medical Insurance	177,243
Unemployment Compensation	756
Employer Medicare	9,781

(Continued)

Exhibit K-8

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

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Communication	\$	1,277	
Maintenance and Repair Services - Equipment		24,579	
Travel		6,005	
Other Contracted Services		14,338	
Food Preparation Supplies		71,031	
Food Supplies		826,713	
USDA - Commodities		149,943	
Other Supplies and Materials		11,269	
Workers' Compensation Insurance		13,463	
Food Service Equipment		62,930	
Total Food Service			\$ 2,148,355

Total Central Cafeteria Fund \$ 2,148,355

School Transportation Fund

Support Services

Other Programs

Contributions	\$	4,185	
Total Other Programs			\$ 4,185

Board of Education

Trustee's Commission	\$	30,602	
Total Board of Education			30,602

Operation of Plant

Communication	\$	976	
Other Contracted Services		229	
Total Operation of Plant			1,205

Transportation

Supervisor/Director	\$	36,745	
Mechanic(s)		28,511	
Bus Drivers		677,894	
Secretary(ies)		14,515	
Other Salaries and Wages		41,292	
Social Security		49,541	
State Retirement		40,394	
Life Insurance		96	
Medical Insurance		10,333	

(Continued)

Exhibit K-8

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

School Transportation Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Unemployment Compensation	\$	21	
Employer Medicare		11,586	
Contracts with Parents		45	
Medical and Dental Services		4,983	
Tow-in Services		1,525	
Travel		3,466	
Other Contracted Services		155,021	
Diesel Fuel		171,051	
Gasoline		1,685	
Lubricants		8,861	
Tires and Tubes		17,756	
Vehicle Parts		57,946	
Other Supplies and Materials		1,711	
Vehicle and Equipment Insurance		44,362	
Other Charges		574	
Communication Equipment		406	
Total Transportation			\$ 1,380,320

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$	51,844	
Total Education			51,844

Total School Transportation Fund \$ 1,468,156

Education Capital Projects Fund

Capital Outlay

Regular Capital Outlay

Other Contracted Services	\$	8,982	
Trustee's Commission		3,090	
Building Improvements		329,465	
Total Regular Capital Outlay			\$ 341,537

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$	145,404	
Total Education			145,404

Total Education Capital Projects Fund 486,941

Total Governmental Funds - Rhea County School Department \$ 32,413,545

Exhibit K-9

Rhea County, Tennessee  
Schedule of Detailed Revenues and Expenses  
Proprietary Fund  
For the Year Ended June 30, 2010

	Governmental Activities - Internal Service Fund <hr/> Central Maintenance/ Garage <hr/>
<u>Operating Revenues</u>	
<u>Charges for Current Services</u>	
<u>General Services Charges</u>	
Other General Service Charges	\$ 1,502,584
Total Operating Revenues	<u>\$ 1,502,584</u>
<u>Operating Expenses</u>	
<u>General Government</u>	
Supervisor/Director	\$ 53,221
Foremen	80,446
Secretary(ies)	26,292
Social Security	9,947
State Retirement	13,949
Life Insurance	204
Medical Insurance	28,159
Unemployment Compensation	482
Employer Medicare	2,326
Communication	6,464
Operating Lease Payments	655
Tow-in Services	75
Travel	16
Other Contracted Services	1,817
Custodial Supplies	1,346
Diesel Fuel	1,450
Electricity	13,806
Gasoline	21,932
Lubricants	2,070
Natural Gas	8,991
Office Supplies	2,138
Tires and Tubes	1,552
Uniforms	4,388
Vehicle Parts	4,519
Water and Sewer	425
Other Supplies and Materials	9,811
Building and Contents Insurance	6,843
Liability Insurance	4,624

(Continued)

