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# ANNUAL FINANCIAL REPORT RHEA COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2011



**ANNUAL FINANCIAL REPORT  
RHEA COUNTY, TENNESSEE  
FOR THE YEAR ENDED JUNE 30, 2011**

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

***DIVISION OF COUNTY AUDIT  
JAMES R. ARNETTE  
Director***

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Auditor 4***

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JENI PALADENI  
STEPHEN ALRED  
State Auditors***

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

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## RHEA COUNTY, TENNESSEE TABLE OF CONTENTS

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	Exhibit	Page(s)
Audit Highlights		6-7
<u>INTRODUCTORY SECTION</u>		8
Rhea County Officials		9
<u>FINANCIAL SECTION</u>		10
Independent Auditor’s Report		11-13
BASIC FINANCIAL STATEMENTS:		14
Government-wide Financial Statements:		
Statement of Net Assets	A	15-16
Statement of Activities	B	17-18
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C-1	19
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	C-2	20
Statement of Revenues, Expenditures, and Changes in Fund Balances	C-3	21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C-4	22
Proprietary Fund:		
Statement of Net Assets	D-1	23
Statement of Revenues, Expenses, and Changes in Net Assets	D-2	24
Statement of Cash Flows	D-3	25
Fiduciary Funds:		
Statement of Fiduciary Assets and Liabilities	E	26
Notes to the Financial Statements		27-78
REQUIRED SUPPLEMENTARY INFORMATION:		79
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
General Fund	F-1	80-81
Highway/Public Works Fund	F-2	82
Schedule of Funding Progress – Pension Plan – Primary Government and Discretely Presented Rhea County School Department	F-3	83

	Exhibit	Page(s)
Schedule of Funding Progress – Other Postemployment Benefits Plans – Primary Government and Discretely Presented Rhea County School Department	F-4	84
Notes to the Required Supplementary Information		85
<b>COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:</b>		86
Nonmajor Governmental Funds:		87
Combining Balance Sheet	G-1	88
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	G-2	89
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
Solid Waste/Sanitation Fund	G-3	90
Drug Control Fund	G-4	91
District Attorney General Fund	G-5	92
Major Governmental Fund:		93
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
General Debt Service Fund	H	94
Fiduciary Funds:		95
Combining Statement of Fiduciary Assets and Liabilities	I-1	96
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	I-2	97
Component Unit:		
Discretely Presented Rhea County School Department:		98
Statement of Activities	J-1	99
Balance Sheet – Governmental Funds	J-2	100
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	J-3	101
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	J-4	102
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	J-5	103
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Purpose School Fund	J-6	104-105
School Federal Projects Fund	J-7	106
Central Cafeteria Fund	J-8	107
School Transportation Fund	J-9	108
Statement of Fiduciary Net Assets	J-10	109
Statement of Changes in Fiduciary Net Assets	J-11	110

	Exhibit	Page(s)
Miscellaneous Schedules:		111
Schedule of Changes in Long-term Notes, Capital Leases, Other Loans, and Bonds	K-1	112
Schedule of Long-term Debt Requirements by Year	K-2	113-114
Schedule of Transfers – Discretely Presented Rhea County School Department	K-3	115
Schedule of Salaries and Official Bonds of Principal Officials – Primary Government and Discretely Presented Rhea County School Department	K-4	116
Schedule of Detailed Revenues – All Governmental Fund Types	K-5	117-121
Schedule of Detailed Revenues – All Governmental Fund Types – Discretely Presented Rhea County School Department	K-6	122-124
Schedule of Detailed Expenditures – All Governmental Fund Types	K-7	125-143
Schedule of Detailed Expenditures – All Governmental Fund Types – Discretely Presented Rhea County School Department	K-8	144-156
Schedule of Detailed Revenues and Expenses – Proprietary Fund (Internal Service Fund)	K-9	157-158
Schedule of Detailed Receipts, Disbursements, and Changes in Cash Balances – City Agency Funds	K-10	159
 <u>SINGLE AUDIT SECTION</u>		 160
Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>		161-162
Auditor’s Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133		163-165
Schedule of Expenditures of Federal Awards and State Grants		166-167
Schedule of Audit Findings Not Corrected		168
Schedule of Findings and Questioned Costs		169-178
Auditee Reporting Responsibilities		179

# ***Audit Highlights***

Annual Financial Report  
Rhea County, Tennessee  
For the Year Ended June 30, 2011

## ***Scope***

We have audited the basic financial statements of Rhea County as of and for the year ended June 30, 2011.

## ***Results***

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

Our audit resulted in 11 findings and recommendations, which we have reviewed with Rhea County management. Detailed findings, recommendations, and management's responses are included in the Single Audit section of this report.

## ***Findings and Best Practice***

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

### **OFFICE OF FINANCE DIRECTOR**

- ◆ The office had deficiencies in controls over nondepreciable assets.
- ◆ Some purchase orders were issued after purchases were made in the Child Nutrition Cluster Grant Program.
- ◆ The Drug Control Fund paid for recurring wireless telephone charges for employees not involved in drug enforcement.

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

- ◆ The office had a cash shortage of \$5,297 at December 12, 2011.
- ◆ The annual financial report did not accurately reflect the financial activity of Circuit Court.

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### **OFFICE OF REGISTER**

- ◆ Deficiencies were noted in the maintenance of accounting records.
  - ◆ The office did not file an annual financial report timely.
-

## **OFFICE OF SHERIFF**

- ◆ Bank statements were not reconciled with the general ledger monthly.
  - ◆ Some collections were not deposited within three days of receipt.
- 

## **OFFICES OF COUNTY CLERK, CLERK AND MASTER, AND REGISTER**

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

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

- ◆ Duties were not segregated adequately.
- 

## **BEST PRACTICE**

Rhea County does not have an Audit Committee. The Division of County Audit strongly believes that an Audit Committee is a best practice that should be adopted by the governing body to assist the County Commission by providing independent and objective reviews of the financial reporting process, internal controls, the audit function, and being responsible for monitoring management's plans to address various risks.

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# INTRODUCTORY SECTION

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# Rhea County Officials

## June 30, 2011

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### **Officials**

George Thacker, County Executive  
Tommy Snyder, Highway Supervisor  
Jerry Levensgood, Director of Schools  
Neva Webb, Trustee  
Julene Purser, Assessor of Property  
Linda Shaver, County Clerk  
Jamie Holloway, 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	Grover Parks
Emmaly Fisher	Jim Reed
Bill Hollin	Tommy Smith
Ron Masterson	Tracy Taylor
Doyle Montgomery	

### **Financial Management Committee**

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

### **Board of Education**

Dale Harris, Chairman	Harold McCawley
Billy DaVault	B.J. McCoy
Patrick Fisher	John Mincy
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 27, 2012

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, 2011, 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 54 percent and 38 percent, respectively, of the assets and revenues of the discretely presented component units and the Rhea County Emergency Communications District, which represent 1.6 percent and .8 percent, respectively, of the assets and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Rhea Medical Center and the Rhea County Emergency Communications District is based on the reports of other auditors.

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

accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Rhea County, Tennessee, as of June 30, 2011, 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 27, 2012, 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.

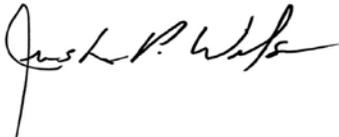
As described in Note V.B., Rhea County has adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which became effective for the year ended June 30, 2011.

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 80 through 85 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 financial statements as a whole. 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 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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, 2011

	Primary Governmental Activities	Component Units		
		Rhea County School Department	Rhea Medical Center	Rhea County Emergency Communications District
<b>ASSETS</b>				
Cash	\$ 91,534	\$ 0	\$ 6,455,314	\$ 854,449
Equity in Pooled Cash and Investments	5,879,226	5,106,028	0	0
Inventories	0	0	589,835	0
Investments - Current	0	0	6,428,254	84,641
Accounts Receivable	80,513	1,758	4,895,607	32,269
Allowance for Uncollectibles	0	0	(1,970,000)	0
Due from Other Governments	479,513	1,392,433	0	0
Property Taxes Receivable	7,351,034	3,641,350	0	0
Allowance for Uncollectible Property Taxes	(395,786)	(196,161)	0	0
Prepaid Items	0	0	49,876	1,929
Deferred Charges - Debt Issuance Cost	107,441	0	137,459	0
Investments - Noncurrent	0	0	2,935,532	0
Other	0	0	979,977	0
Assets Not Depreciated:				
Land	868,831	939,515	2,362,513	0
Construction in Progress	0	498,427	900	0
Assets Net of Accumulated Depreciation:				
Buildings and Improvements	2,298,388	26,982,151	21,432,079	277,772
Infrastructure	2,962,938	0	0	0
Other Capital Assets	1,118,102	1,886,722	3,885,628	181,795
<b>Total Assets</b>	<b>\$ 20,841,734</b>	<b>\$ 40,252,223</b>	<b>\$ 48,182,974</b>	<b>\$ 1,432,855</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ 35,910	\$ 5,915	\$ 794,255	\$ 26,468
Accrued Payroll	0	3,094	366,660	0
Payroll Deductions Payable	80,618	738,626	0	0
Accrued Interest Payable	109,782	0	0	0
Due to State of Tennessee	0	1,405	0	0
Due to Litigants, Heirs, and Others	5,559	0	0	0
Other Current Liabilities	0	0	3,392,290	0
Deferred Revenue - Current Property Taxes	6,638,934	3,288,318	0	0
Noncurrent Liabilities:				
Due Within One Year	2,279,572	81,537	976,661	7,455
Due in More Than One Year (net of deferred amount on refunding and unamortized premium on debt)	11,950,415	788,517	21,988,872	0
<b>Total Liabilities</b>	<b>\$ 21,100,790</b>	<b>\$ 4,907,412</b>	<b>\$ 27,518,738</b>	<b>\$ 33,923</b>

(Continued)

Exhibit A

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

	Primary Governmental Activities	Component Units		
		Rhea County School Department	Rhea Medical Center	Rhea County Emergency Communications District
<u>NET ASSETS</u>				
Invested in Capital Assets, Net of Related Debt	\$ 4,427,259	\$ 0	\$ 4,715,587	\$ 0
Invested in Capital Assets	0	30,306,815	0	459,567
Restricted for:				
General Purposes	834,549	78,376	0	
Solid Waste/Sanitation	604,989	0	0	0
Drug Control	44,820	0	0	0
District Attorney General	25,306	0	0	0
Highway/Public Works	577,377	0	0	0
Debt Service	971,474	0	0	0
School Federal Projects	0	300,000	0	0
Central Cafeteria	0	725,153	0	0
School Transportation	0	643,020	0	0
Capital Projects	1,998,000	1,088,306	0	0
Unrestricted	<u>(9,742,830)</u>	<u>2,203,141</u>	<u>15,948,649</u>	<u>939,365</u>
Total Net Assets (Deficit)	<u>\$ (259,056)</u>	<u>\$ 35,344,811</u>	<u>\$ 20,664,236</u>	<u>\$ 1,398,932</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, 2011

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets									
	Program Revenues					Component Units				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Rhea County School Department	Rhea Medical Center	Rhea County Emergency Communications District		
Primary Government:										
Governmental Activities:										
General Government	\$ 1,838,580	\$ 294,533	\$ 20,664	\$ 0	\$ (1,523,383)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Finance	1,259,225	630,968	0	0	(628,257)	0	0	0	0	0
Administration of Justice	1,070,554	651,728	9,000	0	(409,826)	0	0	0	0	0
Public Safety	4,310,037	574,970	69,245	179,992	(3,485,830)	0	0	0	0	0
Public Health and Welfare	791,276	215,036	179,051	0	(397,189)	0	0	0	0	0
Agriculture and Natural Resources	186,198	0	0	0	(186,198)	0	0	0	0	0
Other Operations	1,544,792	1,164,155	55,438	256,500	(68,699)	0	0	0	0	0
Highways/Public Works	5,760,239	15,014	1,591,948	159,944	(3,993,333)	0	0	0	0	0
Interest on Long-term Debt	481,924	0	0	0	(481,924)	0	0	0	0	0
Other Debt Service	98,322	0	860,340	0	762,018	0	0	0	0	0
<b>Total Primary Government</b>	<b>\$ 17,341,147</b>	<b>\$ 3,546,404</b>	<b>\$ 2,785,686</b>	<b>\$ 596,436</b>	<b>\$ (10,412,621)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
Component Units:										
Rhea County School Department	\$ 34,104,388	\$ 795,334	\$ 5,016,653	\$ 8,166	\$ 0	\$ (28,284,235)	\$ 0	\$ 0	\$ 0	\$ 0
Rhea Medical Center	18,303,564	20,841,531	80,150	363,000	0	0	2,981,117	0	0	0
Rhea County Emergency Communications District	439,105	434,570	26,000	0	0	0	0	0	0	21,465
<b>Total Component Units</b>	<b>\$ 52,847,057</b>	<b>\$ 22,071,435</b>	<b>\$ 5,122,803</b>	<b>\$ 371,166</b>	<b>\$ 0</b>	<b>\$ (28,284,235)</b>	<b>\$ 2,981,117</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 21,465</b>

(Continued)

Exhibit B

Rhea County, Tennessee  
Statement of Activities (Cont.)

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets					
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Component Units					
				Total Governmental Activities	Rhea County School Department	Rhea Medical Center	Rhea County Emergency Communications District		
General Revenues:									
Taxes:									
Property Taxes Levied for General Purposes				\$ 5,547,534	\$ 3,385,294	\$ 0	\$ 0	\$ 0	0
Property Taxes Levied for Debt Service				1,266,402	0	0	0	0	0
Local Option Sales Taxes				410,529	2,976,371	0	0	0	0
Hotel/Motel Tax				146,910	0	0	0	0	0
Litigation Tax - General				126,563	0	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse				30,897	0	0	0	0	0
Business Tax				201,834	0	0	0	0	0
Mineral Severance Tax				51,568	0	0	0	0	0
Wholesale Beer Tax				117,881	0	0	0	0	0
Other Local Taxes				3,367	1,693	0	0	0	0
Grants and Contributions Not Restricted to Specific Programs				436,681	22,487,885	0	0	0	0
Unrestricted Investment Earnings				121,725	13,345	52,425	1,861	0	1,861
Miscellaneous				12,271	59,312	0	0	0	0
Total General Revenues				\$ 8,474,162	\$ 28,923,900	\$ 52,425	\$ 1,861	\$ 0	\$ 1,861
Change in Net Assets				\$ (1,938,459)	\$ 639,665	\$ 3,033,542	\$ 23,326	\$ 0	\$ 23,326
Net Assets (Deficit), July 1, 2010				(2,740,276)	34,445,574	17,630,694	1,375,606	0	1,375,606
Prior-period Adjustment				4,419,679	259,572	0	0	0	0
Net Assets (Deficit), June 30, 2011				\$ (259,056)	\$ 35,344,811	\$ 20,664,236	\$ 1,398,932	\$ 0	\$ 1,398,932

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

Exhibit C-1

Rhea County, Tennessee  
Balance Sheet  
Governmental Funds  
June 30, 2011

	Major Funds			Nonmajor	Total
	General	Highway /	General	Funds	
		Public	Debt	Other	
	Works	Service	Governmental	Governmental	
			Funds	Funds	
<u>ASSETS</u>					
Cash	\$ 100	\$ 0	\$ 0	\$ 91,434	\$ 91,534
Equity in Pooled Cash and Investments	2,246,165	2,312,852	679,445	631,909	5,870,371
Accounts Receivable	32,394	0	0	48,119	80,513
Due from Other Governments	103,376	295,059	76,810	4,268	479,513
Due from Other Funds	307	0	0	0	307
Property Taxes Receivable	5,782,168	194,514	1,374,352	0	7,351,034
Allowance for Uncollectible Property Taxes	(311,316)	(10,473)	(73,997)	0	(395,786)
Total Assets	\$ 7,853,194	\$ 2,791,952	\$ 2,056,610	\$ 775,730	\$ 13,477,486
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 35,838	\$ 0	\$ 0	\$ 72	\$ 35,910
Payroll Deductions Payable	59,076	9,329	0	3,358	71,763
Due to Other Funds	0	0	0	307	307
Due to Litigants, Heirs, and Others	0	0	0	5,559	5,559
Deferred Revenue - Current Property Taxes	5,222,046	175,671	1,241,217	0	6,638,934
Deferred Revenue - Delinquent Property Taxes	226,806	7,870	55,638	0	290,314
Other Deferred Revenues	0	136,745	38,336	0	175,081
Total Liabilities	\$ 5,543,766	\$ 329,615	\$ 1,335,191	\$ 9,296	\$ 7,217,868
<u>Fund Balances</u>					
Restricted:					
Restricted for General Government	\$ 33,660	\$ 0	\$ 0	\$ 0	\$ 33,660
Restricted for Administration of Justice	180,500	0	0	25,306	205,806
Restricted for Public Safety	289,218	0	0	0	289,218
Restricted for Public Health and Welfare	41,502	0	0	0	41,502
Restricted for Highways/Public Works	0	449,217	0	0	449,217
Restricted for Capital Outlay	0	1,998,000	0	0	1,998,000
Restricted for Debt Service	0	0	721,419	0	721,419
Restricted for Other Purposes	4,500	0	0	300	4,800
Committed:					
Committed for Public Health and Welfare	0	0	0	599,686	599,686
Assigned:					
Assigned for General Government	304	0	0	0	304
Assigned for Finance	0	0	0	91,319	91,319
Assigned for Administration of Justice	35,967	0	0	0	35,967
Assigned for Public Safety	102,995	0	0	44,520	147,515
Assigned for Other Purposes	145,903	15,120	0	5,303	166,326
Unassigned	1,474,879	0	0	0	1,474,879
Total Fund Balances	\$ 2,309,428	\$ 2,462,337	\$ 721,419	\$ 766,434	\$ 6,259,618
Total Liabilities and Fund Balances	\$ 7,853,194	\$ 2,791,952	\$ 2,056,610	\$ 775,730	\$ 13,477,486

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, 2011

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)		\$ 6,259,618
(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	2,298,388	
Add: infrastructure net of accumulated depreciation	2,962,938	
Add: other capital assets net of accumulated depreciation	<u>1,118,102</u>	7,248,259
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: notes payable	\$ (2,307,868)	
Less: capital leases payable	(352,538)	
Less: other loans payable	(1,243,569)	
Less: bonds payable	(10,110,000)	
Less: deferred premium on debt issuances	(47,849)	
Less: compensated absences payable	(320,183)	
Less: other postemployment benefits liability	(113,843)	
Less: accrued interest on bonds, notes, other loans, and capital leases	(109,782)	
Add: deferred amount on refunding	265,863	
Add: deferred charges - debt issuance costs	<u>107,441</u>	(14,232,328)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>465,395</u>
Net assets (deficit) of governmental activities (Exhibit A)		<u>\$ (259,056)</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, 2011

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 6,103,734	\$ 223,231	\$ 1,684,375	\$ 0	\$ 8,011,340
Licenses and Permits	82,210	0	0	0	82,210
Fines, Forfeitures, and Penalties	193,571	0	0	52,605	246,176
Charges for Current Services	48,975	0	0	572,033	621,008
Other Local Revenues	282,073	17,205	118,792	17,296	435,366
Fees Received from County Officials	803,674	0	0	0	803,674
State of Tennessee	473,176	1,749,812	190,347	41,709	2,455,044
Federal Government	440,879	0	0	55,438	496,317
Other Governments and Citizens Groups	198,765	0	860,340	7,385	1,066,490
<b>Total Revenues</b>	<b>\$ 8,627,057</b>	<b>\$ 1,990,248</b>	<b>\$ 2,853,854</b>	<b>\$ 746,466</b>	<b>\$ 14,217,625</b>
<u>Expenditures</u>					
Current:					
General Government	\$ 1,342,421	\$ 0	\$ 0	\$ 0	\$ 1,342,421
Finance	875,225	0	0	369,816	1,245,041
Administration of Justice	1,030,183	0	0	20,250	1,050,433
Public Safety	4,221,598	0	0	55,073	4,276,671
Public Health and Welfare	215,170	0	0	556,239	771,409
Agriculture and Natural Resources	187,781	0	0	0	187,781
Other Operations	692,701	0	3,509	103,305	799,515
Highways	0	1,897,689	0	0	1,897,689
Debt Service:					
Principal on Debt	0	0	1,895,901	0	1,895,901
Interest on Debt	0	0	481,731	0	481,731
Other Debt Service	0	0	39,903	0	39,903
Capital Projects	22,000	0	0	0	22,000
<b>Total Expenditures</b>	<b>\$ 8,587,079</b>	<b>\$ 1,897,689</b>	<b>\$ 2,421,044</b>	<b>\$ 1,104,683</b>	<b>\$ 14,010,495</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 39,978	\$ 92,559	\$ 432,810	\$ (358,217)	\$ 207,130
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 0	\$ 2,000,000	\$ 0	\$ 0	\$ 2,000,000
Proceeds from Sale of Capital Assets	2,157	0	0	0	2,157
Insurance Recovery	6,390	0	0	0	6,390
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 8,547</b>	<b>\$ 2,000,000</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 2,008,547</b>
Net Change in Fund Balances	\$ 48,525	\$ 2,092,559	\$ 432,810	\$ (358,217)	\$ 2,215,677
Fund Balance, July 1, 2010	2,260,903	369,778	288,609	1,124,651	4,043,941
<b>Fund Balance, June 30, 2011</b>	<b>\$ 2,309,428</b>	<b>\$ 2,462,337</b>	<b>\$ 721,419</b>	<b>\$ 766,434</b>	<b>\$ 6,259,618</b>