Exhibit K-9

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

	Governmental Activities - Internal Service Fund <hr/> Central Maintenance/ Garage <hr/>
<u>Expenditures (Cont.)</u>	
<u>Operating Expenses (Cont.)</u>	
<u>General Government (Cont.)</u>	
Vehicle and Equipment Insurance	\$ 9,618
Workers' Compensation Insurance	15,906
Maintenance Equipment	12,012
Total General Government	<hr/> \$ 345,484 <hr/>
 <u>Other Charges</u>	
Mechanic(s)	\$ 68,053
Social Security	4,199
State Retirement	5,473
Life Insurance	104
Medical Insurance	17,103
Employer Medicare	982
Tow-in Services	2,600
Other Contracted Services	37,174
Lubricants	13,322
Tires and Tubes	36,574
Vehicle Parts	89,533
Other Supplies and Materials	1,573
Total Other Charges	<hr/> \$ 276,690 <hr/>
 <u>Miscellaneous</u>	
Custodial Personnel	\$ 24,986
Other Salaries and Wages	342,990
Social Security	22,528
State Retirement	31,739
Life Insurance	604
Medical Insurance	78,930
Employer Medicare	5,269
Other Contracted Services	226,225
Custodial Supplies	32,141
Other Supplies and Materials	114,998
Total Miscellaneous	<hr/> \$ 880,410 <hr/>
Total Operating Expenses	<hr/> \$ 1,502,584 <hr/>

Exhibit K-10

Rhea County, Tennessee  
Schedule of Detailed Receipts, Disbursements,  
and Changes in Cash Balances - City Agency Funds  
For the Year Ended June 30, 2010

	Cities - Sales Tax Fund	City School ADA - Dayton City Fund	Total
<u>Cash Receipts</u>			
Current Property Taxes	\$ 0	\$ 298,102	\$ 298,102
Trustee's Collections - Prior Years	0	10,380	10,380
Trustee's Collections - Bankruptcy	0	143	143
Circuit/Clerk and Master Collections - Prior Years	0	11,825	11,825
Interest and Penalty	0	2,007	2,007
Pick-up Taxes	0	75	75
Payments in-Lieu-of Taxes - T.V.A	0	210	210
Payments in-Lieu-of Taxes - Local Utilities	0	3,074	3,074
Payments in-Lieu-of Taxes - Other	0	308	308
Local Option Sales Tax	2,681,131	469,892	3,151,023
Bank Excise Tax	0	2,371	2,371
Interstate Telecommunications Tax	0	309	309
Marriage Licenses	0	357	357
<b>Total Cash Receipts</b>	<b>\$ 2,681,131</b>	<b>\$ 799,053</b>	<b>\$ 3,480,184</b>
<u>Cash Disbursements</u>			
Remittance of Revenues Collected	\$ 2,654,320	\$ 783,794	\$ 3,438,114
Trustee's Commission	26,811	11,159	37,970
<b>Total Cash Disbursements</b>	<b>\$ 2,681,131</b>	<b>\$ 794,953</b>	<b>\$ 3,476,084</b>
Excess of Cash Receipts Over (Under)			
Cash Disbursements	\$ 0	\$ 4,100	\$ 4,100
Cash Balance, July 1, 2009	0	42,969	42,969
<b>Cash Balance, June 30, 2010</b>	<b>\$ 0</b>	<b>\$ 47,069</b>	<b>\$ 47,069</b>

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## **SINGLE AUDIT SECTION**

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

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

February 28, 2011

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

To the County Executive and Board of County Commissioners:

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Rhea County, Tennessee, as of and for the year ended June 30, 2010, which collectively comprise a portion of Rhea County's basic financial statements and have issued our report thereon dated February 28, 2011. Our report on the financial statements of Rhea County, Tennessee, expresses an adverse opinion on the governmental activities and the aggregate discretely presented component units due to material discrepancies in the capital assets records of Rhea County and the discretely presented Rhea County School Department. Also, our report on the aggregate discretely presented component units does not include the financial statements of the Rhea County Emergency Communications District. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Rhea Medical Center, a discretely presented component unit, as described in our report on Rhea County's financial statements. This report does not include the results of the other auditors testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

## Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses: 10.01 and 10.07.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies: 10.03, 10.04, 10.05, and 10.08.

## Compliance and Other Matters

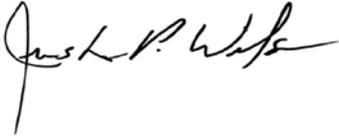
As part of obtaining reasonable assurance about whether Rhea County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying Schedule of Findings and Questioned Costs as items 10.02 and 10.06.

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

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

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

Very truly yours,

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

Justin P. Wilson  
Comptroller of the Treasury

JPW/sb



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

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

February 28, 2011

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

To the County Executive and Board of County Commissioners:

Compliance

We have audited the compliance of Rhea County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. Rhea County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Rhea County's management. Our responsibility is to express an opinion on Rhea County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Rhea County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We

believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Rhea County's compliance with those requirements.

In our opinion, Rhea County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

#### Internal Control Over Compliance

The management of Rhea County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Rhea County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Rhea County's internal control over compliance.