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, 2011

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)		\$ 2,215,677
(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	\$ 166,883	
Less: current-year depreciation expense	<u>(4,080,400)</u>	(3,913,517)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.		
Less: loss on the sale or insurance recovery of capital assets	\$ (7,600)	
Less: loss proceeds from the disposal of capital assets	<u>(8,547)</u>	(16,147)
(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, 2011	\$ 465,395	
Less: deferred delinquent property taxes and other deferred June 30, 2010	<u>(451,053)</u>	14,342
(4) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:		
Less: note proceeds	\$ (2,000,000)	
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	114,935	
Add: principal payments on capital leases	174,898	
Add: principal payments on other loans	151,068	
Add: principal payments on bonds	<u>1,455,000</u>	(155,952)
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Change in compensated absences payable	\$ (32,995)	
Change in other postemployment benefits liability	(49,674)	
Change in accrued interest payable	<u>(193)</u>	(82,862)
Change in net assets of governmental activities (Exhibit B)		<u>\$ (1,938,459)</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, 2011

	<u>Governmental                      Activities -                      Internal                      Service                      Fund</u> Central Maintenance/ Garage
<u>ASSETS</u>	
Current Assets:	
Equity in Pooled Cash and Investments	\$ 8,855
Total Assets	<u>\$ 8,855</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Payroll Deductions Payable	\$ 8,855
Total Liabilities	<u>\$ 8,855</u>
<u>NET ASSETS</u>	
Unrestricted	<u>\$ 0</u>

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

Exhibit D-2

Rhea County, Tennessee  
Statement of Revenues, Expenses, and  
Changes in Net Assets  
Proprietary Fund  
For the Year Ended June 30, 2011

	Governmental Activities - Internal Service Fund <hr/> Central Maintenance/ Garage <hr/>
<u>Operating Revenues</u>	
Charges for Current Services	\$ 1,573,182
Total Operating Revenues	<u>\$ 1,573,182</u>
<u>Operating Expenses</u>	
General Government	\$ 363,584
Other Charges	340,636
Miscellaneous	868,962
Total Operating Expenses	<u>\$ 1,573,182</u>
Operating Income (Loss)	<u>\$ 0</u>
Change in Net Assets	\$ 0
Net Assets, July 1, 2010	<u>0</u>
Net Assets, June 30, 2011	<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, 2011

	Governmental Activities - Internal Service Fund <hr/> Central Maintenance/ Garage <hr/>
<u>Cash Flows from Operating Activities</u>	
Receipts from Interfund Services Provided	\$ 1,584,368
Central Maintenance Garage Activity - Uses	(1,586,034)
Net Cash Provided By (Used In) Operating Activities	<u>\$ (1,666)</u>
 Net Increase (Decrease) in Cash	 \$ (1,666)
Cash, July 1, 2010	<u>10,521</u>
 Cash, June 30, 2011	 <u>\$ 8,855</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	13
(Increase) Decrease in Due from Other Funds	5,387
(Increase) Decrease in Due from Component Units	5,768
Increase (Decrease) in Accounts Payable	(6,640)
Increase (Decrease) in Payroll Deductions Payable	553
Increase (Decrease) in Due to Other Funds	(6)
Increase (Decrease) in Due to Component Units	<u>(6,759)</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ (1,666)</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, 2011

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 2,064,348
Equity in Pooled Cash and Investments	59,118
Accounts Receivable	478
Due from Other Governments	596,567
Taxes Receivable	351,672
Allowance for Uncollectible Taxes	<u>(18,828)</u>
Total Assets	<u>\$ 3,053,355</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 988,529
Due to Litigants, Heirs, and Others	<u>2,064,826</u>
Total Liabilities	<u>\$ 3,053,355</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, 2011**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**A. Reporting Entity**

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

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

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

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

The Rhea County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Rhea County, and the County Commission appoints its governing body. The district is funded primarily through a service charge levied on telephone services. Before the issuance of most debt instruments, the district must obtain the County Commission's approval.

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

Administrative Offices:

Rhea Medical Center  
9400 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, 2011.

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.

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

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

Additionally, Rhea County reports the following fund types:

**Capital Projects Fund** – The HUD Grant Projects Fund is used to account for various grant 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 special revenue fund is used to account for restricted federal revenues, which must be expended on specific education programs.

**School Transportation Fund** – This special revenue fund is used to account for operations of the school transportation system. Local taxes are the foundational revenues of this fund.

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

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

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

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.

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

**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.

All property taxes receivable are shown net of an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 2.84 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.

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

**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 \$10,000 or more and an estimated useful life of more than three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

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

**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 its ten-month employees to accumulate vacation days beyond June 30. The policy also allows School Department employees to be paid \$50 a day for unused sick leave upon retirement if certain criteria are met. There is no limit on the number of sick days an employee can accrue.

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

## **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 \$834,549, with the primary restrictions being for: (1) alcohol and drug treatment (\$137,741); (2) litigation tax - jail, workhouse, or courthouse (\$256,999); (3) computer systems for various offices (\$137,407); (4) animal shelter (\$18,251); (5) fire departments and rescue squad (\$32,384); (6) fire hydrants (\$70,610); (7) hotel/motel tax (\$46,641); and (8) drug court (\$3,794). For the discretely presented School Department, the account balance in Restricted for General Purposes totaling \$78,376 consists of: (1) restrictions for technology (\$16,284); (2) reading program (\$13,121); (3) adult education (\$18,293); and character education (\$26,820).

As of June 30, 2011, Rhea County had \$11,192,975 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 fund balance in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in these funds can be spent. These classifications may consist of the following:

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

Restricted Fund Balance – includes amounts that have constraints placed on the use of the resources that are either

(a) externally imposed by creditors, grantors, contributors or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

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

Assigned Fund Balance – includes amounts that are constrained by the county’s intent to be used for specific purposes, but are neither restricted nor committed (excluding stabilization arrangements). The county’s Financial Management Committee and the Board of Education are authorized bodies to make assignments.

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

**7. Prior-period Adjustments**

**Primary Government**

During the year, Rhea County made some corrections to its capital assets inventory. These corrections totaling \$4,419,679 involved assets that had been omitted in previous years as well as corrections of accumulated depreciation. The effect of this change increased net assets for the primary government by \$4,419,679.

**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 \$259,572 involved assets that had been omitted in previous years as well as corrections of accumulated depreciation. The effect of these changes increased net assets for the School Department by \$259,572.

**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**

**A. Budgetary Information**

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

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

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

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

At June 30, 2011, the Rhea County School Department reported the following significant encumbrances:

Fund	Description	Amount
School Department:		
Major Fund:		
Education Capital Projects	Architect Fees	\$ 286,055
"	Building Construction	243,708

**B. Cash Shortage**

The Office of Circuit and General Sessions Courts Clerk had a cash shortage of \$5,297 as of December 12, 2011. Officials are taking action to collect this cash deficit. Details of this cash shortage are discussed in the Schedule of Findings and Questioned Costs section of this report.

**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, 2011.

### **B. Capital Assets**

Capital assets activity for the year ended June 30, 2011, was as follows:

**Primary Government**

**Governmental Activities:**

	* Restated			
	Balance			Balance
	7-1-10	Increases	Decreases	6-30-11
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	11,880,767	0	0	11,880,767
Other Capital Assets	3,398,535	166,883	(136,395)	3,429,023
Total Capital Assets Depreciated	<u>\$ 18,310,278</u>	<u>\$ 166,883</u>	<u>\$ (136,395)</u>	<u>\$ 18,340,766</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 699,968	\$ 32,620	\$ 0	\$ 732,588
Infrastructure	5,416,819	3,501,010	0	8,917,829
Others Capital Assets	1,884,399	546,770	(120,248)	2,310,921
Total Accumulated Depreciation	<u>\$ 8,001,186</u>	<u>\$ 4,080,400</u>	<u>\$ (120,248)</u>	<u>\$ 11,961,338</u>
Total Capital Assets Depreciated, Net	<u>\$ 10,309,092</u>	<u>\$ (3,913,517)</u>	<u>\$ (16,147)</u>	<u>\$ 6,379,428</u>
Governmental Activities Capital Assets, Net	<u>\$ 11,177,923</u>	<u>\$ (3,913,517)</u>	<u>\$ (16,147)</u>	<u>\$ 7,248,259</u>

\* See Note I.D.7. for prior-period adjustment.

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

**Governmental Activities:**

General Government	\$ 71,013
Finance	3,397
Public Safety	118,378
Public Health and Welfare	16,770
Highways	<u>3,870,842</u>
 Total Depreciation Expense - Governmental Activities	 <u><u>\$ 4,080,400</u></u>

**Discretely Presented Rhea County School Department****Governmental Activities:**

	* Restated		
	Balance		Balance
	7-1-10	Increases	6-30-11
Capital Assets Not Depreciated:			
Land	\$ 939,515	\$ 0	\$ 939,515
Construction in Progress	13,212	485,215	498,427
Total Capital Assets Not Depreciated	<u>\$ 952,727</u>	<u>\$ 485,215</u>	<u>\$ 1,437,942</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 35,596,549	\$ 34,228	\$ 35,630,777
Other Capital Assets	4,323,959	315,180	4,639,139
Total Capital Assets Depreciated	<u>\$ 39,920,508</u>	<u>\$ 349,408</u>	<u>\$ 40,269,916</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 8,108,057	\$ 540,569	\$ 8,648,626
Others Capital Assets	2,493,487	258,930	2,752,417
Total Accumulated Depreciation	<u>\$ 10,601,544</u>	<u>\$ 799,499</u>	<u>\$ 11,401,043</u>
Total Capital Assets Depreciated, Net	<u>\$ 29,318,964</u>	<u>\$ (450,091)</u>	<u>\$ 28,868,873</u>
Governmental Activities Capital Assets, Net	<u>\$ 30,271,691</u>	<u>\$ 35,124</u>	<u>\$ 30,306,815</u>

\* See Note I.D.7. for prior-period adjustment.

The discretely presented Rhea County School Department had no decreases in capital assets during the year. Depreciation expense was charged to functions of the discretely presented Rhea County School Department as follows:

**Governmental Activities:**

Instruction	\$ 436,214
Support Services	358,085
Operation of Non-Instructional Services	<u>5,200</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 799,499</u></u>

**C. Insurance Recovery**

During the year, Rhea County had damage to a Sheriff's Department vehicle. Insurance recovery of \$6,390 was used to replace the damaged vehicle.

**D. Construction Commitments**

At June 30, 2011, the discretely presented Rhea County School Department had uncompleted construction contracts of approximately \$243,708 for the construction of a prefab building. Funding has been received for these future expenditures.

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

The composition of interfund balances as of June 30, 2011, was as follows:

**Due to/from Other Funds**

Receivable Fund	Payable Fund	Amount
Primary Government:		
General	Nonmajor governmental	\$ 307
Discretely Presented School Department:		
General Purpose School	School Transportation	20

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

**Interfund Transfers:**

Interfund transfers for the year ended June 30, 2011, consisted of the following amount:

**Discretely Presented Rhea County School Department**

Transfer Out	Transfer In School Federal Projects Fund
General Purpose School Fund	\$ 300,000

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.

The discretely presented Rhea County School Department's General Purpose School Fund made a transfer of \$300,000 to the School Federal Projects Fund for cash flow purposes.

**F. Operating Leases**

**Discretely Presented Rhea County School Department**

The Rhea County School Department leases two outdoor lighting systems for the high school and Spring City middle school from the local electric co-op. The rent expenditures for the year ended June 30, 2011, 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
2012	\$ 15,168
2013	15,168
2014	15,168
2015	15,168
2016	11,080
Total	\$ 71,752

**G. 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 assets acquired through capital leases are as follows:

Asset	Governmental Activities
Buildings and Improvements	\$ 868,018
Less: Accumulated Depreciation	<u>(47,295)</u>
Total Book Value	<u><u>\$ 820,723</u></u>

The future minimum lease obligation and the net present value of the minimum lease payments as of June 30, 2011, were as follows:

Year Ending June 30	Amount
2012	\$ 190,346
2013	<u>174,483</u>
Total Minimum Lease Payments	\$ 364,829
Less: Amount Representing Interest	<u>(12,291)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 352,538</u></u>

## H. Long-term Debt

### Primary Government

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

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

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 17 years for bonds, up to ten years for notes, and up to 20 years for the other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds, notes, and other loans included in long-term debt as of June 30, 2011, 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, 2011, for governmental activities are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-11
General Obligation Bonds -			
Refunding	3.375 to 4 %	\$ 12,555,000	\$ 10,110,000
Capital Outlay Notes	3.54 to 5.25	2,605,000	2,307,868
Other Loans	various	2,448,317	1,243,569
Capital Lease	9.64	868,018	352,538

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, 2011, the variable interest rate was .27 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, 2011, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
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
2017-2021	3,420,000	429,806	3,849,806
2022-2023	715,000	43,025	758,025
Total	\$ 10,110,000	\$ 1,933,605	\$ 12,043,605

Year Ending June 30	Notes		
	Principal	Interest	Total
2012	\$ 282,868	\$ 80,556	\$ 363,424
2013	221,000	72,863	293,863
2014	229,000	64,762	293,762
2015	238,000	56,366	294,366
2016	245,000	47,638	292,638
2017-2021	1,092,000	118,697	1,210,697
Total	\$ 2,307,868	\$ 440,882	\$ 2,748,750

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2012	\$ 153,069	\$ 2,217	\$ 2,908	\$ 158,194
2013	77,500	2,106	2,814	82,420
2014	78,500	1,990	2,715	83,205
2015	80,500	1,871	2,614	84,985
2016	82,500	1,747	2,508	86,755
2017-2021	442,500	6,682	10,799	459,981
2022-2026	329,000	2,733	7,513	339,246
Total	\$ 1,243,569	\$ 19,346	\$ 31,871	\$ 1,294,786

There is \$721,419 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$318, based on the 2010 federal census. Debt per capita, including bonds, notes, capital leases, and other loans totaled \$441, based on the 2010 federal census.

#### Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2011, was as follows:

Governmental Activities:	Bonds	Notes	Capital Leases
	Balance, July 1, 2010	\$ 11,565,000	\$ 422,803
Additions	0	2,000,000	0
Deductions	(1,455,000)	(114,935)	(174,898)
Balance, June 30, 2011	\$ 10,110,000	\$ 2,307,868	\$ 352,538
Balance Due Within One Year	\$ 1,490,000	\$ 282,868	\$ 181,028

	Other Loans	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2010	\$ 1,394,637	\$ 287,188	\$ 64,169
Additions	0	186,913	73,153
Deductions	(151,068)	(153,918)	(23,479)
Balance, June 30, 2011	<u>\$ 1,243,569</u>	<u>\$ 320,183</u>	<u>\$ 113,843</u>
Balance Due Within One Year	<u>\$ 153,069</u>	<u>\$ 172,607</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2011	\$ 14,448,001
Less: Balance Due Within One Year	(2,279,572)
Less: Deferred Amount on Refunding	(265,863)
Add: Unamortized Premium on Debt	<u>47,849</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 11,950,415</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, 2011, was as follows:

Governmental Activities:	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2010	\$ 498,759	\$ 388,213
Additions	170,140	259,923
Deductions	(158,775)	(288,206)
Balance, June 30, 2011	<u>\$ 510,124</u>	<u>\$ 359,930</u>
Balance Due Within One Year	<u>\$ 81,537</u>	<u>\$ 0</u>

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

**I. On-Behalf Payments**

**Primary Government**

The State of Tennessee pays health insurance premiums for retired employee's on-behalf of Rhea County. These payments are made by the state to the Medicare Supplement Plan. This plan is administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Medicare Supplement Plan for the year ended June 30, 2011, were \$1,097. Rhea County has recognized these on-behalf payments as revenues and expenditures in the General Fund.

**Discretely Presented Rhea County School Department**

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Rhea County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2011, were \$53,718 and \$22,158, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

**J. Internal Financing**

In-lieu-of issuing debt with financial institutions, Rhea County often chooses to internally finance various projects with idle county funds. Long-term internally financed activity for the year ended June 30, 2011, was as follows. There were no internally reported notes receivables at June 30, 2011.

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

<u>Receivable Fund/Description</u>	<u>Original Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Last Maturity Date</u>
Solid Waste/Sanitation Fund:				
Frazier Addition and Sewer Project	\$ 500,000	2 %	3-22-07	3-22-11

	Outstanding 7-1-10	Paid and/or Matured During Period	Outstanding 6-30-11
Solid Waste/Sanitation Fund:			
Frazier Addition and Sewer Project	\$ 333,332	\$ (333,332)	\$ 0
Total	<u>\$ 333,332</u>	<u>\$ (333,332)</u>	<u>\$ 0</u>

**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 Change**

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* became effective for the year ended June 30, 2011.

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. These classifications include nonspendable, restricted, committed, assigned, and unassigned and are based on the relative strength of the constraints that control how specific amounts can be spent. Also, Statement No. 54 clarified the definitions of the General Fund and the special revenue, capital projects, debt service, and permanent fund types. Rhea County and the Rhea County School Department have implemented provisions of this statement in the financial statements of this report for their governmental funds.

**C. Subsequent Events**

On November 10, 2011, Rhea County issued \$1,800,000 in capital outlay notes. This was retired when \$33,000,000 in general obligation bonds for school construction and renovation was issued.

On December 6, 2011, the discretely presented School Department's General Purpose School Fund issued a \$441,043 tax anticipation note to the primary government's General Fund for temporary operating funds.

On January 5, 2012, Rhea County issued \$33,000,000 in general obligation bonds for school construction and renovation.

**D. Contingent Liabilities**

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

**E. Changes in Administration**

On 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.

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

State and federal laws and regulations require the county to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Rhea County closed the old landfill in September 1998. Rhea County has contracted with Santek Environmental, Inc., of Bradley County, a private company, to operate the county's current landfills. The old landfill has been closed and is in the postclosure maintenance and monitoring stage. The new landfill is currently in operation, and the county expects it to close in the year 2036. Santek will pay postclosure care cost of the old landfill and closure and postclosure care costs of the new landfill as long as the contract with Rhea County is in effect. In the event the contract with Santek is not renewed, the county must assume liability for closure and postclosure care costs of the landfills. The estimated closure and postclosure costs of the landfills, totaling \$2,252,404 at June 30, 2011, 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 2011. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**G. Joint Ventures**

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

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

The Twelfth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Twelfth Judicial District; 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, 2011.

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

Administrative Offices:

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

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

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

**H. Retirement Commitments**

**Plan Description**

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

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

**Funding Policy**

Rhea County requires employees to contribute five percent of their earnable compensation to the plan. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2011, was 8.61 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the county is established and may be amended by the TCRS Board of Trustees.

**Annual Pension Cost**

For the year ended June 30, 2011, the county’s annual pension cost of \$1,291,866 to TCRS was equal to the county’s required and actual contributions. The required contribution was determined as part of the July 1, 2009, 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 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. The county’s unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009, was 11 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
6-30-11	\$1,291,866	100%	\$0
6-30-10	1,258,509	100	0
6-30-09	1,313,167	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 \$36 million, and the actuarial value of assets was \$30 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$5 million. The covered payroll (annual payroll of active employees covered by the plan) was \$15 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 annual required contribution was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

## **SCHOOL TEACHERS**

### **Plan Description**

The Rhea County School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979, are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of *Tennessee Code Annotated*. State statutes are amended by the Tennessee General Assembly. Cost of living adjustments (COLA) are 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, 2011, was 9.05 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, 2011, 2010, and 2009, were \$1,346,495, \$927,366, and \$883,609, respectively, equal to the required contributions for each year.

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

#### Plan Description

Rhea County and the Rhea County School Department participate in the state-administered Local Government Group Insurance Plan and the Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Section 8-27-207, *Tennessee Code Annotated (TCA)*, for local governments and Section 8-27-302, *TCA*, for teachers. In previous fiscal years, prior to reaching the age of 65, all members had the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. However, as of January 1, 2010, the insurance plan structure was changed, and as a result all members now have the option of choosing between the standard or partnership preferred provider organization (PPO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare Supplement Plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tn.gov/finance/act/cafr.html>.

#### Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plan is self-insured and financed

on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employer in the plan develops a contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state does not provide a subsidy for local government participants, however, the state does provide a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. Rhea County retirees' contributions vary depending on the insurance options they select, ranging from \$438 to \$1,096 per month. School Department retirees' contributions vary depending on the insurance options they select, ranging from \$469 to \$1,289 per month. During the year ended June 30, 2011, the county and the discretely presented School Department contributed \$23,479 and \$288,206, respectively, for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan	Local Government Group Plan
ARC	\$ 259,000	\$ 73,000
Interest on the NPO	17,470	2,888
Adjustment to the ARC	(16,547)	(2,735)
Annual OPEB cost	\$ 259,923	\$ 73,153
Amount of contribution	(288,206)	(23,479)
Increase/decrease in NPO	\$ (28,283)	\$ 49,674
Net OPEB obligation, 7-1-10	388,213	64,169
Net OPEB obligation, 6-30-11	\$ 359,930	\$ 113,843

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-09	Local Government Group	\$ 38,916	78%	\$ 16,007
6-30-10	"	71,038	32	64,169
6-30-11	"	73,153	32	113,843
6-30-09	Local Education Group	388,464	43	407,240
6-30-10	"	248,968	108	388,213
6-30-11	"	259,923	111	359,930

### Funded Status and Funding Progress

The funded status of the plan as of July 1, 2010, was as follows:

	Local Education Group Plan	Local Government Group Plan
Actuarial valuation date	7-1-10	7-1-10
Actuarial accrued liability (AAL)	\$ 2,291,000	\$ 473,000
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 2,291,000	\$ 473,000
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 17,342,010	\$ 5,226,269
UAAL as a % of covered payroll	13.21%	9.05%

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, 2010, actuarial valuation for the Local Education Plan, 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) and an annual healthcare cost trend rate of ten percent for fiscal year 2011. The trend will decrease to 9.5 percent in fiscal year 2012 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. The annual healthcare cost trend rate for the Local Government Plan was ten percent for fiscal year 2011. The trend will decrease to 9.5 percent in fiscal year 2012 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.

**J. Office of Central Accounting, Budgeting, and Purchasing**

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

**K. Purchasing Law**

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

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

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

**1. Reporting Entity**

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

**2. Enterprise Fund Accounting**

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

3. **Accounting Standards**

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

4. **Use of Estimates**

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

5. **Net Patient Service Revenue**

Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payors, and others for services rendered and includes estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations. The 2011 net patient service revenue increased by approximately \$96,000 due to prior year retroactive adjustments in excess amounts of amounts previously estimated.

Revenue from the Medicare and Medicaid programs accounted for approximately 32 and 18 percent, respectively, for the year ended June 30, 2011, 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. **Cash and Cash Equivalents**

The medical center considers currency on hand and demand deposits with financial institutions to be cash. The medical center considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents exclude amounts limited as to use by internal designation or held by trustees

under bond indenture agreements and amounts restricted by donors. There were no cash equivalents at June 30, 2011.

**12. Noncurrent Cash and Investments**

The Board of Trustees internally designated for capital acquisition cash and investments for the creation of a health education library.

**13. Capital Assets**

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

A summary of estimated useful lives follows.

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

**14. 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 2011.

**15. 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, 2011.

**16. 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.

Bond issuance cost at June 30, 2011, was as follows:

Bond Issuance Cost	\$ 168,700
Less Accumulated Amortization	<u>(31,241)</u>
Total	<u>\$ 137,459</u>

Amortization expense was \$6,248 for June 30, 2011. Estimated amortization expense for the next five fiscal years is as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2012	\$ 6,248
2013	6,248
2014	6,248
2015	6,248
2016	6,248

**17. 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.

**18. Net Assets**

Net assets of the medical center are classified into four 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.

- 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, 2011.

**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 \$6,336,576 at June 30, 2011. 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>Balance 6-30-11</u>
Insured by FDIC	<u>\$ 9,607,131</u>
Total	<u><u>\$ 9,607,131</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 is included in the medical center's balance sheet as follows:



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, 2011, consisted of the following:

	<u>Balance 6-30-11</u>
Pharmacy	\$ 143,879
General Supplies	106,624
Dietary	14,786
Laboratory	28,867
X-ray	15,742
Surgery	<u>279,937</u>
Total	<u><u>\$ 589,835</u></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 certificate of deposit at a local bank.

**F. Capital Assets**

A summary of changes in capital assets follows:

	<u>Balance 7-1-10</u>	Additions	<u>Balance 6-30-11</u>
Land	\$ 2,362,513	\$ 0	\$ 2,362,513
Construction in Progress	0	900	900
Land Improvements	65,951	0	65,951
Buildings and Improvements	27,517,086	0	27,517,086
Major Movable Equipment	11,423,943	606,077	12,030,020
Capital Equipment	<u>941,525</u>	0	<u>941,525</u>
Totals at Historical Cost	<u>\$ 42,311,018</u>	<u>\$ 606,977</u>	<u>\$ 42,917,995</u>

Assets (Cont.)	Balance 7-1-10	Additions	Balance 6-30-11
Less Accumulated Depreciation For:			
Land Improvements	\$ 60,260	\$ 1,538	\$ 61,798
Buildings and Improvements	5,384,904	704,256	6,089,160
Major Movable Equipment	7,177,357	1,105,182	8,282,539
Capital Equipment	798,731	4,647	803,378
Total Accumulated Depreciation	<u>\$ 13,421,252</u>	<u>\$ 1,815,623</u>	<u>\$ 15,236,875</u>
Property and Equipment, Net	<u>\$ 28,889,766</u>	<u>\$ (1,208,646)</u>	<u>\$ 27,681,120</u>

**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, 2011, the assets totaled \$697,659, net of accumulated amortization.

Other assets also included various lease deposits and prepayments of \$38,973 at June 30, 2011.

**H. Long-term Debt**

	Balance 6-30-11
Loan Agreement	\$ 22,696,000
Capital lease obligation #1, payable in monthly installments of \$7,657, including interest until February 2012, secured by a CT system	65,380
Capital lease obligation #2, payable in monthly installments of \$14,970, including interest until August 2012, secured by an MRI system	204,153
Total long-term debt	<u>\$ 22,965,533</u>
Less current maturities of long-term debt	<u>(976,661)</u>
Long-term debt, net of current maturities	<u>\$ 21,988,872</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 (.27 percent at June 30, 2011).

The loan agreement is a general obligation of Rhea County.

Capital lease obligation #1 requires monthly installments of \$7,657, including interest, until February 2012. The obligation is secured by a CT system with a cost of \$398,580 and a carrying value of \$46,501 at June 30, 2011.

Capital lease obligation #2 requires monthly installments of \$14,970, including interest, until August 2012. The obligation is secured by an MRI system with a cost of \$808,468 and a carrying value of \$188,643 at June 30, 2011.

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
2012	\$ 735,000	\$ 147,368	\$ 241,661	\$ 6,889
2013	758,000	142,441	27,872	2,068
2014	781,000	137,363	0	0
2015	805,000	132,129	0	0
2016	830,000	126,733	0	0
2017-2021	4,553,000	546,681	0	0
2022-2026	5,305,000	384,335	0	0
2027-2031	6,181,000	195,159	0	0
2032-2033	2,748,000	18,275	0	0
Total	<u>\$ 22,696,000</u>	<u>\$ 1,830,484</u>	<u>\$ 269,533</u>	<u>\$ 8,957</u>

Future interest payments are based on the loan amounts outstanding and interest rates in effect at June 30, 2011, and do not necessarily represent the payments that will be required.

Activity for long-term debt for 2011 follows:

	Balance		Balance		Amounts
	7-1-10	Reductions	6-30-11		Due
					Within One
					Year
Bonds Payable	\$ 23,409,000	\$ (713,000)	\$ 22,696,000	\$	735,000
Capital Leases # 1	144,174	(78,794)	65,380		65,380
Capital Leases # 2	371,328	(167,175)	204,153		176,281
Total Long-term Debt	\$ 23,924,502	\$ (958,969)	\$ 22,965,533	\$	976,661

**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 \$263,124 for 2011 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, 2011, was \$400,073.

**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 or after 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 \$511,146 in 2011. 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, 2011, was \$11,313,840.

**M. Designated Net Assets**

Net assets reported in 2011 include \$243,345, 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 \$160,827 in 2011.

The medical center leases space to physicians and others with various terms. Total rental income for all operating leases was \$563,276 for 2011.

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

	<u>Amount</u>
Cost	\$ 3,985,190
Accumulated Depreciation	<u>(3,089,145)</u>
Net Book Value	<u>\$ 896,045</u>

Minimum future rentals to be received on leases, which are cancelable upon 90 days written notice, as of June 30, 2011, for the next year, is as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Amount</u>
2012	<u>\$ 348,000</u>
Total Mimimum Future Rentals	<u>\$ 348,000</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 \$297,434 in 2011.

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 \$399,380 for 2011.

**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, 2011, was as follows:

	<u>6-30-11</u>
Medicare	27%
Medicaid/TennCare	4
Blue Cross	7
Commercial	21
Private Pay	<u>41</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 Event**

The medical center noted no transactions that would provide evidence about material conditions that did not exist at the balance sheet date but arose subsequently, through November 21, 2011.

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

**A. Summary of Significant Accounting Policies**

**1. Organization**

The Rhea County Emergency Communications District was established on September 13, 1990, for the purpose of providing an enhanced level of “911” service for Rhea County citizens by acquiring certain types of equipment that enable emergency service providers to respond more rapidly and more effectively due to increased speed in the transmittal of critical information and improved reliability of address and information. The district is a component unit of Rhea

County, which provides employees and operation facilities in exchange for impact payments and appoints all board members. The county has financial responsibility through the approval of the district's budget and the ability to modify fee rates.

**2. Basis of Accounting**

Rhea County Emergency Communications District follows the provisions of Statement No. 34 (Statement 34) of the Government Accounting Standards Board's *Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments*. Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which includes a balance sheet, a statement of income, expenses and changes in fund equity, and a statement of cash flows. It requires the classification of net assets into three components - invested in capital assets, net of related debt; restricted; and unrestricted.

**3. Net Assets**

Net assets are displayed in three components:

- a. Invested in capital assets – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- 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 enabling legislation.
- c. Unrestricted net assets – all other net assets that do not meet the definition of "restricted" or invested in capital assets.

**4. Capital Assets**

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

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

**5. Intangible Assets**

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

<u>Description</u>	<u>Cost</u>	<u>Years</u>
Database Development	\$ 31,246	15
Installation Cost	36,036	5
Site Preparation	4,904	10

**6. Investments**

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

**B. Cash and Cash Equivalents**

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

**C. Deposits and Investments**

The district's investments include:

	<u>Carring Amount</u>	<u>Market Value</u>
Community National Bank Growth Fund	\$ 23,012	\$ 23,012
Local Government Investment Pool	61,629	61,629
Total Investments	<u>\$ 84,641</u>	<u>\$ 84,641</u>

At year end, all deposits of the Rhea County Emergency Communications District were covered by federal depository insurance or by collateral held by the State of Tennessee Collateral Pool for Public Deposits.

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

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

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

**D. Capital and Intangible Assets**

The following is a schedule of Changes to Capital and Intangible Assets for the year ended June 30, 2011:

	Balance 7-1-10	Increases	Decreases	Balance 6-30-11
Capital and Intangible Assets, Depreciated:				
Buildings and Improvements	\$ 352,784	\$ 0	\$ 0	\$ 352,784
Furniture and Fixtures	89,125	2,780	0	91,905
Office Equipment	5,108	0	0	5,108
Communications Equipment	717,900	0	(220,452)	497,448
Vehicles	45,910	0	0	45,910
Database Development	97,382	34,736	0	132,118
Installation Cost	36,036	0	0	36,036
Site Preparation	4,904	0	0	4,904
Total Capital and Intangible Assets, Depreciated	<u>\$ 1,349,149</u>	<u>\$ 37,516</u>	<u>\$ (220,452)</u>	<u>\$ 1,166,213</u>

	Balance			Balance
	7-1-10	Increases	Decreases	6-30-11
Less Accumulated Depreciation/ Amortization For:				
Buildings and				
Improvements	\$ 63,452	\$ 11,560	\$ 0	\$ 75,012
Furniture and Fixtures	49,324	11,768	0	61,092
Office Equipment	2,831	717	0	3,548
Communications Equipment	533,029	115,260	(220,452)	427,837
Vehicles	40,852	2,697	0	43,549
Database Development	41,307	13,361	0	54,668
Installation Cost	36,036	0	0	36,036
Site Preparation	4,904	0	0	4,904
Total Accumulated Depreciation	\$ 771,735	\$ 155,363	\$ (220,452)	\$ 706,646
Total Capital and Intangible Assets, Depreciated/ Amortized	\$ 577,414	\$ (117,847)	\$ 0	\$ 459,567

## **E. Retirement Plan**

### Plan Description

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

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

Funding Policy

Rhea County Emergency Communications District requires employees to contribute five percent of their earnable compensation. The district is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2011, was 8.61 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the district is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2011, the district's annual pension cost of \$7,143 to TCRS was equal to the district's required and actual contributions. The required contribution was determined as part of the July 1, 2009, actuarial valuation using the entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected three percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected postretirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. Rhea County Emergency Communications District's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009, was 11 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
6-30-11	\$ 7,143	100 %	\$ 0
6-30-10	6,718	100	0
6-30-09	6,480	100	0

**F. Commercial Insurance**

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

**G. Use of Estimates**

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

**H. Compensated Absences**

The director and assistant director of the Rhea County Emergency Communications District are entitled to paid vacation depending on length of service and other factors. In the event of termination, the director will be paid for accumulated vacation leave. Total earned but unused vacation pay at June 30, 2011, was \$7,455.

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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 and Budget  
General Fund  
For the Year Ended June 30, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 6,103,734	\$ 5,940,515	\$ 5,963,515	\$ 140,219
Licenses and Permits	82,210	50,250	50,250	31,960
Fines, Forfeitures, and Penalties	193,571	238,650	238,650	(45,079)
Charges for Current Services	48,975	48,600	49,775	(800)
Other Local Revenues	282,073	265,903	268,031	14,042
Fees Received from County Officials	803,674	1,134,851	753,000	50,674
State of Tennessee	473,176	399,534	681,537	(208,361)
Federal Government	440,879	0	461,658	(20,779)
Other Governments and Citizens Groups	198,765	233,905	233,905	(35,140)
<b>Total Revenues</b>	<b>\$ 8,627,057</b>	<b>\$ 8,312,208</b>	<b>\$ 8,700,321</b>	<b>\$ (73,264)</b>
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 119,433	\$ 114,376	\$ 136,576	\$ 17,143
Board of Equalization	1,830	2,261	2,261	431
Other Boards and Committees	3,632	4,009	4,806	1,174
County Mayor/Executive	130,266	129,756	134,660	4,394
County Attorney	14,860	25,000	25,000	10,140
Election Commission	222,318	230,627	236,073	13,755
Register of Deeds	172,159	170,555	188,597	16,438
Planning	6,938	11,563	11,563	4,625
County Buildings	669,888	749,408	787,543	117,655
Other General Administration	1,097	0	1,097	0
<u>Finance</u>				
Accounting and Budgeting	535,973	543,865	546,365	10,392
Property Assessor's Office	244,323	252,591	260,542	16,219
County Trustee's Office	38,314	194,264	39,926	1,612
County Clerk's Office	56,615	310,766	60,153	3,538
<u>Administration of Justice</u>				
Circuit Court	284,989	280,071	291,837	6,848
General Sessions Court	175,255	183,243	200,121	24,866
General Sessions Judge	304,920	306,409	311,690	6,770
Drug Court	9,429	9,430	9,430	1
Chancery Court	255,590	254,277	258,876	3,286
<u>Public Safety</u>				
Sheriff's Department	1,965,170	1,945,948	2,020,116	54,946
Administration of the Sexual Offender Registry	23,848	6,000	23,945	97
Jail	891,459	921,599	920,841	29,382
Juvenile Services	192,883	195,682	200,948	8,065
Fire Prevention and Control	247,282	216,846	357,952	110,670
Civil Defense	180,761	1,035	215,083	34,322
Rescue Squad	40,271	31,000	42,000	1,729
County Coroner/Medical Examiner	23,872	30,000	37,268	13,396

(Continued)

Exhibit F-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Public Safety (Cont.)</u>				
Public Safety Grant Programs	\$ 4,356	\$ 0	\$ 25,000	\$ 20,644
Other Public Safety	651,696	740,715	740,715	89,019
<u>Public Health and Welfare</u>				
Local Health Center	204,081	87,411	250,478	46,397
Rabies and Animal Control	5,407	0	6,000	593
Ambulance/Emergency Medical Services	0	2,000	2,000	2,000
Crippled Children Services	0	2,072	2,072	2,072
Other Public Health and Welfare	5,682	0	30,600	24,918
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	114,145	115,340	115,493	1,348
Soil Conservation	73,636	88,030	81,903	8,267
<u>Other Operations</u>				
Other Economic and Community Development	102,909	89,500	112,763	9,854
Veterans' Services	94,485	96,642	96,643	2,158
Other Charges	401,115	139,022	402,687	1,572
Contributions to Other Agencies	68,450	65,200	68,450	0
Employee Benefits	25,742	26,736	25,742	0
<u>Capital Projects</u>				
Administration of Justice Projects	22,000	0	200,000	178,000
Total Expenditures	\$ 8,587,079	\$ 8,573,249	\$ 9,485,815	\$ 898,736
Excess (Deficiency) of Revenues				
Over Expenditures	\$ 39,978	\$ (261,041)	\$ (785,494)	\$ 825,472
<u>Other Financing Sources (Uses)</u>				
Proceeds from Sale of Capital Assets	\$ 2,157	\$ 0	\$ 0	\$ 2,157
Insurance Recovery	6,390	0	6,390	0
Total Other Financing Sources (Uses)	\$ 8,547	\$ 0	\$ 6,390	\$ 2,157
Net Change in Fund Balance				
Fund Balance, July 1, 2010	\$ 48,525	\$ (261,041)	\$ (779,104)	\$ 827,629
	2,260,903	2,285,725	2,285,725	(24,822)
Fund Balance, June 30, 2011				
	\$ 2,309,428	\$ 2,024,684	\$ 1,506,621	\$ 802,807

Exhibit F-2

Rhea County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Highway/Public Works Fund  
For the Year Ended June 30, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 223,231	\$ 256,070	\$ 256,070	\$ (32,839)
Other Local Revenues	17,205	4,000	14,000	3,205
State of Tennessee	1,749,812	1,883,386	1,883,386	(133,574)
Total Revenues	<u>\$ 1,990,248</u>	<u>\$ 2,143,456</u>	<u>\$ 2,153,456</u>	<u>\$ (163,208)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 207,988	\$ 209,268	\$ 215,148	\$ 7,160
Highway and Bridge Maintenance	1,006,161	974,145	1,026,781	20,620
Operation and Maintenance of Equipment	227,480	224,328	236,416	8,936
Other Charges	60,400	58,569	62,066	1,666
Employee Benefits	149,621	166,941	152,403	2,782
Capital Outlay	246,039	451,155	2,427,155	2,181,116
Total Expenditures	<u>\$ 1,897,689</u>	<u>\$ 2,084,406</u>	<u>\$ 4,119,969</u>	<u>\$ 2,222,280</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 92,559</u>	<u>\$ 59,050</u>	<u>\$ (1,966,513)</u>	<u>\$ 2,059,072</u>
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 2,000,000	\$ 0	\$ 2,000,000	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 2,000,000</u>	<u>\$ 0</u>	<u>\$ 2,000,000</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 2,092,559	\$ 59,050	\$ 33,487	\$ 2,059,072
Fund Balance, July 1, 2010	<u>369,778</u>	<u>369,778</u>	<u>369,778</u>	<u>0</u>
Fund Balance, June 30, 2011	<u>\$ 2,462,337</u>	<u>\$ 428,828</u>	<u>\$ 403,265</u>	<u>\$ 2,059,072</u>

Exhibit F-3

Rhea County, Tennessee  
Schedule of Funding Progress – Pension Plan  
Primary Government and Discretely Presented Rhea County School Department  
June 30, 2011

(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 entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the entry age actuarial cost method was a change made during the 2007 actuarial valuation; therefore, only the two most recent valuations are presented.

Exhibit F-4

Rhea County, Tennessee  
Schedule of Funding Progress – Other Postemployment Benefits Plans  
Primary Government and Discretely Presented Rhea County School Department  
June 30, 2011

(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
"	7-1-10	0	473	473	0	5,226	9.05
Local Education Group	7-1-07	0	3,338	3,338	0	15,859	21.05
"	7-1-09	0	2,197	2,197	0	18,413	11.93
"	7-1-10	0	2,291	2,291	0	17,342	13.21

**RHEA COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2011**

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

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

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

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 Fund

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

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HUD Grant Projects Fund – The HUD Grant Projects Fund is used to account for Housing and Urban Development projects. This fund was closed during the period.