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

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as items 10.04 and 10.09. A significant deficiency in internal control over compliance is a deficiency, or 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.

#### Schedule of Expenditures of Federal Awards

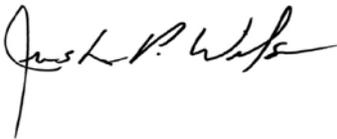
We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Rhea County as of and for the year ended June 30, 2010, and have issued our report thereon dated February 28, 2011. Our report on the financial statements of Rhea County, Tennessee, expresses an adverse opinion on the governmental activities and the

aggregate discretely presented component units due to material discrepancies in the capital assets records of Rhea County and the discretely presented Rhea County School Department. Also, our report on the aggregate discretely presented component units does not include the financial statements of the Rhea County Emergency Communications District. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

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

Yours very truly,

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

Justin P. Wilson  
Comptroller of the Treasury

JPW/sb

Rhea County, Tennessee  
Schedule of Expenditures of Federal Awards and State Grants (1)  
For the Year Ended June 30, 2010

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Passed-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Direct Program:			
Distance Learning and Telemedicine Grant	10.855	N/A	\$ 7,058
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	149,943 (3)
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	329,005
National School Lunch Program	10.555	N/A	1,006,229 (3)
Child Nutrition Discretionary Grants Limited Availability - ARRA	10.579	5TN340330	24,572
Total U.S. Department of Agriculture			\$ 1,516,807
U.S. Department of Housing and Urban Development:			
Passed-through State Housing Development Agency:			
HOME Investment Partnerships Program	14.239	HM-07-33	\$ 402,303
Total U.S. Department of Housing and Urban Development			\$ 402,303
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Highway Planning and Construction	20.205	(2)	\$ 79,824
Alcohol Open Container Requirements	20.607	Z-09-214652-00	8,469
Total U.S. Department of Transportation			\$ 88,293
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Cluster:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 1,037,666
Title I Grants to Local Educational Agencies, Recovery Act	84.389	S389A090042	294,477
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	910,845
Special Education - Preschool Grants	84.173	N/A	15,157
Special Education - Grants to States, Recovery Act	84.391	H391A090052	477,224
Special Education - Preschool Grants, Recovery Act	84.392	H392A090095	5,995
Career and Technical Education - Basic Grants to States	84.048	N/A	93,548
Safe and Drug-free Schools and Communities - State Grants	84.186	(2)	19,092
Education for Homeless Children and Youth	84.196	(2)	8,820
Education Technology Cluster:			
Education Technology State Grants	84.318	(2)	9,933
Education Technology State Grants, Recovery Act	84.386	(2)	16,626
Rural Education	84.358	(2)	165,653
English Language Acquisition Grants	84.365	(2)	17,719
Improving Teacher Quality State Grants	84.367	N/A	222,056
State Fiscal Stabilization Fund Cluster:			
State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	S394A090043	751,100
State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	S397A090043	159,660
Passed-through State Department of Labor and Workforce Development:			
Adult Education - Basic Grants to States	84.002	(2)	156,178
Total U.S. Department of Education			\$ 4,361,749
U.S. Department of Homeland Security:			
Direct Program:			
Assistance to Firefighter Grant	97.044	N/A	\$ 70,582
Passed-through State Department of Military:			
Homeland Security Grant Program	97.067	(4)	187,501
Total U.S. Department of Homeland Security			\$ 258,083
Total Expenditures of Federal Awards			\$ 6,627,235

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Contract Number	Expenditures
<u>State Grants</u>			
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	\$ 11,740
Local Health Services - State Department of Health	N/A	Z-10-219819-00	140,124
Juvenile Services Program - State Commission on Children and Youth	N/A	GG-1029955-00	9,000
Emergency Preparedness - State Department of Military	N/A	(5)	70,290
Child Safety Seat Grant - State Department of Health	N/A	(2)	8,922
Waste Tire Grant - State Department of Environment and Conservation	N/A	Z-08-213021-00	15,948
Litter Program - State Department of Transportation	N/A	Z-10-220372-00	29,237
ConnecTenn - State Department of Education	N/A	(2)	2,834
Early Childhood Lottery - State Department of Education	N/A	(2)	156,644
Early Childhood Education Pilot/State - State Department of Education	N/A	(2)	<u>216,458</u>
 Total State Grants			 <u>\$ 661,197</u>

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

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Information not available.
- (3) Total for CFDA No. 10.555 is \$1,156,172.
- (4) 34104-0000000474: \$95,876; 34101-0000002571: \$91,625.
- (5) GG-06-12170-00: \$47,070; GG-10-30613-00: \$23,220.

Rhea County, Tennessee  
Schedule of Audit Findings Not Corrected  
June 30, 2010

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report for Rhea County, Tennessee, for the year ended June 30, 2009, which have not been corrected.

**RHEA COUNTY AND RHEA COUNTY SCHOOL DEPARTMENT**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
09.01	196	Capital assets records were not properly maintained

**OFFICE OF FINANCE DIRECTOR**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
09.03	198	Competitive bids were not solicited for certain purchases exceeding \$5,000
09.04	198	The office had deficiencies in controlling the inventory of nondepreciable assets
09.05(B)	199	In some instances, purchase orders were issued after the purchases were made

**OFFICE OF CIRCUIT COURT CLERK**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
09.09	201	The office did not implement adequate controls to protect its information resources

**OTHER FINDING**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
09.12	203	Duties were not segregated adequately in the Offices of Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff

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**RHEA COUNTY, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2010**

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**PART I, SUMMARY OF AUDITOR'S RESULTS**

1. Adverse opinions were issued on the financial statements of the governmental activities and the aggregate discretely presented component units. Our report on each major fund and the aggregate remaining fund information is unqualified.
2. The audit of the financial statements of Rhea County disclosed significant deficiencies in internal control. Two of these deficiencies were considered to be material weaknesses.
3. The audit disclosed no instances of noncompliance that were material to the financial statements of Rhea County.
4. The audit disclosed one significant deficiency in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed one finding that is required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555); the HOME Investment Partnerships Program (CFDA No. 14.239); the Title I Cluster: Title I Grants to Local Educational Agencies and Title I Grants to Local Educational Agencies, Recovery Act (CFDA Nos. 84.010 and 84.389); the Special Education Cluster: Special Education – Grants to States, Special Education – Preschool Grants, Special Education – Grants to States, and Recovery Act, Special Education – Preschool Grants, Recovery Act (CFDA Nos. 84.027, 84.173, 84.391, and 84.392); and the State Fiscal Stabilization Cluster: State Fiscal Stabilization Funds (SFSF) – Education State Grants, Recovery Act and State Fiscal Stabilization Funds (SFSF) – Governmental Services, Recovery Act (CFDA Nos. 84.394 and 84.397) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Rhea County did not qualify as a low-risk auditee.

## **PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS**

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. The finance director provided written responses on certain findings, which are paraphrased in this report.

### **RHEA COUNTY AND RHEA COUNTY SCHOOL DEPARTMENT**

**FINDING 10.01      CAPITAL ASSETS RECORDS WERE NOT PROPERLY MAINTAINED**  
(Internal Control – Material Weakness Under Government Auditing Standards)

Adverse opinions were issued on the financial statements of the governmental activities and the aggregate discretely presented component units because the capital assets records of Rhea County and the discretely presented Rhea County School Department contained numerous material discrepancies, errors, and inaccurate calculations of accumulated depreciation balances. In addition, the office did not have procedures in place to ensure that newly acquired capital assets were accounted for properly. For example, electronic media equipment, numerous roads, highway equipment, and cafeteria equipment were not added to the capital assets records. Several roads on the capital assets records were valued incorrectly, and two wrecked vehicles were not deleted from the capital assets records. Because capital assets records of Rhea County and the School Department were not properly maintained, we could not determine if all capital assets had been properly recorded and depreciated. This deficiency can be attributed to a lack of management oversight and the failure of management to correct the finding noted in the prior-year audit report.

### **RECOMMENDATION**

Rhea County's and the Rhea County School Department's management should ensure that capital assets records are properly maintained on a current basis to support accurate balances. This information is necessary to present the financial statements in accordance with generally accepted accounting principles.

### **MANAGEMENT'S RESPONSE – FINANCE DIRECTOR**

Due to some unforeseen circumstances involving a previous employee, the auditors found a material weakness in the capital assets records. Management's solution to this problem takes a two-fold approach. First, hire and train a new employee and commit more time to correcting the deficiency that presently exists, and second, have more management oversight. With these two new procedures in place, management feels confident that this problem will be corrected.