Exhibit G-1

Rhea County, Tennessee  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2011

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	District Attorney General	Constitu- tional Officers - Fees		
\$	0 \$	0 \$	0 \$	91,434 \$		91,434
	556,787	50,394	24,728	0		631,909
	47,927	0	0	192		48,119
	3,633	57	578	0		4,268
<b>Total Assets</b>	<b>608,347 \$</b>	<b>50,451 \$</b>	<b>25,306 \$</b>	<b>91,626 \$</b>		<b>775,730</b>

ASSETS

Cash	
Equity in Pooled Cash and Investments	
Accounts Receivable	
Due from Other Governments	
<b>Total Assets</b>	

LIABILITIES AND FUND BALANCES

<b>Liabilities</b>						
Accounts Payable	0 \$	72 \$	0 \$	0 \$	0 \$	72
Payroll Deductions Payable	3,358	0	0	0	0	3,358
Due to Other Funds	0	0	0	307	0	307
Due to Litigants, Heirs, and Others	0	5,559	0	0	0	5,559
<b>Total Liabilities</b>	<b>3,358 \$</b>	<b>5,631 \$</b>	<b>0 \$</b>	<b>307 \$</b>	<b>0 \$</b>	<b>9,296</b>
<b>Fund Balances</b>						
Restricted:						
Restricted for Administration of Justice	0 \$	0 \$	25,306 \$	0 \$	0 \$	25,306
Restricted for Other Purposes	0	300	0	0	0	300
Committed:						
Committed for Public Health and Welfare	599,686	0	0	0	0	599,686
Assigned:						
Assigned for Finance	0	0	0	91,319	0	91,319
Assigned for Public Safety	0	44,520	0	0	0	44,520
Assigned for Other Purposes	5,303	0	0	0	0	5,303
<b>Total Fund Balances</b>	<b>604,989 \$</b>	<b>44,820 \$</b>	<b>25,306 \$</b>	<b>91,319 \$</b>	<b>0 \$</b>	<b>766,434</b>
<b>Total Liabilities and Fund Balances</b>	<b>608,347 \$</b>	<b>50,451 \$</b>	<b>25,306 \$</b>	<b>91,626 \$</b>	<b>0 \$</b>	<b>775,730</b>

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, 2011

	Special Revenue Funds					Capital Projects Fund	Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	District Attorney General	Constitu- tional Officers - Fees	Total		
<u>Revenues</u>							
Fines, Forfeitures, and Penalties	\$ 0	\$ 36,604	\$ 16,001	\$ 0	\$ 52,605	\$ 0	\$ 52,605
Charges for Current Services	204,787	0	0	367,246	572,033	0	572,033
Other Local Revenues	15,894	1,402	0	0	17,296	0	17,296
State of Tennessee	41,709	0	0	0	41,709	0	41,709
Federal Government	0	0	0	0	0	55,438	55,438
Other Governments and Citizens Groups	4,911	2,474	0	0	7,385	0	7,385
Total Revenues	\$ 267,301	\$ 40,480	\$ 16,001	\$ 367,246	\$ 691,028	\$ 55,438	\$ 746,466
<u>Expenditures</u>							
Current:							
Finance	\$ 0	\$ 0	\$ 0	\$ 369,816	\$ 369,816	\$ 0	\$ 369,816
Administration of Justice	0	0	19,920	330	20,250	0	20,250
Public Safety	0	54,881	0	192	55,073	0	55,073
Public Health and Welfare	556,239	0	0	0	556,239	0	556,239
Other Operations	5,462	0	156	0	5,618	97,687	103,305
Total Expenditures	\$ 561,701	\$ 54,881	\$ 20,076	\$ 370,338	\$ 1,006,996	\$ 97,687	\$ 1,104,683
Excess (Deficiency) of Revenues Over Expenditures	\$ (294,400)	\$ (14,401)	\$ (4,075)	\$ (3,092)	\$ (315,968)	\$ (42,249)	\$ (358,217)
Net Change in Fund Balances	\$ (294,400)	\$ (14,401)	\$ (4,075)	\$ (3,092)	\$ (315,968)	\$ (42,249)	\$ (358,217)
Fund Balance, July 1, 2010	899,389	59,221	29,381	94,411	1,082,402	42,249	1,124,651
Fund Balance, June 30, 2011	\$ 604,989	\$ 44,820	\$ 25,306	\$ 91,319	\$ 766,434	\$ 0	\$ 766,434

Exhibit G-3

Rhea County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Solid Waste/Sanitation Fund  
For the Year Ended June 30, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 204,787	\$ 169,000	\$ 169,000	\$ 35,787
Other Local Revenues	15,894	14,906	14,906	988
State of Tennessee	41,709	0	47,718	(6,009)
Other Governments and Citizens Groups	4,911	0	13,100	(8,189)
Total Revenues	<u>\$ 267,301</u>	<u>\$ 183,906</u>	<u>\$ 244,724</u>	<u>\$ 22,577</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Waste Pickup	\$ 556,239	\$ 512,514	\$ 614,304	\$ 58,065
<u>Other Operations</u>				
Other Charges	2,002	3,700	3,700	1,698
Employee Benefits	3,460	3,859	3,571	111
Total Expenditures	<u>\$ 561,701</u>	<u>\$ 520,073</u>	<u>\$ 621,575</u>	<u>\$ 59,874</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (294,400)</u>	<u>\$ (336,167)</u>	<u>\$ (376,851)</u>	<u>\$ 82,451</u>
Net Change in Fund Balance	\$ (294,400)	\$ (336,167)	\$ (376,851)	\$ 82,451
Fund Balance, July 1, 2010	<u>899,389</u>	<u>904,088</u>	<u>904,088</u>	<u>(4,699)</u>
Fund Balance, June 30, 2011	<u>\$ 604,989</u>	<u>\$ 567,921</u>	<u>\$ 527,237</u>	<u>\$ 77,752</u>

Exhibit G-4

Rhea County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Drug Control Fund  
For the Year Ended June 30, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 36,604	\$ 46,000	\$ 46,000	\$ (9,396)
Other Local Revenues	1,402	2,000	2,000	(598)
Other Governments and Citizens Groups	2,474	4,092	4,092	(1,618)
Total Revenues	<u>\$ 40,480</u>	<u>\$ 52,092</u>	<u>\$ 52,092</u>	<u>\$ (11,612)</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 54,881	\$ 54,474	\$ 64,474	\$ 9,593
Total Expenditures	<u>\$ 54,881</u>	<u>\$ 54,474</u>	<u>\$ 64,474</u>	<u>\$ 9,593</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (14,401)</u>	<u>\$ (2,382)</u>	<u>\$ (12,382)</u>	<u>\$ (2,019)</u>
Net Change in Fund Balance	\$ (14,401)	\$ (2,382)	\$ (12,382)	\$ (2,019)
Fund Balance, July 1, 2010	<u>59,221</u>	<u>58,806</u>	<u>58,806</u>	<u>415</u>
Fund Balance, June 30, 2011	<u>\$ 44,820</u>	<u>\$ 56,424</u>	<u>\$ 46,424</u>	<u>\$ (1,604)</u>

Exhibit G-5

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, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 16,001	\$ 0	\$ 14,175	\$ 1,826
Total Revenues	\$ 16,001	\$ 0	\$ 14,175	\$ 1,826
<u>Expenditures</u>				
<u>Administration of Justice</u>				
District Attorney General	\$ 19,920	\$ 0	\$ 19,920	\$ 0
<u>Public Safety</u>				
Drug Enforcement	0	0	3,080	3,080
<u>Other Operations</u>				
Other Charges	156	0	200	44
Total Expenditures	\$ 20,076	\$ 0	\$ 23,200	\$ 3,124
Excess (Deficiency) of Revenues Over Expenditures	\$ (4,075)	\$ 0	\$ (9,025)	\$ 4,950
Net Change in Fund Balance	\$ (4,075)	\$ 0	\$ (9,025)	\$ 4,950
Fund Balance, July 1, 2010	29,381	0	9,025	20,356
Fund Balance, June 30, 2011	\$ 25,306	\$ 0	\$ 0	\$ 25,306

# Major Governmental Fund

## Debt Service Fund

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

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Exhibit H

Rhea County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Debt Service Fund  
For the Year Ended June 30, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,684,375	\$ 1,680,328	\$ 1,680,328	\$ 4,047
Other Local Revenues	118,792	69,000	79,819	38,973
State of Tennessee	190,347	190,347	190,347	0
Other Governments and Citizens Groups	860,340	595,288	870,622	(10,282)
<b>Total Revenues</b>	<b>\$ 2,853,854</b>	<b>\$ 2,534,963</b>	<b>\$ 2,821,116</b>	<b>\$ 32,738</b>
<u>Expenditures</u>				
<u>Other Operations</u>				
Contributions to Other Agencies	\$ 3,509	\$ 2,228	\$ 3,509	\$ 0
<u>Principal on Debt</u>				
General Government	39,000	94,556	39,000	0
Education	1,856,901	1,856,901	1,856,901	0
<u>Interest on Debt</u>				
General Government	5,519	41,067	36,623	31,104
Education	476,212	476,214	476,214	2
<u>Other Debt Service</u>				
General Government	36,864	29,930	37,930	1,066
Highways and Streets	2,000	0	2,000	0
Education	1,039	2,000	2,000	961
<b>Total Expenditures</b>	<b>\$ 2,421,044</b>	<b>\$ 2,502,896</b>	<b>\$ 2,454,177</b>	<b>\$ 33,133</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 432,810	\$ 32,067	\$ 366,939	\$ 65,871
Net Change in Fund Balance	\$ 432,810	\$ 32,067	\$ 366,939	\$ 65,871
Fund Balance, July 1, 2010	288,609	148,052	148,052	140,557
<b>Fund Balance, June 30, 2011</b>	<b>\$ 721,419</b>	<b>\$ 180,119</b>	<b>\$ 514,991</b>	<b>\$ 206,428</b>

# 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, 2011

	Agency Funds			Total
	Cities - Sales Tax	City School ADA - Dayton	Constitu- tional Officers - Agency	
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 2,064,348	\$ 2,064,348
Equity in Pooled Cash and Investments	0	59,118	0	59,118
Accounts Receivable	0	0	478	478
Due from Other Governments	507,777	88,790	0	596,567
Taxes Receivable	0	351,672	0	351,672
Allowance for Uncollectible Taxes	0	(18,828)	0	(18,828)
Total Assets	<u>\$ 507,777</u>	<u>\$ 480,752</u>	<u>\$ 2,064,826</u>	<u>\$ 3,053,355</u>
<u>LIABILITIES</u>				
Due to Other Taxing Units	\$ 507,777	\$ 480,752	\$ 0	\$ 988,529
Due to Litigants, Heirs, and Others	0	0	2,064,826	2,064,826
Total Liabilities	<u>\$ 507,777</u>	<u>\$ 480,752</u>	<u>\$ 2,064,826</u>	<u>\$ 3,053,355</u>

Exhibit I-2

Rhea County, Tennessee  
Combining Statement of Changes in Assets and Liabilities - All Agency Funds  
For the Year Ended June 30, 2011

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 2,868,043	\$ 2,868,043	\$ 0
Due from Other Governments	483,751	507,777	483,751	507,777
<b>Total Assets</b>	<b>\$ 483,751</b>	<b>\$ 3,375,820</b>	<b>\$ 3,351,794</b>	<b>\$ 507,777</b>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 483,751	\$ 3,375,820	\$ 3,351,794	\$ 507,777
<b>Total Liabilities</b>	<b>\$ 483,751</b>	<b>\$ 3,375,820</b>	<b>\$ 3,351,794</b>	<b>\$ 507,777</b>
<u>City School ADA - Dayton Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 47,069	\$ 833,626	\$ 821,577	\$ 59,118
Due from Other Governments	84,713	88,790	84,713	88,790
Taxes Receivable	342,426	351,672	342,426	351,672
Allowance for Uncollectible Taxes	(16,792)	(18,828)	(16,792)	(18,828)
<b>Total Assets</b>	<b>\$ 457,416</b>	<b>\$ 1,255,260</b>	<b>\$ 1,231,924</b>	<b>\$ 480,752</b>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 457,416	\$ 1,255,260	\$ 1,231,924	\$ 480,752
<b>Total Liabilities</b>	<b>\$ 457,416</b>	<b>\$ 1,255,260</b>	<b>\$ 1,231,924</b>	<b>\$ 480,752</b>
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 1,359,568	\$ 5,630,711	\$ 4,925,931	\$ 2,064,348
Accounts Receivable	0	478	0	478
<b>Total Assets</b>	<b>\$ 1,359,568</b>	<b>\$ 5,631,189</b>	<b>\$ 4,925,931</b>	<b>\$ 2,064,826</b>
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 1,359,568	\$ 5,631,189	\$ 4,925,931	\$ 2,064,826
<b>Total Liabilities</b>	<b>\$ 1,359,568</b>	<b>\$ 5,631,189</b>	<b>\$ 4,925,931</b>	<b>\$ 2,064,826</b>
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 1,359,568	\$ 5,630,711	\$ 4,925,931	\$ 2,064,348
Equity in Pooled Cash and Investments	47,069	3,701,669	3,689,620	59,118
Accounts Receivable	0	478	0	478
Due from Other Governments	568,464	596,567	568,464	596,567
Taxes Receivable	342,426	351,672	342,426	351,672
Allowance for Uncollectible Taxes	(16,792)	(18,828)	(16,792)	(18,828)
<b>Total Assets</b>	<b>\$ 2,300,735</b>	<b>\$ 10,262,269</b>	<b>\$ 9,509,649</b>	<b>\$ 3,053,355</b>
<u>Totals - All Agency Funds</u>				
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 941,167	\$ 4,631,080	\$ 4,583,718	\$ 988,529
Due to Litigants, Heirs, and Others	1,359,568	5,631,189	4,925,931	2,064,826
<b>Total Liabilities</b>	<b>\$ 2,300,735</b>	<b>\$ 10,262,269</b>	<b>\$ 9,509,649</b>	<b>\$ 3,053,355</b>

# 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, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Total Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 20,011,665	\$ 109,988	\$ 2,814,622	\$ 8,000	\$ (17,079,055)
Support Services	10,720,032	58,442	238,506	166	(10,422,918)
Operation of Non-Instructional Services	2,514,351	626,904	1,963,525	0	76,078
Other Debt Service	858,340	0	0	0	(858,340)
Total Governmental Activities	\$ 34,104,388	\$ 795,334	\$ 5,016,653	\$ 8,166	\$ (28,284,235)
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes					\$ 3,385,294
Local Option Sales Taxes					2,976,371
Other Local Taxes					1,693
Grants and Contributions Not Restricted to Specific Programs					22,487,885
Unrestricted Investment Earnings					13,345
Miscellaneous					59,312
Total General Revenues					\$ 28,923,900
Change in Net Assets					\$ 639,665
Net Assets, July 1, 2010					34,445,574
Prior-period Adjustment					259,572
Net Assets, June 30, 2011					\$ 35,344,811

Exhibit J-2

Rhea County, Tennessee  
 Balance Sheet - Governmental Funds  
 Discretely Presented Rhea County School Department  
 June 30, 2011

	Major Funds				Nonmajor Fund		Total Governmental Funds
	General Purpose School	School Federal Projects	School Transportation	Education Capital Projects	Central Cafeteria		
\$ 2,498,039	\$ 249,911	\$ 589,025	\$ 1,033,753	\$ 735,300	\$ 5,106,028		
408	0	1,350	0	0	1,758		
1,150,508	128,544	0	109,553	3,828	1,392,433		
20	0	0	0	0	20		
2,033,770	0	1,607,580	0	0	3,641,350		
(109,607)	0	(86,554)	0	0	(196,161)		
\$ 5,573,138	\$ 378,455	\$ 2,111,401	\$ 1,143,306	\$ 739,128	\$ 9,945,428		

ASSETS

Equity in Pooled Cash and Investments	
Accounts Receivable	
Due from Other Governments	
Due from Other Funds	
Property Taxes Receivable	
Allowance for Uncollectible Property Taxes	
Total Assets	

LIABILITIES AND FUND BALANCES

<u>Liabilities</u>						
Accounts Payable	\$ 5,915	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,915
Accrued Payroll	3,094	0	0	0	0	3,094
Payroll Deductions Payable	631,093	77,050	16,508	0	13,975	738,626
Due to Other Funds	0	0	20	0	0	20
Due to State of Tennessee	0	1,405	0	0	0	1,405
Deferred Revenue - Current Property Taxes	1,836,465	0	1,451,853	0	0	3,288,318
Deferred Revenue - Delinquent Property Taxes	79,698	0	62,173	0	0	141,871
Other Deferred Revenues	207,000	0	0	55,000	0	262,000
Total Liabilities	\$ 2,763,265	\$ 78,455	\$ 1,530,554	\$ 55,000	\$ 13,975	\$ 4,441,249
<u>Fund Balances</u>						
Restricted:						
Restricted for Education	\$ 78,376	\$ 0	\$ 580,847	\$ 516,514	\$ 725,153	\$ 1,900,890
Committed:						
Committed for Education	0	300,000	0	0	0	300,000
Assigned:						
Assigned for Education	0	0	0	571,792	0	571,792
Unassigned	2,731,497	0	0	0	0	2,731,497
Total Fund Balances	\$ 2,809,873	\$ 300,000	\$ 580,847	\$ 1,088,306	\$ 725,153	\$ 5,504,179
Total Liabilities and Fund Balances	\$ 5,573,138	\$ 378,455	\$ 2,111,401	\$ 1,143,306	\$ 739,128	\$ 9,945,428

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, 2011

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)		\$ 5,504,179
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 939,515	
Add: construction in progress	498,427	
Add: buildings and improvements net of accumulated depreciation	26,982,151	
Add: other capital assets net of accumulated depreciation	<u>1,886,722</u>	30,306,815
(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	\$ (510,124)	
Less: other postemployment benefits liability	<u>(359,930)</u>	(870,054)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>403,871</u>
Net assets of governmental activities (Exhibit A)		<u><u>\$ 35,344,811</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, 2011

	Major Funds					Nonmajor Fund		Total Governmental Funds
	General Purpose School	School Federal Projects	School Transportation	Education Capital Projects	Central Cafeteria			
<u>Revenues</u>								
Local Taxes	\$ 4,297,881	\$ 0	\$ 1,528,584	\$ 616,876	\$ 0	\$ 0	\$ 6,443,341	
Licenses and Permits	2,059	0	0	0	0	0	2,059	
Charges for Current Services	55,876	0	0	0	626,904	0	682,780	
Other Local Revenues	116,173	0	76,127	9,945	5,550	0	207,795	
State of Tennessee	21,529,499	0	0	388,587	20,442	0	21,938,528	
Federal Government	328,441	3,637,154	0	0	1,508,330	0	5,473,925	
Other Governments and Citizens Groups	13,500	0	0	0	0	0	13,500	
Total Revenues	\$ 26,343,429	\$ 3,637,154	\$ 1,604,711	\$ 1,015,408	\$ 2,161,226	\$ 0	\$ 34,761,928	
<u>Expenditures</u>								
Current:								
Instruction	\$ 16,700,445	\$ 2,946,980	\$ 0	\$ 0	\$ 0	\$ 0	\$ 19,647,425	
Support Services	8,106,498	717,204	1,522,936	0	0	0	10,346,638	
Operation of Non-Instructional Services	388,362	0	0	0	2,130,370	0	2,518,732	
Capital Outlay	0	0	0	300,220	0	0	300,220	
Debt Service:								
Other Debt Service	807,122	0	51,218	0	0	0	858,340	
Capital Projects	0	0	0	485,075	0	0	485,075	
Total Expenditures	\$ 26,002,427	\$ 3,664,184	\$ 1,574,154	\$ 785,295	\$ 2,130,370	\$ 0	\$ 34,156,430	
Excess (Deficiency) of Revenues Over Expenditures	\$ 341,002	\$ (27,030)	\$ 30,557	\$ 230,113	\$ 30,856	\$ 0	\$ 605,498	
<u>Other Financing Sources (Uses)</u>								
Transfers In	\$ 0	\$ 300,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 300,000	
Transfers Out	(300,000)	0	0	0	0	0	(300,000)	
Total Other Financing Sources (Uses)	\$ (300,000)	\$ 300,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	
Net Change in Fund Balances	\$ 41,002	\$ 272,970	\$ 30,557	\$ 230,113	\$ 30,856	\$ 0	\$ 605,498	
Fund Balance, July 1, 2010	2,768,871	27,030	550,290	858,193	694,297	0	4,898,681	
Fund Balance, June 30, 2011	\$ 2,809,873	\$ 300,000	\$ 580,847	\$ 1,088,306	\$ 725,153	\$ 0	\$ 5,504,179	

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, 2011

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)		\$ 605,498
<p>(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:</p>		
Add: capital assets purchased in the current period	\$ 834,623	
Less: current-year depreciation expense	<u>(799,499)</u>	35,124
<p>(2) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.</p>		
Add: deferred delinquent property taxes and other deferred June 30, 2011	\$ 403,871	
Less: deferred delinquent property taxes and other deferred June 30, 2010	<u>(421,746)</u>	(17,875)
<p>(3) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.</p>		
Change in compensated absences payable	\$ (11,365)	
Change in other postemployment benefits liability	<u>28,283</u>	<u>16,918</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 639,665</u>

Exhibit J-6

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, 2011

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 4,297,881	\$ 0	\$ 4,297,881	\$ 4,157,950	\$ 4,157,950	\$ 139,931
Licenses and Permits	2,059	0	2,059	1,800	1,800	259
Charges for Current Services	55,876	0	55,876	41,000	41,000	14,876
Other Local Revenues	116,173	0	116,173	37,575	111,076	5,097
State of Tennessee	21,529,499	0	21,529,499	20,775,636	21,382,263	147,236
Federal Government	328,441	0	328,441	56,106	370,069	(41,628)
Other Governments and Citizens Groups	13,500	0	13,500	0	13,500	0
Total Revenues	\$ 26,343,429	\$ 0	\$ 26,343,429	\$ 25,070,067	\$ 26,077,658	\$ 265,771
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 13,747,137	(4,549)	\$ 13,742,588	\$ 13,766,430	\$ 13,952,114	\$ 209,526
Special Education Program	2,084,963	0	2,084,963	2,171,214	2,220,294	135,331
Vocational Education Program	773,732	0	773,732	774,188	786,033	12,301
Adult Education Program	94,613	(1,058)	93,555	14,236	118,160	24,605
<u>Support Services</u>						
Health Services	165,257	0	165,257	180,046	180,046	14,789
Other Student Support	1,623,278	(4,626)	1,618,652	1,546,733	1,721,457	102,805
Regular Instruction Program	384,557	(13,292)	371,265	367,133	376,796	5,531
Special Education Program	279,425	0	279,425	278,075	293,078	13,653
Vocational Education Program	408	0	408	1,200	1,200	792
Adult Programs	110,775	0	110,775	16,840	142,217	31,442
Other Programs	232,021	0	232,021	161,320	237,676	5,655
Board of Education	369,130	0	369,130	336,922	396,511	27,381