## **OFFICE OF FINANCE DIRECTOR**

### **FINDING 10.02      **COMPETITIVE BIDS WERE NOT SOLICITED FOR THE PURCHASE OF WRESTLING MATS** (Noncompliance Under Government Auditing Standards)**

Competitive bids were not solicited for the purchase of wrestling mats costing \$21,204 for the high school. Pursuant to provisions of Section 5-21-120, Tennessee Code Annotated, the Financial Management Committee, together with the finance director, established purchasing procedures for Rhea County. These procedures require that purchases exceeding \$5,000 for the School Department are to be made based on competitive bids. This deficiency can be attributed to the failure of management to correct this finding noted in the prior-year audit report. The failure to solicit competitive bids could result in the county paying more than the most competitive price.

### **RECOMMENDATION**

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

### **MANAGEMENT'S RESPONSE – FINANCE DIRECTOR**

The Finance Department, along with school system management, constantly stresses the proper ways of purchasing through the regular process or the bid process. Management will notify the department heads and stress the consequences of not following proper purchasing procedures. Management will review all policies concerning purchasing and strive to make the procedures work.

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### **FINDING 10.03      **THE OFFICE HAD DEFICIENCIES IN CONTROLS OVER NONDEPRECIABLE ASSETS** (Internal Control – Significant Deficiency Under Government Auditing Standards)**

The following deficiencies were noted in inventory controls over county- and School Department-owned nondepreciable assets:

- A. The office did not have procedures in place to ensure that newly acquired assets were added to the inventory lists and that items disposed of were deleted from the inventory lists.
- B. The location of the assets and/or serial number of the assets was not always maintained in the inventory records, making it difficult to locate the assets.
- C. Inventory was not always marked with a county identification tag.
- D. Personnel independent of maintaining the inventory records did not periodically verify the records.

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

#### RECOMMENDATION

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

#### MANAGEMENT'S RESPONSE – FINANCE DIRECTOR

New equipment is in place, and a new employee has been hired and trained. A great percentage of the inventory has been done and is in the Finance Department's system. Continued efforts to put everything in the proper format and to make sure that the information is correct will be an ongoing effort. Internal audits will be performed at regular intervals.

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**FINDING 10.04      SOME PURCHASE ORDERS WERE ISSUED AFTER PURCHASES WERE MADE IN THE CHILD NUTRITION CLUSTER GRANT PROGRAM**  
(Internal Control – Significant Deficiency Under Government Auditing Standards and OMB Circular A-133)

In some instances, purchase orders were issued after purchases were made in the Child Nutrition Cluster (CFDA Nos. 10.553 and 10.555) grant program. This practice defeats the purpose of issuing a purchase order and makes the purchase order an approval for payment, rather than an approval of the purchase. This deficiency can be attributed to the lack of management oversight of the purchasing process and failure of management to correct this finding noted in the prior-year audit report.

#### RECOMMENDATION

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

#### MANAGEMENT'S RESPONSE – FINANCE DIRECTOR

Management of the school system is aware of the purchasing problem that exists in the Food Services Department. There is an attempt to correct the problem, and proper purchasing procedures are constantly stressed. Management will put the proper procedures into practice immediately.

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

**FINDING 10.05      **THE OFFICE DID NOT IMPLEMENT ADEQUATE CONTROLS TO PROTECT ITS INFORMATION RESOURCES****  
(Internal Control – Significant Deficiency Under Government Auditing Standards)

Although deficiencies noted in the prior-year audit report were corrected, other inadequate controls were identified during the current audit period. This finding does not identify specific vulnerabilities that could allow someone to exploit the office’s information system or misuse county funds. Disclosing those vulnerabilities could present a potential security risk by providing the readers with information that might be confidential pursuant to Section 10-7-504(i), Tennessee Code Annotated. Sound business practices dictate that proper controls be implemented. Without these controls, unauthorized system activity could occur.

**RECOMMENDATION**

The office should ensure that adequate controls over information systems and the resources associated with those systems are implemented.

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**FINDING 10.06      **THE OFFICE HAD DEFICIENCIES IN COMPUTER SYSTEM BACKUP PROCEDURES****  
(Noncompliance Under Government Auditing Standards)

System backups were rotated off-site monthly instead of weekly as required by Section 10-7-121, Tennessee Code Annotated. This statute provides that records required to be retained by any government official may be maintained on a computer or removable storage media as long as certain standards are met. One of these standards requires that all data generated and stored within the computer system should be copied to storage media daily, and media more than one week old should be stored at an off-site location. This deficiency is the result of management’s failure to implement adequate disaster recovery planning procedures. In the event of a disaster, all backup data could be destroyed, resulting in costly delays in generating and recording information accounted for through the automated process.