(Continued)

Exhibit J-6

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 7/1/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Support Services (Cont.)</u>						
Director of Schools	\$ 427,903	\$ (200)	\$ 427,703	\$ 430,310	\$ 444,226	\$ 16,523
Office of the Principal	1,558,006	0	1,558,006	1,571,346	1,574,045	16,039
Operation of Plant	2,111,707	(6,734)	2,104,973	2,258,587	2,230,452	125,479
Maintenance of Plant	821,280	0	821,280	828,454	932,049	110,769
Transportation	22,751	0	22,751	34,989	31,989	9,238
<u>Operation of Non-Instructional Services</u>						
Early Childhood Education	388,362	(342)	388,020	4,668	396,095	8,075
<u>Other Debt Service</u>						
Education	807,122	0	807,122	544,074	817,406	10,284
Total Expenditures	\$ 26,002,427	\$ (30,801)	\$ 25,971,626	\$ 25,286,765	\$ 26,851,844	\$ 880,218
<u>Excess (Deficiency) of Revenues</u>						
Over Expenditures	\$ 341,002	\$ 30,801	\$ 371,803	\$ (216,698)	\$ (774,186)	\$ 1,145,989
<u>Other Financing Sources (Uses)</u>						
Transfers Out	\$ (300,000)	\$ 0	\$ (300,000)	\$ 0	\$ (300,000)	\$ 0
Total Other Financing Sources (Uses)	\$ (300,000)	\$ 0	\$ (300,000)	\$ 0	\$ (300,000)	\$ 0
Net Change in Fund Balance	\$ 41,002	\$ 30,801	\$ 71,803	\$ (216,698)	\$ (1,074,186)	\$ 1,145,989
Fund Balance, July 1, 2010	2,768,871	(30,801)	2,738,070	2,760,446	2,760,446	(22,376)
Fund Balance, June 30, 2011	\$ 2,809,873	\$ 0	\$ 2,809,873	\$ 2,543,748	\$ 1,686,260	\$ 1,123,613

Exhibit J-7

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, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 3,637,154	\$ 696,038	\$ 4,728,065	\$ (1,090,911)
Total Revenues	\$ 3,637,154	\$ 696,038	\$ 4,728,065	\$ (1,090,911)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 1,624,287	\$ 288,007	\$ 2,301,714	\$ 677,427
Special Education Program	1,237,540	120,871	1,440,193	202,653
Vocational Education Program	85,153	80,000	85,631	478
<u>Support Services</u>				
Other Student Support	311,000	49,356	439,493	128,493
Regular Instruction Program	376,918	173,964	422,528	45,610
Special Education Program	14,025	5,998	32,452	18,427
Vocational Education Program	623	1,742	623	0
Transportation	14,638	3,127	32,462	17,824
Total Expenditures	\$ 3,664,184	\$ 723,065	\$ 4,755,096	\$ 1,090,912
Excess (Deficiency) of Revenues Over Expenditures	\$ (27,030)	\$ (27,027)	\$ (27,031)	\$ 1
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 300,000	\$ 0	\$ 333,048	\$ (33,048)
Transfers Out	0	0	(33,048)	33,048
Total Other Financing Sources (Uses)	\$ 300,000	\$ 0	\$ 300,000	\$ 0
Net Change in Fund Balance	\$ 272,970	\$ (27,027)	\$ 272,969	\$ 1
Fund Balance, July 1, 2010	27,030	27,303	27,303	(273)
Fund Balance, June 30, 2011	\$ 300,000	\$ 276	\$ 300,272	\$ (272)

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  
Central Cafeteria Fund  
For the Year Ended June 30, 2011

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Charges for Current Services	\$ 626,904	0	\$ 626,904	\$ 743,595	\$ 743,595	\$ (116,691)
Other Local Revenues	5,550	0	5,550	4,500	4,500	1,050
State of Tennessee	20,442	0	20,442	20,000	20,000	442
Federal Government	1,508,330	0	1,508,330	1,443,571	1,600,323	(91,993)
Total Revenues	\$ 2,161,226	0	\$ 2,161,226	\$ 2,211,666	\$ 2,368,418	\$ (207,192)
<u>Expenditures</u>						
<u>Operation of Non-Instructional Services</u>						
Food Service	\$ 2,130,370	(5,206)	\$ 2,125,164	\$ 2,101,120	\$ 2,257,872	\$ 132,708
Total Expenditures	\$ 2,130,370	(5,206)	\$ 2,125,164	\$ 2,101,120	\$ 2,257,872	\$ 132,708
Excess (Deficiency) of Revenues Over Expenditures	\$ 30,856	5,206	\$ 36,062	\$ 110,546	\$ 110,546	\$ (74,484)
Net Change in Fund Balance Fund Balance, July 1, 2010	\$ 30,856	5,206	\$ 36,062	\$ 110,546	\$ 110,546	\$ (74,484)
	694,297	(5,206)	689,091	781,396	781,396	(92,305)
Fund Balance, June 30, 2011	\$ 725,153	0	\$ 725,153	\$ 891,942	\$ 891,942	\$ (166,789)

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 Transportation Fund  
For the Year Ended June 30, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,528,584	\$ 1,498,732	\$ 1,498,732	\$ 29,852
Other Local Revenues	76,127	56,000	79,639	(3,512)
Total Revenues	<u>\$ 1,604,711</u>	<u>\$ 1,554,732</u>	<u>\$ 1,578,371</u>	<u>\$ 26,340</u>
<u>Expenditures</u>				
<u>Support Services</u>				
Other Programs	\$ 4,104	\$ 4,148	\$ 4,148	\$ 44
Board of Education	30,527	32,000	32,000	1,473
Operation of Plant	991	1,900	1,900	909
Transportation	1,487,314	1,611,927	1,735,993	248,679
<u>Other Debt Service</u>				
Education	51,218	51,218	51,218	0
Total Expenditures	<u>\$ 1,574,154</u>	<u>\$ 1,701,193</u>	<u>\$ 1,825,259</u>	<u>\$ 251,105</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 30,557</u>	<u>\$ (146,461)</u>	<u>\$ (246,888)</u>	<u>\$ 277,445</u>
Net Change in Fund Balance	\$ 30,557	\$ (146,461)	\$ (246,888)	\$ 277,445
Fund Balance, July 1, 2010	<u>550,290</u>	<u>549,000</u>	<u>549,000</u>	<u>1,290</u>
Fund Balance, June 30, 2011	<u>\$ 580,847</u>	<u>\$ 402,539</u>	<u>\$ 302,112</u>	<u>\$ 278,735</u>

Rhea County, Tennessee  
Statement of Fiduciary Net Assets  
Discretely Presented Rhea County School Department  
Fiduciary Fund  
June 30, 2011

	Private Purpose Trust Fund
	<u>Other Trust Fund</u>
<u>ASSETS</u>	
Current Assets:	
Equity in Pooled Cash and Investments	\$ 200,443
Total Assets	<u>\$ 200,443</u>
<u>NET ASSETS</u>	
Funds Held in Trust for Scholarships	<u>\$ 200,443</u>
Total Net Assets	<u><u>\$ 200,443</u></u>

Exhibit J-11

Rhea County, Tennessee  
Statement of Changes in Fiduciary Net Assets  
Discretely Presented Rhea County School Department  
Fiduciary Fund  
For the Year Ended June 30, 2011

	Private Purpose Trust Fund
	<u>Other Trust Fund</u>
<u>ADDITIONS</u>	
Investment Income	\$ 3,342
Total Additions	<u>\$ 3,342</u>
<u>DEDUCTIONS</u>	
Awards	\$ 2,912
Total Deductions	<u>\$ 2,912</u>
Change in Net Assets	\$ 430
Net Assets, July 1, 2010	<u>200,013</u>
Net Assets, June 30, 2011	<u><u>\$ 200,443</u></u>

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## MISCELLANEOUS SCHEDULES

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Exhibit K-1

Rhea County, Tennessee  
Schedule of Changes in Long-term Notes, Capital Leases, Other Loans, and Bonds  
For the Year Ended June 30, 2011

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-10	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-11
<u>NOTES PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
School Buses	\$ 380,000	4.17 %	1-22-07	1-22-16	\$ 269,000	\$ 0	\$ 40,000	\$ 229,000
School Buses	225,000	5.25	2-18-09	2-18-12	153,803	0	74,935	78,868
Highway Paving	2,000,000	3.54	4-21-11	4-1-21	0	2,000,000	0	2,000,000
Total Notes Payable					\$ 422,803	\$ 2,000,000	\$ 114,935	\$ 2,307,868
<u>CAPITAL LEASES PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
School Modular Buildings	868,018	9.64	2-28-08	5-1-13	\$ 527,436	\$ 0	\$ 174,898	\$ 352,538
Total Capital Leases Payable					\$ 527,436	\$ 0	\$ 174,898	\$ 352,538
<u>OTHER LOANS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
School HVAC Loan	930,817	0	3-13-00	11-30-11	\$ 155,137	\$ 0	\$ 77,568	\$ 77,569
School Renovation, Repair, and Equipment	517,500	0	12-28-05	12-28-20	379,500	0	34,500	345,000
Sewer Project	1,000,000	Various	5-15-06	5-25-26	860,000	0	39,000	821,000
Total Other Loans Payable					\$ 1,394,637	\$ 0	\$ 151,068	\$ 1,243,569
<u>BONDS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
General Obligation School Series 2001	6,980,000	4.1 to 5	8-28-01	4-1-11	\$ 650,000	\$ 0	\$ 650,000	\$ 0
General Obligation County District School Series 2001	5,150,000	4.1 to 5	8-28-01	4-1-11	205,000	0	205,000	0
School Refunding Bonds, Series 2006	6,180,000	3.375 to 3.75	2-1-06	4-1-18	6,055,000	0	35,000	6,020,000
County District School Refunding Bonds, Series 2006	3,615,000	3.375 to 4	2-1-06	4-1-23	3,535,000	0	20,000	3,515,000
County District School Refunding Bonds, Series 2007	2,760,000	3.42	12-27-07	4-1-12	1,120,000	0	545,000	575,000
Total Bonds Payable					\$ 11,565,000	\$ 0	\$ 1,455,000	\$ 10,110,000

Exhibit K-2

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

Year Ending June 30	Notes		
	Principal	Interest	Total
2012	\$ 282,868	\$ 80,556	\$ 363,424
2013	221,000	72,863	293,863
2014	229,000	64,762	293,762
2015	238,000	56,366	294,366
2016	245,000	47,638	292,638
2017	203,000	38,657	241,657
2018	211,000	31,471	242,471
2019	218,000	24,001	242,001
2020	226,000	16,284	242,284
2021	234,000	8,284	242,284
Total	<u>\$ 2,307,868</u>	<u>\$ 440,882</u>	<u>\$ 2,748,750</u>

Year Ending June 30	Capital Leases		
	Principal	Interest	Total
2012	\$ 181,028	\$ 9,318	\$ 190,346
2013	171,510	2,973	174,483
Total	<u>\$ 352,538</u>	<u>\$ 12,291</u>	<u>\$ 364,829</u>

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2012	\$ 153,069	\$ 2,217	\$ 2,908	\$ 158,194
2013	77,500	2,106	2,814	82,420
2014	78,500	1,990	2,715	83,205
2015	80,500	1,871	2,614	84,985
2016	82,500	1,747	2,508	86,755
2017	84,500	1,617	2,398	88,515
2018	86,500	1,482	2,284	90,266
2019	88,500	1,342	2,165	92,007
2020	90,500	1,196	2,041	93,737
2021	92,500	1,045	1,911	95,456
2022	61,000	888	1,778	63,666
2023	63,000	724	1,637	65,361
2024	66,000	554	1,493	68,047
2025	68,000	375	1,341	69,716
2026	71,000	192	1,264	72,456
Total	<u>\$ 1,243,569</u>	<u>\$ 19,346</u>	<u>\$ 31,871</u>	<u>\$ 1,294,786</u>

(Continued)

Exhibit K-2

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

Year Ending June 30	Bonds		Total
	Principal	Interest	
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>\$ 10,110,000</u>	<u>\$ 1,933,605</u>	<u>\$ 12,043,605</u>

Exhibit K-3

Rhea County, Tennessee  
Schedule of Transfers  
Discretely Presented Rhea County School Department  
For the Year Ended June 30, 2011

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General Purpose School	School Federal Projects	Cash flow	\$ 300,000
Total Transfers Discretely Presented Rhea County School Department			<u>\$ 300,000</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, 2011

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Executive:				
Billy Ray Patton (7-1-10 through 8-31-10)	Section 8-24-102, TCA	\$ 11,887	\$ 50,000	Travelers Casualty and Surety Company of America
George Thacker (9-1-10 through 6-30-11)	Section 8-24-102, TCA	59,435	50,000	"
Highway Supervisor	Section 8-24-102, TCA	67,927	100,000	"
Director of Schools	State Board of Education and Rhea County Board of Education	92,800 (1)	(2)	
Trustee	Section 8-24-102, TCA	61,751	1,480,000	"
Assessor of Property	Section 8-24-102, TCA	61,751	10,000	"
Finance Director	County Commission	61,751	50,000	"
County Clerk	Section 8-24-102, TCA	61,751	50,000	"
Circuit and General Sessions Courts Clerk:				
Regina Metts (7-1-10 through 8-31-10)	Section 8-24-102, TCA	10,292	50,000	"
Jamie Holloway (9-1-10 through 6-30-11)	Section 8-24-102, TCA	51,459	50,000	"
Clerk and Master	Section 8-24-102, TCA	61,751	50,000	"
Register	Section 8-24-102, TCA	61,751	25,000	"
Sheriff	Section 8-24-102, TCA	67,927 (3)	25,000	"
Employee Blanket Bond Coverage:				
All County Departments			150,000	Tennessee Risk Management Trust

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

Exhibit K-5

Rhea County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types  
 For the Year Ended June 30, 2011

	Special Revenue Funds										Total	
	General	Solid Waste / Sanitation	Drug Control	District Attorney General	Constitutional Officers - Fees	Highway / Public Works	Debt Service Fund		Capital Projects Fund			
							General Debt Service	General Debt Service	HUD Grant Projects	HUD Grant Projects		
<b>Local Taxes</b>												
<u>County Property Taxes</u>												
Current Property Tax	\$ 5,011,125	\$ 0	\$ 0	\$ 0	\$ 0	\$ 168,368	\$ 1,176,347	\$ 0	\$ 0	\$ 6,355,840		
Trustee's Collections - Prior Year	176,569	0	0	0	0	0	40,348	0	0	216,917		
Trustee's Collections - Bankruptcy	2,141	0	0	0	0	0	328	0	0	2,469		
Circuit/Clerk & Master Collections - Prior Years	157,088	0	0	0	0	0	24,338	0	0	181,426		
Interest and Penalty	34,577	0	0	0	0	293	6,077	0	0	40,947		
Payments in-Lieu-of Taxes - T.V.A.	3,236	0	0	0	0	109	769	0	0	4,114		
Payments in-Lieu-of Taxes - Local Utilities	52,397	0	0	0	0	1,599	12,051	0	0	66,047		
Payments in-Lieu-of Taxes - Other	10,096	0	0	0	0	200	2,056	0	0	12,352		
<u>County Local Option Taxes</u>												
Local Option Sales Tax	0	0	0	0	0	0	413,063	0	0	413,063		
Hotel/Motel Tax	146,910	0	0	0	0	0	0	0	0	146,910		
Litigation Tax - General	126,563	0	0	0	0	0	0	0	0	126,563		
Litigation Tax - Jail, Workhouse, or Courthouse	30,897	0	0	0	0	0	0	0	0	30,897		
Business Tax	201,834	0	0	0	0	0	0	0	0	201,834		
Mineral Severance Tax	0	0	0	0	0	51,568	0	0	0	51,568		
Other County Local Option Taxes	0	0	0	0	0	3	0	0	0	3		
<u>Statutory Local Taxes</u>												
Bank Excise Tax	32,420	0	0	0	0	1,091	7,706	0	0	41,217		
Wholesale Beer Tax	117,881	0	0	0	0	0	0	0	0	117,881		
Interstate Telecommunications Tax	0	0	0	0	0	0	1,292	0	0	1,292		
<b>Total Local Taxes</b>	<b>\$ 6,103,734</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 223,231</b>	<b>\$ 1,684,375</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 8,011,340</b>		
<b>Licenses and Permits</b>												
<u>Licenses</u>												
Cable TV Franchise	\$ 72,464	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 72,464		
<u>Permits</u>												
Beer Permits	3,396	0	0	0	0	0	0	0	0	3,396		
Building Permits	890	0	0	0	0	0	0	0	0	890		
Other Permits	5,460	0	0	0	0	0	0	0	0	5,460		
<b>Total Licenses and Permits</b>	<b>\$ 82,210</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>\$ 82,210</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	Debt Service Fund		Capital Projects Fund		
							General Debt Service	HUD Grant Projects			
<b>Charges for Current Services</b>											
<u>General Service Charges</u>											
Surcharge - Host Agency	\$ 0	\$ 204,787	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 204,787
Work Release Charges for Board Fees	13,787	0	0	0	0	0	0	0	0	0	13,787
Copy Fees	2,801	0	0	0	0	0	0	0	0	0	2,801
Telephone Commissions	5,855	0	0	0	0	0	0	0	0	0	5,855
Vending Machine Collections	381	0	0	0	0	0	0	0	0	0	381
Constitutional Officers' Fees and Commissions	0	0	0	0	367,246	0	0	0	0	0	367,246
Data Processing Fee - Register	9,268	0	0	0	0	0	0	0	0	0	9,268
Data Processing Fee - Sheriff	7,208	0	0	0	0	0	0	0	0	0	7,208
Sexual Offender Registration Fees - Sheriff	9,675	0	0	0	0	0	0	0	0	0	9,675
<b>Total Charges for Current Services</b>	\$ 48,975	\$ 204,787	\$ 0	\$ 0	\$ 367,246	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 621,008
<b>Other Local Revenues</b>											
<u>Recurring Items</u>											
Investment Income	\$ 710	\$ 2,223	\$ 0	\$ 0	\$ 0	\$ 0	\$ 118,792	\$ 0	\$ 0	\$ 0	\$ 121,725
Lease/Rentals	93,066	0	0	0	0	0	0	0	0	0	93,066
Sale of Materials and Supplies	304	6,659	0	0	0	15,014	0	0	0	0	21,977
Commissary Sales	8,557	0	0	0	0	0	0	0	0	0	8,557
Sale of Recycled Materials	0	3,590	0	0	0	0	0	0	0	0	3,590
Sale of Animals/Livestock	6,715	0	0	0	0	0	0	0	0	0	6,715
Miscellaneous Refunds	1,770	0	0	0	0	0	0	0	0	0	1,770
<u>Nonrecurring Items</u>											
Sale of Equipment	1,378	102	0	0	0	650	0	0	0	0	2,130
Sale of Property	1,805	0	0	0	0	0	0	0	0	0	1,805
Damages Recovered from Individuals	175	0	0	0	0	1,541	0	0	0	0	1,716
Contributions and Gifts	6,869	0	0	0	0	0	0	0	0	0	6,869
<u>Other Local Revenues</u>											
Other Local Revenues	160,724	3,320	1,402	0	0	0	0	0	0	0	165,446
<b>Total Other Local Revenues</b>	\$ 282,073	\$ 15,894	\$ 1,402	\$ 0	\$ 0	\$ 17,205	\$ 118,792	\$ 0	\$ 0	\$ 0	\$ 435,366

(Continued)

Exhibit K-5

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	Debt Service Fund		Capital Projects Fund			
							General Debt Service	General	HUD Grant	HUD Grant		
<b>Fees Received from County Officials</b>												
<u>Excess Fees</u>												
County Clerk	\$ 54,183	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 54,183
Trustee	201,217	0	0	0	0	0	0	0	0	0	0	201,217
<u>Fees in-Lieu-of-Salary</u>												
Circuit Court Clerk	120,254	0	0	0	0	0	0	0	0	0	0	120,254
General Sessions Court Clerk	204,384	0	0	0	0	0	0	0	0	0	0	204,384
Clerk and Master	108,816	0	0	0	0	0	0	0	0	0	0	108,816
Register	108,826	0	0	0	0	0	0	0	0	0	0	108,826
Sheriff	5,994	0	0	0	0	0	0	0	0	0	0	5,994
<b>Total Fees Received from County Officials</b>	<b>\$ 803,674</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>\$ 803,674</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	\$ 9,000
Child Restraint Program	5,484	0	0	0	0	0	0	0	0	0	0	5,484
On-Behalf Contributions for OPEB	1,097	0	0	0	0	0	0	0	0	0	0	1,097
Other General Government Grants	1,000	0	0	0	0	0	0	0	0	0	0	1,000
<u>Public Safety Grants</u>												
Law Enforcement Training Programs	19,200	0	0	0	0	0	0	0	0	0	0	19,200
<u>Health and Welfare Grants</u>												
Public Health Nurses	121,258	0	0	0	0	0	0	0	0	0	0	121,258
<u>Public Works Grants</u>												
State Aid Program	0	0	0	0	0	159,944	0	0	0	0	0	159,944
Litter Program	0	29,236	0	0	0	0	0	0	0	0	0	29,236
<u>Other State Revenues</u>												
Income Tax	44,414	0	0	0	0	0	0	0	0	0	0	44,414
Beer Tax	18,724	0	0	0	0	0	0	0	0	0	0	18,724
Alcoholic Beverage Tax	44,780	0	0	0	0	0	0	0	0	0	0	44,780
Mixed Drink Tax	5	0	0	0	0	0	0	0	0	0	0	5
State Revenue Sharing - T.V.A.	13,581	0	0	0	0	0	190,347	0	0	0	0	203,928
Contracted Prisoner Boarding	142,517	0	0	0	0	0	0	0	0	0	0	142,517