**RECOMMENDATION**

Backups should be rotated off-site on a weekly basis. Some possibilities for an off-site storage location would be another county office building with a fireproof vault or a safe-deposit box at a local bank.

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**OTHER FINDING AND RECOMMENDATION**

**FINDING 10.07      **RHEA COUNTY HAS A MATERIAL RECURRING AUDIT FINDING**  
(Internal Control – Material Weakness Under Government Auditing Standards)**

Rhea County has a material audit finding that has been reported in its annual financial reports for three or more consecutive years. This recurring material finding is listed below:

<u>Finding Numbers</u>	<u>Description</u>
10.01, 09.01, 08.01	Rhea County and the Rhea County School Department did not properly maintain their capital assets records

The recurring nature of the above-noted findings indicates that management is either unwilling or unable to address the deficiency. The Local Government Modernization Act of 2005 in Section 9-3-405, Tennessee Code Annotated (TCA), encourages local governments to consider establishing an Audit Committee and further provides that the comptroller may require that an Audit Committee be established in any local government that (1) is in noncompliance with the accounting and financial reporting standards required by the Governmental Accounting Standards Board or (2) has recurring findings from the annual audit for three or more consecutive years as determined by the comptroller to be a material weakness in internal control or material noncompliance under Government Auditing Standards. The responsibilities and duties of an Audit Committee are to address financial and other reporting practices, internal control, compliance with laws and regulations, and ethics.

**RECOMMENDATION**

Rhea County should establish an Audit Committee to address financial and other reporting practices, internal control, compliance with laws and regulations, and ethics. This Audit Committee should provide management with guidance to correct all reported material weaknesses in internal control and material noncompliance. If these findings continue to recur, Rhea County may be required to establish an Audit Committee under provisions of Section 9-3-405, TCA.

**MANAGEMENT’S RESPONSE – FINANCE DIRECTOR**

Management will consider forming an Audit Committee in the near future. This will help with any further problems that arise and can be dealt with in a more timely fashion.

FINDING 10.08

**DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF**

(Internal Control – Significant Deficiency Under Government Auditing Standards)

Duties were not segregated adequately among officials and employees in the Offices of Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff. Officials and employees responsible for maintaining the accounting records in these offices were also involved in receipting, depositing, and/or disbursing funds. Accounting standards provide that internal controls be designed to provide reasonable assurance of the reliability of financial reporting and of the effectiveness and efficiency of operations. This lack of segregation of duties is the result of management's decisions based on the availability of financial resources and is a significant deficiency in internal controls that increases the risk of unauthorized transactions. Also, this deficiency is the result of management's failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

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

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

Federal Agency	Finding Number	Federal CFDA Number	Criteria	Explanation	Amount Questioned
U.S. Department of Agriculture Passed-through State Department of Agriculture: School Breakfast Program National School Lunch Program	10.09	10.553 10.555	<u>Circular A-133,</u> Section 500(c)(3)	Significant Deficiency in Internal Control - See Finding 10.04 - Some purchase orders were issued after purchases were made.	\$ 0

**RHEA COUNTY, TENNESSEE  
AUDITEE REPORTING RESPONSIBILITIES  
For the Year Ended June 30, 2010**

There were audit findings relative to federal awards presented in the prior- and current-years' Schedules of Findings and Questioned Costs.

**Office of Finance Director – Corrective Action Plan for Current-Year's Findings**

**FINDINGS 10.04 and 10.09**

Contact person: Bill Graham

Corrective action planned: Management of the school system is aware of the purchasing problem that exists in the Food Services Department. There is an attempt to correct the problem and proper purchasing procedures are constantly stressed. Management will put the proper procedures into practice immediately.

Anticipated completion date: 2010-11

**Office of Finance Director – Summary of Prior-Year's Findings**

**FINDINGS 09.04 and 09.13**

The department put new inventory controls in place with the implementation of an inventory control system from Pitney-Bowes, which scans the UPC and/or serial number. The department continues to request that they be informed when assets are moved or when assets are no longer in use. An employee was assigned to spearhead the implementation of inventory controls.

**FINDINGS 09.05 and 09.14**

There was an effort to instruct employees to follow the proper procedures. We will continue to inform all employees that they must follow the correct purchasing procedures. Finding 09.05(B) – In some instances, purchase orders were issued after purchases were made – is a continuing problem and was reported again in findings 10.04 and 10.09.

**FINDINGS 09.07 and 09.15**

The department head over the grant in question completed the required reports.