(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	Debt Service		
<u>State of Tennessee (Cont.)</u>												
<u>Other State Revenues (Cont.)</u>												
Gasoline and Motor Fuel Tax	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,567,060	\$ 0	\$ 0	\$ 0	\$ 1,567,060	\$ 0	
Petroleum Special Tax	0	0	0	0	0	22,808	0	0	0	22,808	0	
Registrar's Salary Supplement	15,164	0	0	0	0	0	0	0	0	15,164	0	
Other State Grants	31,507	12,473	0	0	0	0	0	0	0	43,980	0	
Other State Revenues	5,445	0	0	0	0	0	0	0	0	5,445	0	
<b>Total State of Tennessee</b>	<b>\$ 473,176</b>	<b>\$ 41,709</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,749,812</b>	<b>\$ 190,347</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 2,455,044</b>	<b>\$ 0</b>	
<u>Federal Government</u>												
<u>Federal Through State</u>												
Appalachian Regional Commission	\$ 256,500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 256,500	\$ 0	
Homeland Security Grants	179,992	0	0	0	0	0	0	0	0	179,992	0	
Law Enforcement Grants	4,387	0	0	0	0	0	0	0	0	4,387	0	
Other Federal through State	0	0	0	0	0	0	0	0	0	55,438	0	
<b>Total Federal Government</b>	<b>\$ 440,879</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>\$ 55,438</b>	<b>\$ 496,317</b>	
<u>Other Governments and Citizens Groups</u>												
<u>Other Governments</u>												
Contributions	\$ 198,765	\$ 0	\$ 2,474	\$ 0	\$ 0	\$ 0	\$ 860,340	\$ 0	\$ 0	\$ 1,061,579	\$ 0	
Other	0	4,911	0	0	0	0	0	0	0	4,911	0	
<b>Total Other Governments and Citizens Groups</b>	<b>\$ 198,765</b>	<b>\$ 4,911</b>	<b>\$ 2,474</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 860,340</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,066,490</b>	<b>\$ 0</b>	
<b>Total</b>	<b>\$ 8,627,057</b>	<b>\$ 267,301</b>	<b>\$ 40,480</b>	<b>\$ 16,001</b>	<b>\$ 367,246</b>	<b>\$ 1,990,248</b>	<b>\$ 2,853,854</b>	<b>\$ 55,438</b>	<b>\$ 14,217,625</b>	<b>\$ 14,217,625</b>	<b>\$ 0</b>	

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, 2011

	General Purpose School	School Federal Projects	Central Cafeteria	School Transpor- tation	Education Capital Projects	Total
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 1,762,529	\$ 0	\$ 0	\$ 1,394,075	\$ 0	\$ 3,156,604
Trustee's Collections - Prior Year	64,644	0	0	50,802	0	115,446
Trustee's Collections - Bankruptcy	797	0	0	625	0	1,422
Circuit/Clerk & Master Collections - Prior Years	58,026	0	0	45,725	0	103,751
Interest and Penalty	12,612	0	0	9,951	0	22,563
Payments in-Lieu-of Taxes - T.V.A.	1,141	0	0	900	0	2,041
Payments in-Lieu-of Taxes - Local Utilities	18,511	0	0	14,631	0	33,142
Payments in-Lieu-of Taxes - Other	3,623	0	0	2,861	0	6,484
<u>County Local Option Taxes</u>						
Local Option Sales Tax	2,362,878	0	0	0	616,876	2,979,754
<u>Statutory Local Taxes</u>						
Bank Excise Tax	11,427	0	0	9,014	0	20,441
Interstate Telecommunications Tax	1,693	0	0	0	0	1,693
Total Local Taxes	\$ 4,297,881	\$ 0	\$ 0	\$ 1,528,584	\$ 616,876	\$ 6,443,341
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Marriage Licenses	\$ 2,059	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,059
Total Licenses and Permits	\$ 2,059	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,059
<u>Charges for Current Services</u>						
<u>Education Charges</u>						
Tuition - Other	\$ 55,876	\$ 0	\$ 0	\$ 0	\$ 0	\$ 55,876
Lunch Payments - Children	0	0	407,506	0	0	407,506
Lunch Payments - Adults	0	0	54,493	0	0	54,493
Income from Breakfast	0	0	4,482	0	0	4,482
A la carte Sales	0	0	160,423	0	0	160,423
Total Charges for Current Services	\$ 55,876	\$ 0	\$ 626,904	\$ 0	\$ 0	\$ 682,780
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 0	\$ 0	\$ 3,400	\$ 0	\$ 9,945	\$ 13,345
Lease/Rentals	60	0	0	58,442	0	58,502

(Continued)

Exhibit K-6

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

	General Purpose School	School Federal Projects	Central Cafeteria	School Transpor- tation	Education Capital Projects	Total
<u>Other Local Revenues (Cont.)</u>						
<u>Recurring Items (Cont.)</u>						
Refund of Telecommunication and Internet Fees (E-Rate)	\$ 28,084	\$ 0	\$ 0	\$ 0	\$ 0	\$ 28,084
Miscellaneous Refunds	40,477	0	1,150	17,685	0	59,312
<u>Nonrecurring Items</u>						
Contributions and Gifts	8,000	0	0	0	0	8,000
<u>Other Local Revenues</u>	39,552	0	1,000	0	0	40,552
Total Other Local Revenues	\$ 116,173	\$ 0	\$ 5,550	\$ 76,127	\$ 9,945	\$ 207,795
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
On-Behalf Contributions for OPEB	\$ 75,876	\$ 0	\$ 0	\$ 0	\$ 0	\$ 75,876
<u>State Education Funds</u>						
Basic Education Program	17,585,530	0	0	0	0	17,585,530
Basic Education Program - ARRA	2,043,062	0	0	0	0	2,043,062
Early Childhood Education	383,412	0	0	0	0	383,412
School Food Service	0	0	20,442	0	0	20,442
Driver Education	13,371	0	0	0	0	13,371
Other State Education Funds	2,329	0	0	0	0	2,329
Coordinated School Health - ARRA	87,494	0	0	0	0	87,494
Internet Connectivity - ARRA	12,694	0	0	0	0	12,694
Career Ladder Program	192,095	0	0	0	0	192,095
Career Ladder - Extended Contract - ARRA	32,035	0	0	0	0	32,035
<u>Other State Revenues</u>						
State Revenue Sharing - T.V.A.	1,089,000	0	0	0	388,587	1,477,587
Safe Schools - ARRA	12,435	0	0	0	0	12,435
Other State Revenues	166	0	0	0	0	166
Total State of Tennessee	\$ 21,529,499	\$ 0	\$ 20,442	\$ 0	\$ 388,587	\$ 21,938,528
<u>Federal Government</u>						
<u>Federal Through State</u>						
USDA School Lunch Program	\$ 0	\$ 0	\$ 1,004,014	\$ 0	\$ 0	\$ 1,004,014
USDA - Commodities	0	0	156,752	0	0	156,752
Breakfast	0	0	336,420	0	0	336,420

(Continued)

Exhibit K-6

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

	General Purpose School	School Federal Projects	Central Cafeteria	School Transpor- tation	Education Capital Projects	Total
<u>Federal Government (Cont.)</u>						
<u>Federal Through State (Cont.)</u>						
USDA - Other	\$ 0 \$	0 \$	11,144 \$	0 \$	0 \$	11,144
Adult Education State Grant Program	109,710	0	0	0	0	109,710
Vocational Education - Basic Grants to States	0	92,265	0	0	0	92,265
Title I Grants to Local Education Agencies	0	1,241,663	0	0	0	1,241,663
Special Education - Grants to States	61,080	1,233,831	0	0	0	1,294,911
Special Education Preschool Grants	0	32,371	0	0	0	32,371
English Language Acquisition Grants	0	15,206	0	0	0	15,206
Rural Education	0	110,251	0	0	0	110,251
Education for Homeless Children and Youth	0	20,184	0	0	0	20,184
Eisenhower Professional Development State Grants	0	242,094	0	0	0	242,094
Race-to-the-Top - ARRA	0	217,978	0	0	0	217,978
Other Federal through State	102,704	431,311	0	0	0	534,015
Direct Federal Revenue	54,947	0	0	0	0	54,947
ROTC Reimbursement	328,441	3,637,154	1,508,330	0	0	5,473,925
Total Federal Government	\$ 328,441 \$	3,637,154 \$	1,508,330 \$	0 \$	0 \$	5,473,925
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Contributions	\$ 13,500 \$	0 \$	0 \$	0 \$	0 \$	13,500
Total Other Governments and Citizens Groups	\$ 13,500 \$	0 \$	0 \$	0 \$	0 \$	13,500
Total	\$ 26,343,429 \$	3,637,154 \$	2,161,226 \$	1,604,711 \$	1,015,408 \$	34,761,928

Exhibit K-7

Rhea County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2011

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	43,200	
Social Security		2,678	
Employer Medicare		626	
Audit Services		8,520	
Contributions		15,000	
Dues and Memberships		4,150	
Travel		240	
Other Contracted Services		17,525	
Other Supplies and Materials		3,329	
Medical Claims		8,254	
In Service/Staff Development		610	
Other Charges		135	
Motor Vehicles		15,166	
Total County Commission			\$ 119,433

Board of Equalization

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

Other Boards and Committees

Secretary(ies)	\$	150	
Board and Committee Members Fees		2,820	
Social Security		182	
State Retirement		13	
Employer Medicare		43	
Printing, Stationery, and Forms		424	
Total Other Boards and Committees			3,632

County Mayor/Executive

County Official/Administrative Officer	\$	71,322	
Mechanic(s)		90	
Secretary(ies)		18,937	
Part-time Personnel		1,102	
Social Security		5,669	
State Retirement		5,356	
Life Insurance		92	
Medical Insurance		13,521	
Employer Medicare		1,326	

(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.)

Communication	\$	364	
Dues and Memberships		1,965	
Operating Lease Payments		1,660	
Travel		4,766	
Other Contracted Services		55	
Gasoline		1,600	
Lubricants		20	
Office Supplies		671	
Vehicle Parts		209	
Vehicle and Equipment Insurance		545	
Data Processing Equipment		996	
Total County Mayor/Executive			\$ 130,266

County Attorney

Legal Services	\$	14,860	
Total County Attorney			14,860

Election Commission

County Official/Administrative Officer	\$	55,576	
Clerical Personnel		26,467	
Part-time Personnel		18,205	
Overtime Pay		2,474	
Election Commission		4,535	
Election Workers		7,940	
Social Security		6,998	
State Retirement		7,262	
Life Insurance		96	
Medical Insurance		14,107	
Unemployment Compensation		1,872	
Employer Medicare		1,637	
Communication		906	
Dues and Memberships		225	
Operating Lease Payments		1,551	
Legal Notices, Recording, and Court Costs		6,163	
Maintenance Agreements		12,980	
Maintenance and Repair Services - Equipment		898	
Rentals		2,484	
Travel		5,640	
Other Contracted Services		30,087	
Office Supplies		3,853	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Other Supplies and Materials	\$	8,437	
Data Processing Equipment		<u>1,925</u>	
Total Election Commission			\$ 222,318

Register of Deeds

County Official/Administrative Officer	\$	61,751	
Assistant(s)		30,236	
Clerical Personnel		26,292	
Social Security		7,310	
State Retirement		4,867	
Life Insurance		144	
Medical Insurance		21,161	
Employer Medicare		1,710	
Data Processing Services		12,292	
Dues and Memberships		468	
Operating Lease Payments		1,859	
Office Supplies		<u>4,069</u>	
Total Register of Deeds			172,159

Planning

Other Contracted Services	\$	<u>6,938</u>	
Total Planning			6,938

County Buildings

Maintenance Personnel	\$	108,171	
Social Security		6,650	
State Retirement		7,843	
Life Insurance		96	
Medical Insurance		13,538	
Employer Medicare		1,555	
Communication		38,786	
Dues and Memberships		7,914	
Postal Charges		46,787	
Other Contracted Services		133,106	
Custodial Supplies		27,680	
Electricity		178,366	
Natural Gas		20,426	
Water and Sewer		28,535	
Other Supplies and Materials		30,327	
Building and Contents Insurance		<u>20,108</u>	
Total County Buildings			669,888

(Continued)

Exhibit K-7

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

General Fund (Cont.)

General Government (Cont.)

Other General Administration

On-Behalf Payments to OPEB	\$ 1,097	
Total Other General Administration		\$ 1,097

Finance

Accounting and Budgeting

Assistant(s)	\$ 32,765	
Supervisor/Director	61,751	
Accountants/Bookkeepers	148,259	
Purchasing Personnel	111,040	
Part-time Personnel	678	
Social Security	20,613	
State Retirement	29,970	
Life Insurance	528	
Medical Insurance	73,810	
Employer Medicare	4,821	
Data Processing Services	14,422	
Dues and Memberships	35	
Operating Lease Payments	6,679	
Legal Notices, Recording, and Court Costs	3,787	
Travel	904	
Office Supplies	13,379	
In Service/Staff Development	745	
Data Processing Equipment	9,918	
Office Equipment	1,869	
Total Accounting and Budgeting		535,973

Property Assessor's Office

County Official/Administrative Officer	\$ 61,751
Assistant(s)	32,171
Accountants/Bookkeepers	28,491
Mechanic(s)	60
Clerical Personnel	46,282
Part-time Personnel	7,602
Social Security	9,995
State Retirement	14,002
Life Insurance	236
Medical Insurance	27,917
Unemployment Compensation	2,244
Employer Medicare	2,338
Communication	15

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Data Processing Services	\$	4,605	
Operating Lease Payments		1,500	
Legal Services		68	
Travel		126	
Gasoline		950	
Lubricants		21	
Office Supplies		1,335	
Vehicle Parts		31	
Vehicle and Equipment Insurance		545	
Data Processing Equipment		2,038	
Total Property Assessor's Office			\$ 244,323

County Trustee's Office

Life Insurance	\$	144	
Medical Insurance		7,054	
Data Processing Services		21,228	
Dues and Memberships		468	
Operating Lease Payments		1,500	
Legal Notices, Recording, and Court Costs		92	
Postal Charges		5,496	
Other Contracted Services		582	
Office Supplies		1,750	
Total County Trustee's Office			38,314

County Clerk's Office

Life Insurance	\$	240	
Medical Insurance		35,645	
Communication		588	
Data Processing Services		13,618	
Dues and Memberships		618	
Operating Lease Payments		1,859	
Office Supplies		4,047	
Total County Clerk's Office			56,615

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	61,751	
Assistant(s)		32,765	
Clerical Personnel		73,028	
Part-time Personnel		8,831	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

Social Security	\$	10,707	
State Retirement		14,204	
Life Insurance		236	
Medical Insurance		34,956	
Employer Medicare		2,504	
Data Processing Services		9,843	
Dues and Memberships		468	
Operating Lease Payments		2,730	
Other Contracted Services		24,092	
Office Supplies		8,874	
Total Circuit Court			\$ 284,989

General Sessions Court

Assistant(s)	\$	22,824	
Clerical Personnel		78,067	
Social Security		6,230	
State Retirement		6,724	
Life Insurance		208	
Medical Insurance		30,190	
Unemployment Compensation		15,016	
Employer Medicare		1,457	
Operating Lease Payments		1,866	
Other Contracted Services		1,520	
Office Supplies		4,769	
Data Processing Equipment		6,384	
Total General Sessions Court			175,255

General Sessions Judge

Judge(s)	\$	121,298	
Probation Officer(s)		46,408	
Youth Service Officer(s)		27,312	
Secretary(ies)		26,292	
Social Security		12,806	
State Retirement		18,946	
Life Insurance		256	
Medical Insurance		31,959	
Employer Medicare		3,048	
Communication		293	
Data Processing Services		5,261	
Operating Lease Payments		1,133	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Judge (Cont.)

Travel	\$	8,217	
Office Supplies		1,091	
Data Processing Equipment		600	
Total General Sessions Judge			\$ 304,920

Drug Court

Fines, Assessments, and Penalties	\$	9,429	
Total Drug Court			9,429

Chancery Court

County Official/Administrative Officer	\$	61,751	
Assistant(s)		32,765	
Clerical Personnel		78,876	
Social Security		10,581	
State Retirement		14,929	
Life Insurance		240	
Medical Insurance		35,914	
Employer Medicare		2,475	
Data Processing Services		4,388	
Dues and Memberships		558	
Operating Lease Payments		1,979	
Travel		161	
Office Supplies		4,758	
Data Processing Equipment		6,215	
Total Chancery Court			255,590

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	67,927	
Assistant(s)		43,420	
Deputy(ies)		541,506	
Investigator(s)		144,943	
Sergeant(s)		136,415	
Mechanic(s)		17,573	
School Resource Officer		130,816	
Educational Incentive - Other County Employees		17,836	
Other Salaries and Wages		22,688	
Social Security		69,281	
State Retirement		90,910	
Life Insurance		1,580	

(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.)

Medical Insurance	\$	237,001	
Unemployment Compensation		2,475	
Employer Medicare		16,202	
Communication		447	
Dues and Memberships		3,135	
Operating Lease Payments		6,234	
Rentals		960	
Tow-in Services		2,552	
Travel		2,805	
Remittance of Revenue Collected		2,207	
Other Contracted Services		4,480	
Diesel Fuel		831	
Gasoline		163,946	
Lubricants		1,968	
Office Supplies		1,955	
Tires and Tubes		16,155	
Uniforms		11,235	
Vehicle Parts		34,237	
Other Supplies and Materials		11,040	
Liability Insurance		23,786	
Vehicle and Equipment Insurance		29,360	
Liability Claims		500	
In Service/Staff Development		6,073	
Other Charges		91	
Data Processing Equipment		625	
Motor Vehicles		99,975	
Total Sheriff's Department			\$ 1,965,170

Administration of the Sexual Offender Registry

Other Supplies and Materials	\$	4,599	
Other Charges		2,750	
Motor Vehicles		16,499	
Total Administration of the Sexual Offender Registry			23,848

Jail

Lieutenant(s)	\$	36,139	
Sergeant(s)		132,066	
Accountants/Bookkeepers		27,665	
Guards		182,665	
Clerical Personnel		53,601	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Social Security	\$	26,237	
State Retirement		34,667	
Life Insurance		752	
Medical Insurance		104,496	
Unemployment Compensation		6,850	
Employer Medicare		6,136	
Operating Lease Payments		1,511	
Medical and Dental Services		57,680	
Travel		2,702	
Other Contracted Services		4,543	
Drugs and Medical Supplies		37,811	
Food Supplies		154,521	
Office Supplies		2,247	
Prisoners Clothing		2,492	
Uniforms		5,610	
Other Supplies and Materials		11,068	
Total Jail			\$ 891,459

Juvenile Services

Sergeant(s)	\$	55,330	
Guards		77,713	
Social Security		8,357	
State Retirement		10,592	
Life Insurance		200	
Medical Insurance		32,737	
Unemployment Compensation		1,917	
Employer Medicare		1,954	
Operating Lease Payments		1,059	
Prisoners Clothing		999	
Uniforms		2,025	
Total Juvenile Services			192,883

Fire Prevention and Control

Supervisor/Director	\$	38,792	
Mechanic(s)		98	
Other Salaries and Wages		6,000	
Social Security		2,774	
State Retirement		3,348	
Life Insurance		48	
Medical Insurance		7,054	

(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

Fire Prevention and Control (Cont.)

Employer Medicare	\$	649	
Communication		222	
Contracts with Government Agencies		2,000	
Travel		1,336	
Diesel Fuel		11,072	
Electricity		21,266	
Gasoline		5,878	
Lubricants		40	
Natural Gas		17,469	
Tires and Tubes		47	
Vehicle Parts		14	
Water and Sewer		1,687	
Other Supplies and Materials		51,000	
Liability Insurance		1,140	
Vehicle and Equipment Insurance		16,241	
Other Charges		20,362	
Motor Vehicles		38,745	
Total Fire Prevention and Control			\$ 247,282

Civil Defense

Dues and Memberships	\$	50	
Other Equipment		180,711	
Total Civil Defense			180,761

Rescue Squad

Contributions	\$	40,271	
Total Rescue Squad			40,271

County Coroner/Medical Examiner

Contracts with Private Agencies	\$	23,872	
Total County Coroner/Medical Examiner			23,872

Public Safety Grant Programs

Overtime Pay	\$	3,749	
Social Security		230	
State Retirement		323	
Employer Medicare		54	
Total Public Safety Grant Programs			4,356

(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

Assistant(s)	\$	33,305	
Supervisor/Director		50,000	
Dispatchers/Radio Operators		361,288	
Maintenance Personnel		113	
Part-time Personnel		13,172	
Social Security		27,859	
State Retirement		34,020	
Life Insurance		704	
Medical Insurance		104,487	
Employer Medicare		6,515	
Electricity		9,153	
Gasoline		2,891	
Natural Gas		466	
Office Supplies		1,531	
Water and Sewer		370	
Building and Contents Insurance		4,150	
Liability Insurance		743	
Vehicle and Equipment Insurance		929	
Total Other Public Safety			\$ 651,696

Public Health and Welfare

Local Health Center

Medical Personnel	\$	18,155	
Custodial Personnel		7,424	
Other Salaries and Wages		69,992	
Social Security		5,452	
State Retirement		5,164	
Life Insurance		156	
Medical Insurance		18,818	
Unemployment Compensation		40	
Employer Medicare		1,275	
Contributions		74,832	
Travel		2,773	
Total Local Health Center			204,081

Rabies and Animal Control

Other Contracted Services	\$	3,080	
Animal Food and Supplies		1,374	
Other Supplies and Materials		953	
Total Rabies and Animal Control			5,407

(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	\$ 5,682	
Total Other Public Health and Welfare		\$ 5,682

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$ 64,818	
Contributions	28,400	
Dues and Memberships	165	
Maintenance and Repair Services - Equipment	113	
Travel	3,548	
Other Contracted Services	850	
Electricity	2,548	
Office Supplies	493	
Water and Sewer	291	
Other Supplies and Materials	7,902	
Data Processing Equipment	1,017	
Office Equipment	4,000	
Total Agriculture Extension Service		114,145

Soil Conservation

Other Salaries and Wages	\$ 51,863	
Social Security	3,090	
State Retirement	3,392	
Life Insurance	80	
Medical Insurance	11,270	
Employer Medicare	723	
Dues and Memberships	1,245	
Travel	1,613	
Other Charges	360	
Total Soil Conservation		73,636

Other Operations

Other Economic and Community Development

Contributions	\$ 102,909	
Total Other Economic and Community Development		102,909

Veterans' Services

Supervisor/Director	\$ 36,621	
Accountants/Bookkeepers	28,491	
Part-time Personnel	381	

(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.)

Social Security	\$	4,028	
State Retirement		5,606	
Life Insurance		96	
Medical Insurance		14,212	
Employer Medicare		942	
Data Processing Services		1,739	
Dues and Memberships		25	
Operating Lease Payments		897	
Travel		770	
Office Supplies		677	
Total Veterans' Services			\$ 94,485

Other Charges

Liability Insurance	\$	13,503	
Premiums on Corporate Surety Bonds		11,548	
Trustee's Commission		119,564	
Other Charges		256,500	
Total Other Charges			401,115

Contributions to Other Agencies

Contributions	\$	68,450	
Total Contributions to Other Agencies			68,450

Employee Benefits

Workers' Compensation Insurance	\$	25,742	
Total Employee Benefits			25,742

Capital Projects

Administration of Justice Projects

Building Construction	\$	22,000	
Total Administration of Justice Projects			22,000

Total General Fund \$ 8,587,079

Solid Waste/Sanitation Fund

Public Health and Welfare

Waste Pickup

Supervisor/Director	\$	28,153	
Deputy(ies)		27,860	
Mechanic(s)		3,305	

(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.)

Truck Drivers	\$	73,150	
Maintenance Personnel		8,672	
Other Salaries and Wages		147,423	
Social Security		17,822	
State Retirement		11,382	
Life Insurance		240	
Medical Insurance		35,575	
Employer Medicare		4,165	
Communication		2,565	
Rentals		5,900	
Tow-in Services		250	
Disposal Fees		34,745	
Other Contracted Services		27,381	
Custodial Supplies		3,981	
Diesel Fuel		41,621	
Electricity		10,077	
Gasoline		7,404	
Lubricants		552	
Natural Gas		492	
Tires and Tubes		16,857	
Uniforms		345	
Vehicle Parts		7,168	
Water and Sewer		2,681	
Other Supplies and Materials		6,487	
Building and Contents Insurance		5,550	
Liability Insurance		2,180	
Vehicle and Equipment Insurance		8,325	
Other Charges		7,331	
Solid Waste Equipment		6,600	
Total Waste Pickup			\$ 556,239

Other Operations

Other Charges

Trustee's Commission	\$	2,002	
Total Other Charges			2,002

Employee Benefits

Workers' Compensation Insurance	\$	3,460	
Total Employee Benefits			3,460

Total Solid Waste/Sanitation Fund \$ 561,701

(Continued)

Exhibit K-7

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

Drug Control Fund

Public Safety

Drug Enforcement

Communication	\$	5,782	
Confidential Drug Enforcement Payments		8,000	
Maintenance and Repair Services - Equipment		5,097	
Tow-in Services		1,425	
Other Contracted Services		9,836	
Other Supplies and Materials		24,292	
Trustee's Commission		449	
Total Drug Enforcement			\$ 54,881

Total Drug Control Fund \$ 54,881

District Attorney General Fund

Administration of Justice

District Attorney General

Communication	\$	3,303	
Janitorial Services		980	
Rentals		8,200	
Custodial Supplies		62	
Office Supplies		114	
Periodicals		2,067	
Premiums on Corporate Surety Bonds		50	
In Service/Staff Development		2,798	
Other Charges		940	
Communication Equipment		762	
Data Processing Equipment		325	
Furniture and Fixtures		319	
Total District Attorney General			\$ 19,920

Other Operations

Other Charges

Trustee's Commission	\$	156	
Total Other Charges			156

Total District Attorney General Fund 20,076

Constitutional Officers - Fees Fund

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$	161,265	
Total County Trustee's Office			\$ 161,265

(Continued)

Exhibit K-7

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

Constitutional Officers - Fees Fund (Cont.)

Finance (Cont.)

County Clerk's Office

Constitutional Officers' Operating Expenses	\$ 208,551	
Total County Clerk's Office		\$ 208,551

Administration of Justice

Circuit Court

Constitutional Officers' Operating Expenses	\$ 231	
Total Circuit Court		231

General Sessions Court Clerk

Constitutional Officers' Operating Expenses	\$ 99	
Total General Sessions Court Clerk		99

Public Safety

Sheriff's Department

Constitutional Officers' Operating Expenses	\$ 192	
Total Sheriff's Department		<u>192</u>

Total Constitutional Officers - Fees Fund		\$ 370,338
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Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 67,927	
Assistant(s)	50,770	
Secretary(ies)	41,250	
Social Security	9,293	
State Retirement	13,339	
Employer Medicare	2,173	
Communication	4,107	
Dues and Memberships	2,605	
Travel	791	
Other Contracted Services	608	
Electricity	3,646	
Gasoline	3,900	
Natural Gas	1,658	
Office Supplies	601	
Water and Sewer	212	
Other Supplies and Materials	734	
Data Processing Equipment	4,129	
Office Equipment	245	
Total Administration		\$ <u>207,988</u>

(Continued)

Exhibit K-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance

Equipment Operators	\$	64,359	
Equipment Operators - Light		199,267	
Truck Drivers		172,213	
Social Security		26,823	
State Retirement		35,636	
Employer Medicare		6,273	
Asphalt		289,462	
Concrete		935	
Crushed Stone		172,351	
Fertilizer, Lime, and Seed		2,702	
Pipe		6,341	
Road Signs		6,924	
Salt		20,433	
Other Supplies and Materials		2,442	
Total Highway and Bridge Maintenance			\$ 1,006,161

Operation and Maintenance of Equipment

Foremen	\$	34,309	
Social Security		2,153	
State Retirement		2,887	
Employer Medicare		504	
Tow-in Services		75	
Diesel Fuel		64,937	
Gasoline		28,218	
Lubricants		9,660	
Tires and Tubes		40,163	
Vehicle Parts		44,574	
Total Operation and Maintenance of Equipment			227,480

Other Charges

Contributions	\$	497	
Building and Contents Insurance		6,838	
Liability Insurance		13,677	
Trustee's Commission		19,905	
Vehicle and Equipment Insurance		19,375	
Other Charges		108	
Total Other Charges			60,400

Employee Benefits

Life Insurance	\$	912	
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(Continued)

Exhibit K-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Employee Benefits (Cont.)

Medical Insurance	\$	128,372	
Uniforms		3,686	
Workers' Compensation Insurance		16,651	
Total Employee Benefits			\$ 149,621

Capital Outlay

Other Contracted Services	\$	29,545	
Other Debt Service		2,000	
Highway Construction		203,794	
Highway Equipment		10,700	
Total Capital Outlay			<u>246,039</u>

Total Highway/Public Works Fund \$ 1,897,689

General Debt Service Fund

Other Operations

Contributions to Other Agencies

Contributions	\$	3,509	
Total Contributions to Other Agencies			\$ 3,509

Principal on Debt

General Government

Principal on Other Loans	\$	39,000	
Total General Government			39,000

Education

Principal on Bonds	\$	1,455,000	
Principal on Notes		114,935	
Principal on Capital Leases		174,898	
Principal on Other Loans		112,068	
Total Education			1,856,901

Interest on Debt

General Government

Interest on Notes	\$	2,223	
Interest on Other Loans		3,296	
Total General Government			5,519

Education

Interest on Bonds	\$	441,472	
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(Continued)

Exhibit K-7

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

General Debt Service Fund (Cont.)

Interest on Debt (Cont.)

Education (Cont.)

Interest on Notes	\$ 19,292	
Interest on Capital Leases	15,448	
Total Education	<u>          </u>	\$ 476,212

Other Debt Service

General Government

Trustee's Commission	\$ 32,156	
Other Debt Service	4,708	
Total General Government	<u>          </u>	36,864

Highways and Streets

Other Debt Service	\$ 2,000	
Total Highways and Streets	<u>          </u>	2,000

Education

Other Debt Service	\$ 1,039	
Total Education	<u>          </u>	1,039

Total General Debt Service Fund \$ 2,421,044

HUD Grant Projects Fund

Other Operations

Housing and Urban Development

Contracts with Other Public Agencies	\$ 9,100	
Other Charges	88,587	
Total Housing and Urban Development	<u>          </u>	\$ 97,687

Total HUD Grant Projects Fund 97,687

Total Governmental Funds - Primary Government \$ 14,010,495

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, 2011

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 9,206,125	
Career Ladder Program	118,500	
Career Ladder Extended Contracts	30,876	
Homebound Teachers	29,910	
Paraprofessionals	23,612	
Salary Supplements	4,340	
Secretary(ies)	6,429	
Educational Assistants	348,136	
Other Salaries and Wages	4,500	
Certified Substitute Teachers	12,238	
Non-certified Substitute Teachers	153,060	
Social Security	592,811	
State Retirement	869,696	
Life Insurance	11,808	
Medical Insurance	1,559,252	
Unemployment Compensation	27,170	
Employer Medicare	138,650	
Other Contracted Services	4,724	
Instructional Supplies and Materials	115,785	
Textbooks	376,754	
Other Supplies and Materials	29,188	
Other Charges	22,318	
Data Processing Equipment	61,255	
Total Regular Instruction Program		\$ 13,747,137

Special Education Program

Teachers	\$ 1,107,060
Career Ladder Program	15,485
Career Ladder Extended Contracts	3,100
Homebound Teachers	17,410
Educational Assistants	185,958
Speech Pathologist	90,688
Other Salaries and Wages	10,526
Certified Substitute Teachers	1,018
Non-certified Substitute Teachers	22,220
Social Security	85,518
State Retirement	124,277
Life Insurance	1,892
Medical Insurance	228,079

(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.)

Unemployment Compensation	\$	445	
Employer Medicare		20,060	
Contracts with Private Agencies		125,944	
Evaluation and Testing		7,975	
Other Contracted Services		13,716	
Instructional Supplies and Materials		6,593	
Other Supplies and Materials		1,931	
Special Education Equipment		15,068	
Total Special Education Program			\$ 2,084,963

Vocational Education Program

Teachers	\$	546,932	
Career Ladder Program		2,000	
Non-certified Substitute Teachers		7,562	
Social Security		33,113	
State Retirement		49,678	
Life Insurance		672	
Medical Insurance		97,621	
Employer Medicare		7,744	
Instructional Supplies and Materials		28,410	
Total Vocational Education Program			773,732

Adult Education Program

Teachers	\$	46,994	
Social Security		1,993	
State Retirement		1,342	
Life Insurance		96	
Medical Insurance		6,737	
Unemployment Compensation		106	
Employer Medicare		681	
Communication		1,900	
Operating Lease Payments		1,800	
Travel		478	
Other Supplies and Materials		26,740	
Other Equipment		5,746	
Total Adult Education Program			94,613

(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

Health Services

Medical Personnel	\$	118,842	
Social Security		7,184	
State Retirement		8,277	
Life Insurance		288	
Medical Insurance		22,937	
Employer Medicare		1,688	
Travel		974	
Other Contracted Services		15	
Other Supplies and Materials		4,664	
Other Equipment		388	
Total Health Services			\$ 165,257

Other Student Support

Supervisor/Director	\$	62,495
Career Ladder Program		3,000
Computer Programmer(s)		217,230
Guidance Personnel		415,940
Instructional Computer Personnel		60,973
Mechanic(s)		90
Secretary(ies)		16,996
Clerical Personnel		21,916
Educational Assistants		55,456
School Resource Officer		4,100
Other Salaries and Wages		10,929
Social Security		52,324
State Retirement		75,666
Life Insurance		1,055
Medical Insurance		140,049
Unemployment Compensation		7,150
Employer Medicare		12,237
Communication		1,838
Evaluation and Testing		44,944
Maintenance and Repair Services - Equipment		8,240
Travel		11,065
Other Contracted Services		142,785
Gasoline		1,205
Instructional Supplies and Materials		85,804
Lubricants		35
Vehicle Parts		9

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Other Supplies and Materials	\$	40,881	
In Service/Staff Development		2,582	
Other Charges		7,909	
Data Processing Equipment		109,138	
Furniture and Fixtures		6,866	
Regular Instruction Equipment		1,079	
Other Equipment		1,292	
Total Other Student Support			\$ 1,623,278

Regular Instruction Program

Supervisor/Director	\$	2,227	
Career Ladder Program		3,000	
Librarians		228,330	
Secretary(ies)		984	
Social Security		14,060	
State Retirement		21,221	
Life Insurance		244	
Medical Insurance		35,532	
Employer Medicare		3,288	
Dues and Memberships		300	
Travel		11,372	
Library Books/Media		43,885	
Periodicals		4,586	
Other Supplies and Materials		1,932	
In Service/Staff Development		304	
Other Charges		13,292	
Total Regular Instruction Program			384,557

Special Education Program

Supervisor/Director	\$	56,246	
Career Ladder Program		5,000	
Psychological Personnel		99,197	
Career Ladder Extended Contracts		800	
Secretary(ies)		25,315	
Social Security		10,903	
State Retirement		16,772	
Life Insurance		172	
Medical Insurance		29,456	
Employer Medicare		2,550	

(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.)

Consultants	\$	10,225	
Maintenance and Repair Services - Equipment		350	
Travel		11,328	
Other Contracted Services		7,500	
Other Supplies and Materials		1,285	
In Service/Staff Development		2,326	
Total Special Education Program			\$ 279,425

Vocational Education Program

Travel	\$	408	
Total Vocational Education Program			408

Adult Programs

Supervisor/Director	\$	50,754	
Other Salaries and Wages		42,015	
Social Security		5,519	
State Retirement		6,296	
Employer Medicare		1,291	
In Service/Staff Development		4,900	
Total Adult Programs			110,775

Other Programs

Salary Supplements	\$	130,659	
Social Security		7,684	
State Retirement		10,802	
Employer Medicare		1,797	
On-Behalf Payments to OPEB		75,876	
Contributions		5,203	
Total Other Programs			232,021

Board of Education

Board and Committee Members Fees	\$	43,200	
Social Security		2,678	
Employer Medicare		626	
Audit Services		6,600	
Dues and Memberships		8,561	
Legal Services		796	
Travel		20,654	
Other Contracted Services		210	

(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.)

Other Supplies and Materials	\$	45,764	
Liability Insurance		51,194	
Trustee's Commission		114,644	
Workers' Compensation Insurance		73,203	
Other Charges		1,000	
Total Board of Education			\$ 369,130

Director of Schools

County Official/Administrative Officer	\$	91,800	
Assistant(s)		70,075	
Supervisor/Director		60,628	
Career Ladder Program		3,000	
Materials Supervisor		26,299	
Paraprofessionals		218	
Mechanic(s)		29	
Secretary(ies)		52,598	
Social Security		18,060	
State Retirement		27,204	
Life Insurance		288	
Medical Insurance		39,642	
Employer Medicare		4,224	
Communication		29	
Dues and Memberships		2,289	
Legal Notices, Recording, and Court Costs		2,010	
Maintenance and Repair Services - Equipment		200	
Postal Charges		2,624	
Travel		13,280	
Other Contracted Services		6,322	
Gasoline		3,217	
Lubricants		20	
Office Supplies		3,800	
Vehicle Parts		47	
Total Director of Schools			427,903

Office of the Principal

Principals	\$	389,643	
Career Ladder Program		15,000	
Accountants/Bookkeepers		148,919	
Career Ladder Extended Contracts		12,600	

(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.)

Office of the Principal (Cont.)

Assistant Principals	\$	365,716	
Secretary(ies)		223,350	
Social Security		67,414	
State Retirement		102,910	
Life Insurance		1,340	
Medical Insurance		171,151	
Unemployment Compensation		77	
Employer Medicare		15,766	
Communication		42,431	
Other Contracted Services		1,689	
Total Office of the Principal			\$ 1,558,006

Operation of Plant

Custodial Personnel	\$	627,241	
Social Security		37,887	
State Retirement		42,960	
Life Insurance		1,300	
Medical Insurance		147,888	
Unemployment Compensation		2,012	
Employer Medicare		8,861	
Operating Lease Payments		15,168	
Maintenance and Repair Services - Equipment		1,452	
Other Contracted Services		11,223	
Custodial Supplies		40,253	
Electricity		886,246	
Natural Gas		211,509	
Water and Sewer		64,157	
Other Supplies and Materials		9,358	
Plant Operation Equipment		4,192	
Total Operation of Plant			2,111,707

Maintenance of Plant

Maintenance Personnel	\$	206,013	
Social Security		12,773	
State Retirement		17,738	
Employer Medicare		2,987	
Other Contracted Services		384,353	
Other Supplies and Materials		122,530	
Building and Contents Insurance		62,755	

(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.)

Other Equipment	\$ 12,131	
Total Maintenance of Plant		\$ 821,280

Transportation

Contracts with Parents	\$ 22,751	
Total Transportation		22,751

Operation of Non-Instructional Services

Early Childhood Education

Teachers	\$ 156,259	
Salary Supplements	4,000	
Bus Drivers	26,861	
Educational Assistants	71,642	
Other Salaries and Wages	8,511	
Certified Substitute Teachers	55	
Non-certified Substitute Teachers	2,282	
Social Security	15,888	
State Retirement	21,490	
Life Insurance	384	
Medical Insurance	46,577	
Employer Medicare	3,716	
Other Fringe Benefits	1,421	
Other Contracted Services	3,999	
Diesel Fuel	2,500	
Instructional Supplies and Materials	15,771	
Other Supplies and Materials	825	
Other Equipment	6,181	
Total Early Childhood Education		388,362

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$ 807,122	
Total Education		807,122

Total General Purpose School Fund		\$ 26,002,427
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(Continued)

Exhibit K-8

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

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	674,395	
Educational Assistants		152,732	
Other Salaries and Wages		351,947	
Certified Substitute Teachers		880	
Non-certified Substitute Teachers		11,742	
Social Security		71,474	
State Retirement		96,803	
Life Insurance		1,068	
Medical Insurance		131,971	
Unemployment Compensation		1,662	
Employer Medicare		16,730	
Other Fringe Benefits		1,841	
Instructional Supplies and Materials		22,772	
Other Supplies and Materials		23,101	
Regular Instruction Equipment		65,169	
Total Regular Instruction Program			\$ 1,624,287

Special Education Program

Teachers	\$	277,961	
Educational Assistants		553,422	
Non-certified Substitute Teachers		3,245	
Social Security		50,562	
State Retirement		68,579	
Life Insurance		1,636	
Medical Insurance		179,432	
Unemployment Compensation		2,370	
Employer Medicare		11,825	
Other Fringe Benefits		2,084	
Contracts with Private Agencies		37,297	
Maintenance and Repair Services - Equipment		559	
Other Contracted Services		1,204	
Instructional Supplies and Materials		27,686	
Other Supplies and Materials		1,594	
Special Education Equipment		18,084	
Total Special Education Program			1,237,540

Vocational Education Program

Other Supplies and Materials	\$	16,771	
Vocational Instruction Equipment		68,382	
Total Vocational Education Program			85,153

(Continued)

Exhibit K-8

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

School Federal Projects Fund (Cont.)

Support Services

Other Student Support

Other Salaries and Wages	\$	210,419	
Social Security		12,883	
State Retirement		16,293	
Life Insurance		192	
Medical Insurance		22,432	
Unemployment Compensation		435	
Employer Medicare		3,013	
Other Fringe Benefits		395	
Travel		5,485	
Other Contracted Services		1,803	
Other Supplies and Materials		22,520	
Data Processing Equipment		7,038	
Other Equipment		8,092	
Total Other Student Support			\$ 311,000

Regular Instruction Program

Supervisor/Director	\$	67,022	
Secretary(ies)		28,107	
Other Salaries and Wages		58,946	
Social Security		9,113	
State Retirement		13,664	
Life Insurance		141	
Medical Insurance		19,141	
Unemployment Compensation		163	
Employer Medicare		2,139	
Other Fringe Benefits		357	
Travel		26,360	
Other Supplies and Materials		558	
In Service/Staff Development		151,107	
Other Charges		100	
Total Regular Instruction Program			376,918

Special Education Program

Secretary(ies)	\$	4,383	
Social Security		221	
Life Insurance		4	
Medical Insurance		479	
Unemployment Compensation		26	
Employer Medicare		52	

(Continued)

Exhibit K-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Special Education Program (Cont.)

Consultants	\$	3,568	
Travel		3,387	
In Service/Staff Development		1,905	
Total Special Education Program			\$ 14,025

Vocational Education Program

Travel	\$	623	
Total Vocational Education Program			623

Transportation

Bus Drivers	\$	10,695	
Social Security		663	
State Retirement		921	
Unemployment Compensation		25	
Employer Medicare		155	
Contracts with Parents		2,179	
Total Transportation			<u>14,638</u>

Total School Federal Projects Fund \$ 3,664,184

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	57,724	
Clerical Personnel		50,405	
Cafeteria Personnel		592,580	
Social Security		41,957	
State Retirement		49,617	
Life Insurance		1,672	
Medical Insurance		183,170	
Unemployment Compensation		1,017	
Employer Medicare		9,886	
Communication		1,291	
Maintenance and Repair Services - Equipment		15,845	
Travel		6,996	
Other Contracted Services		15,928	
Food Preparation Supplies		59,227	
Food Supplies		767,570	
USDA - Commodities		156,752	

(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.)

Other Supplies and Materials	\$ 10,520	
Workers' Compensation Insurance	8,644	
Food Service Equipment	99,569	
Total Food Service	<u>          </u>	\$ 2,130,370

Total Central Cafeteria Fund \$ 2,130,370

School Transportation Fund

Support Services

Other Programs

Contributions	\$ 4,104	
Total Other Programs	<u>          </u>	\$ 4,104

Board of Education

Trustee's Commission	\$ 30,527	
Total Board of Education	<u>          </u>	30,527

Operation of Plant

Communication	\$ 991	
Total Operation of Plant	<u>          </u>	991

Transportation

Supervisor/Director	\$ 36,745	
Mechanic(s)	41,334	
Bus Drivers	678,547	
Secretary(ies)	14,844	
Other Salaries and Wages	35,824	
Social Security	49,602	
State Retirement	44,657	
Life Insurance	96	
Medical Insurance	11,014	
Unemployment Compensation	1,056	
Employer Medicare	11,705	
Contracts with Parents	149	
Medical and Dental Services	4,975	
Tow-in Services	2,100	
Travel	2,124	
Other Contracted Services	195,490	
Diesel Fuel	214,365	

(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.)

Gasoline	\$	2,108	
Lubricants		8,580	
Tires and Tubes		17,607	
Vehicle Parts		59,460	
Other Supplies and Materials		3,389	
Vehicle and Equipment Insurance		51,195	
Other Charges		348	
Total Transportation			\$ 1,487,314

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$	51,218	
Total Education			51,218

Total School Transportation Fund \$ 1,574,154

Education Capital Projects Fund

Capital Outlay

Regular Capital Outlay

Trustee's Commission	\$	4,022	
Other Charges		18	
Transportation Equipment		296,180	
Total Regular Capital Outlay			\$ 300,220

Capital Projects

Education Capital Projects

Architects	\$	448,545	
Other Construction		36,530	
Total Education Capital Projects			485,075

Total Education Capital Projects Fund 785,295

Total Governmental Funds - Rhea County School Department \$ 34,156,430

Exhibit K-9

Rhea County, Tennessee  
Schedule of Detailed Revenues and Expenses  
Proprietary Fund  
For the Year Ended June 30, 2011

	Governmental Activities - Internal Service Fund <hr/> Central Maintenance/ Garage <hr/>
<u>Revenues</u>	
<u>Charges for Current Services</u>	
<u>General Services Charges</u>	
Other General Service Charges	\$ 1,573,182
Total Revenues	<u>\$ 1,573,182</u>
<u>Expenses</u>	
<u>General Government</u>	
Supervisor/Director	\$ 63,193
Foremen	81,170
Secretary(ies)	26,292
Social Security	10,613
State Retirement	13,772
Life Insurance	192
Medical Insurance	28,658
Employer Medicare	2,482
Communication	5,116
Operating Lease Payments	897
Tow-in Services	225
Travel	66
Other Contracted Services	4,673
Custodial Supplies	1,098
Diesel Fuel	1,182
Electricity	14,849
Gasoline	30,348
Lubricants	2,752
Natural Gas	8,176
Office Supplies	1,156
Tires and Tubes	6,149
Uniforms	4,129
Vehicle Parts	4,498
Water and Sewer	330
Other Supplies and Materials	10,544
Building and Contents Insurance	5,958
Liability Insurance	4,027

(Continued)

Exhibit K-9

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

	Governmental Activities - Internal Service Fund
	<u>Central Maintenance/ Garage</u>
<u>Expenses (Cont.)</u>	
<u>General Government (Cont.)</u>	
Vehicle and Equipment Insurance	\$ 8,374
Workers' Compensation Insurance	13,665
Liability Claims	1,000
Maintenance Equipment	8,000
Total General Government	<u>\$ 363,584</u>
<u>Other Charges</u>	
Mechanic(s)	\$ 90,881
Social Security	5,609
State Retirement	7,616
Life Insurance	144
Medical Insurance	21,611
Employer Medicare	1,312
Tow-in Services	2,777
Other Contracted Services	44,930
Lubricants	12,289
Tires and Tubes	50,666
Vehicle Parts	101,175
Other Supplies and Materials	1,626
Total Other Charges	<u>\$ 340,636</u>
<u>Miscellaneous</u>	
Maintenance Personnel	\$ 370,233
Social Security	22,675
State Retirement	30,379
Life Insurance	576
Medical Insurance	81,000
Employer Medicare	5,303
Other Contracted Services	167,796
Custodial Supplies	31,661
Other Supplies and Materials	159,339
Total Miscellaneous	<u>\$ 868,962</u>
Total Expenses	<u>\$ 1,573,182</u>

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, 2011

	Cities - Sales Tax Fund	City School ADA - Dayton City Fund	Total
<u>Cash Receipts</u>			
Current Property Taxes	\$ 0	\$ 303,777	\$ 303,777
Trustee's Collections - Prior Years	0	12,474	12,474
Trustee's Collections - Bankruptcy Circuit/Clerk and Master Collections - Prior Years	0	133	133
Interest and Penalty	0	10,617	10,617
Payments in-Lieu-of Taxes - T.V.A	0	2,154	2,154
Payments in-Lieu-of Taxes - Local Utilities	0	194	194
Payments in-Lieu-of Taxes - Other	0	3,200	3,200
Local Option Sales Tax	0	623	623
Bank Excise Tax	2,868,043	497,776	3,365,819
Interstate Telecommunications Tax	0	1,948	1,948
Marriage Licenses	0	335	335
Total Cash Receipts	\$ 2,868,043	\$ 833,626	\$ 3,701,669
<u>Cash Disbursements</u>			
Remittance of Revenues Collected	\$ 2,839,363	\$ 810,038	\$ 3,649,401
Trustee's Commission	28,680	11,539	40,219
Total Cash Disbursements	\$ 2,868,043	\$ 821,577	\$ 3,689,620
Excess of Cash Receipts Over (Under)			
Cash Disbursements	\$ 0	\$ 12,049	\$ 12,049
Cash Balance, July 1, 2010	0	47,069	47,069
Cash Balance, June 30, 2011	\$ 0	\$ 59,118	\$ 59,118

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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 27, 2012

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, 2011, which collectively comprise a portion of Rhea County's basic financial statements and have issued our report thereon dated February 27, 2012. 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 and the Rhea County Emergency Communications District, discretely presented component units, as described in our report on Rhea County's financial statements. This report does not include the results of the other auditors testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies in internal control over financial reporting: 11.01, 11.02, 11.05, 11.06, 11.08, 11.10, and 11.11. 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.

### Compliance and Other Matters

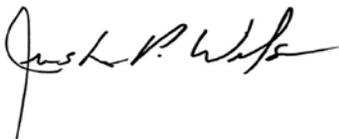
As part of obtaining reasonable assurance about whether Rhea County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 11.03, 11.04, 11.07, and 11.09.

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, finance director, director of schools, Board of Education, others within Rhea County, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Justin P. Wilson  
Comptroller of the Treasury

JPW/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  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

February 27, 2012

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, 2011. 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

#### 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 11.02 and 11.12. 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

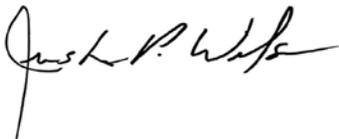
We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Rhea County as of and for the year ended June 30, 2011, and have issued our report thereon dated February 27, 2012. Our audit was performed for the purpose of

forming our opinions on the financial statements as a whole. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements 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, finance director, director of schools, Board of Education, others within Rhea County, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Yours very truly,



Justin P. Wilson  
Comptroller of the Treasury

JPW/sb

Rhea County, Tennessee  
Schedule of Expenditures of Federal Awards and State Grants (1)  
For the Year Ended June 30, 2011

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Passed-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	\$ 156,752 (3)
Passed-through State Department of Education:			
Supplemental Nutrition Assistance Program, Recovery Act	10.551	N/A	45,764
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	336,420
National School Lunch Program	10.555	N/A	1,004,014 (3)
Fresh Fruit and Vegetable Program	10.582	N/A	11,144
Total U.S. Department of Agriculture			<u>\$ 1,554,094</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Housing Development Agency:			
HOME Investment Partnerships Program	14.239	HM-07-33	\$ 97,687
Total U.S. Department of Housing and Urban Development			<u>\$ 97,687</u>
U.S. Department of Labor:			
Passed-through State Department of Labor and Workforce Development:			
WIA Dislocated Worker Formula Grant	17.278	LWFFYORRUDSWKR10	\$ 51,341
Total U.S. Department of Labor			<u>\$ 51,341</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
State and Community Highway Safety	20.600	(2)	\$ 4,387
Total U.S. Department of Transportation			<u>\$ 4,387</u>
Appalachian Regional Commission:			
Passed-through Tennessee Valley Authority:			
Appalachian Development Highway System	23.003	(2)	\$ 256,500
Total Appalachian Regional Commission			<u>\$ 256,500</u>
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	\$ 1,003,381
Title I Grants to Local Educational Agencies, Recovery Act	84.389	S389A090042	265,312
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	799,270
Special Education - Preschool Grants	84.173	N/A	14,114
Special Education - Grants to States, Recovery Act	84.391	H391A090052	495,641
Special Education - Preschool Grants, Recovery Act	84.392	H392A090095	18,257
Career and Technical Education - Basic Grants to States	84.048	N/A	92,265
Education for Homeless Children and Youth Cluster:			
Education for Homeless Children and Youth	84.196	(2)	14,163
Education for Homeless Children and Youth, Recovery Act	84.387	S387A090044	6,021
Education Technology State Grants, Recovery Act	84.386	(2)	27,501
Rural Education	84.358	(2)	110,251
English Language Acquisition Grants	84.365	(2)	15,206
Improving Teacher Quality State Grants	84.367	(2)	214,593
State Fiscal Stabilization Fund Cluster:			
State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	S394A090043	2,043,062
State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	S397A090043	144,658
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive			
Grants, Recovery Act	84.395	S395A100032	217,978
Education Jobs Fund	84.410	N/A	431,311
Passed-through State Department of Labor and Workforce Development:			
Adult Education - Basic Grants to States	84.002	(4)	109,710
Total U.S. Department of Education			<u>\$ 6,022,694</u>

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Passed-through Entity Identifying Number	Expenditures
U.S. Election Assistance Commission:			
Passed-through Tennessee Secretary of State:			
Help America Vote Act Requirements Payments	90.401	(2)	\$ 1,000
Total U.S. Election Assistance Commission			<u>\$ 1,000</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Homeland Security Grant Program	97.067	(2)	\$ 94,999
Buffer Zone Protection Program (BZPP)	97.078	(2)	84,993
Total U.S. Department of Homeland Security			<u>\$ 179,992</u>
Total Expenditures of Federal Awards			<u>\$ 8,167,695</u>
<u>State Grants</u>		<u>Contract Number</u>	
Local Health Services - State Department of Health	N/A	GG-11-32067-00	\$ 121,258
Juvenile Services Program - State Commission on Children and Youth	N/A	(2)	9,000
Emergency Preparedness - State Department of Military	N/A	(2)	31,507
Child Safety Seat Grant - State Department of Health	N/A	(2)	5,484
Waste Tire Grant - State Department of Environment and Conservation	N/A	Z-08-213021-02	12,473
Litter Program - State Department of Transportation	N/A	(2)	29,236
ConnecTenn - State Department of Education	N/A	(2)	2,329
Early Childhood Lottery - State Department of Education	N/A	(2)	<u>383,412</u>
Total State Grants			<u>\$ 594,699</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 \$1,160,766.
- (4) Z-10-218542-00: \$14,867; LWAEFLAF10ABE11: \$94,843.

Rhea County, Tennessee  
Schedule of Audit Findings Not Corrected  
June 30, 2011

*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, 2010, which have not been corrected.

**OFFICE OF FINANCE DIRECTOR**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
10.03(B,C,D)	169	The office had deficiencies in controls over nondepreciable assets
10.04	170	Some purchase orders were issued after purchases were made in the Child Nutrition Cluster Grant program

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

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
10.08	173	Duties were not segregated adequately

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**RHEA COUNTY, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2011**

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

1. Our report on the financial statements of Rhea County is unqualified.
2. The audit of the financial statements of Rhea County disclosed significant deficiencies in internal control. None of these deficiencies was 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 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); 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); and the Education Jobs Fund (CFDA No. 84.410) 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, county clerk, and circuit and general sessions courts clerk provided written responses on certain findings, which are paraphrased in this report. Other management officials did not provide responses for inclusion in this report.

### **OFFICE OF FINANCE DIRECTOR**

**FINDING 11.01**      **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 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.
- B.      Inventory was not always marked with a county identification tag.
- C.      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 asset's location, serial number, and county identification tag. Furthermore, personnel independent of maintaining the inventory should periodically verify the inventory records.

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

The Finance Office has made drastic strides concerning the handling of nondepreciable assets. The Finance Office has put in place new procedures, a new employee, and equipment to solve the problem. With the constant pursuit of adequate controls, the problem will be alleviated.

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**FINDING 11.02      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**

Every department head is constantly reminded to follow proper purchasing procedures. The Finance Committee makes a consistent effort to encourage proper purchasing procedures. The department head will be encouraged to change their procedure to accomplish proper purchasing procedures.

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**FINDING 11.03      THE DRUG CONTROL FUND PAID FOR RECURRING WIRELESS TELEPHONE CHARGES FOR EMPLOYEES NOT INVOLVED IN DRUG ENFORCEMENT**  
(Noncompliance Under *Government Auditing Standards*)

The county used Drug Control Fund monies to pay for recurring wireless telephone charges for general law enforcement operations. Section 39-17-420, *Tennessee Code Annotated*, provides that drug control funds can only be expended for (1) the local drug enforcement program, (2) the local drug education program, (3) the local drug treatment program, and (4) nonrecurring general law enforcement expenditures. Recurring operating expenditures such as those noted above do not meet any of the four criteria for the expenditure of drug funds. This deficiency can be attributed to a lack of management oversight.

**RECOMMENDATION**

Drug Control Fund monies should only be expended for items that comply with the criteria as provided by state statute.

## MANAGEMENT'S RESPONSE – FINANCE DIRECTOR

The department will designate the specific drug enforcement officers that can have their allowable expenses to be taken from the Drug Control Fund. All other employees will be changed to the proper expenditure account.

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## OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

### FINDING 11.04      **THE OFFICE HAD A CASH SHORTAGE OF \$5,297 AT DECEMBER 12, 2011**

(Noncompliance Under *Government Auditing Standards*)

In November 2011, a customer questioned employees about the remaining balance owed on the customer's case. The customer had made a payment the previous week; however, the receipt for that payment had been voided in the computer system, and the funds were not credited to the customer's case or otherwise accounted for. The circuit and general sessions court clerk began an investigation into this matter and discovered that between September 28, 2011, and December 12, 2011, employee Kelly Marsh had voided 15 receipts totaling \$5,297, after issuing a receipt to the customer and collecting funds for the amount of the receipt. These funds were not credited to customers' cases or otherwise accounted for. In December 2011, the clerk reported the matter to the district attorney general, and the district attorney general requested that the Tennessee Bureau of Investigation (TBI) investigate the matter. On December 19, 2011, Ms. Marsh was interviewed by the TBI and admitted voiding the receipts and taking office funds for personal use. Ms. Marsh was dismissed from employment on the same day. On February 6, 2012, Ms. Marsh was indicted by the Rhea County Grand Jury for theft of property. Ms. Marsh's first court date is currently set for March 1, 2012. As of the date of this report, no restitution has been made.

Sections 8-4-501 through 8-4-505, *Tennessee Code Annotated*, requires a person elected or appointed to any office of a public entity, to notify the Comptroller of the Treasury, within a reasonable amount of time under the particular circumstances, but shall not under any circumstances exceed five working days, of any unlawful conduct including theft, forgery, credit card fraud, or any other act of unlawful taking, waste, or abuse of, or official misconduct, involving public money, property, or services. The circuit and general sessions courts clerk notified the Comptroller of the Treasury about this shortage on January 4, 2012; however, the clerk became aware of the potential theft in November 2011.

## RECOMMENDATION

Officials should pursue efforts to collect the cash shortage, and the funds collected should be properly credited to the customer's case accounts. In the future, the official should notify the Comptroller of the Treasury of any unlawful conduct including theft, forgery, credit card fraud, or any other act of unlawful taking, waste, or abuse of, or official misconduct, involving public money, property, or services within five working days as required by state statutes.

## MANAGEMENT'S RESPONSE – CIRCUIT AND GENERAL SESSIONS COURTS CLERK

It is stated that I failed to report the shortage to the Comptroller's Office within the five days as required by the statute. When I became satisfied, through my own investigation, that my office did have a cash shortage and found out the reason for that shortage, I immediately, without delay, contacted our district attorney general. The district attorney general advised me that he would notify the Comptroller's Office, and that they would probably contact me for a forensic audit. I never had any contact with anyone from the Comptroller's Office. It was only after I told our auditor about what had happened did she inform me of a form I needed to fill out and send to the Comptroller's Office. The auditor emailed the form to me, and it was filled out immediately and sent in. I feel my actions were prudent, and to my knowledge at the time correct.

## AUDITOR'S COMMENT

Sections 8-4-501 through 8-4-505, *Tennessee Code Annotated*, require an official to notify the Comptroller of the Treasury within five working days of any unlawful conduct including theft, forgery, credit card fraud, or any other act of unlawful taking, waste, or abuse of, or official misconduct, involving public money, property, or services.

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## FINDING 11.05      **THE ANNUAL FINANCIAL REPORT DID NOT ACCURATELY REFLECT THE FINANCIAL ACTIVITY OF CIRCUIT COURT** (Internal Control – Significant Deficiency Under *Government Auditing Standards*)

During the year, the Circuit Court Clerk's Office installed a new software application; however, the annual financial report generated from this new application did not accurately reflect the office's financial activity for the year ended June 30, 2011. Child support payments and disbursements in the office were accounted for in the software application as journal entries instead of cash receipts and disbursements. This resulted in receipts and disbursements of \$143,092 not being reflected in the annual financial report. We presented an audit adjustment to management that they accepted to properly reflect the financial activity of the Circuit Court Clerk's Office in the financial statements of this report. This deficiency is a result of inadequate training regarding the new software application on how to properly account for child support payments.

## RECOMMENDATION

Officials should ensure that the annual financial report accurately reflects the financial activity of the office.

## MANAGEMENT'S RESPONSE – CIRCUIT AND GENERAL SESSIONS COURTS CLERK

My office did what our software vendor and the Administrative Office of the Courts instructed us to do when they implemented our new court software. I do not feel this should be a finding against my office.

## AUDITOR'S COMMENT

It is the official's responsibility to ensure the annual financial report accurately reflects the financial activity of the office.

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## OFFICE OF REGISTER

### FINDING 11.06      **DEFICIENCIES WERE NOTED IN THE MAINTENANCE OF ACCOUNTING RECORDS**

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

Our examination of accounting records revealed the following deficiencies in the maintenance of accounting records. These deficiencies are the result of a lack of management oversight and are considered significant deficiencies that increase the risk of fraud and abuse and the risk that errors will not be discovered and corrected in a timely manner. Additional audit procedures were performed, and adjustments for errors were presented to the register for her approval to correctly reflect the financial statements in this report.

- A. The office did not reconcile bank statements with the cash journal during the fiscal year. The official reviews the monthly bank statements; however, the statements were not reconciled with the computerized cash journal.
- B. The beginning balances for general ledger accounts were not posted. Each year, the official does not carry forward the ending balances from the prior fiscal year.
- C. Each month the office received Internal Revenue Service (IRS) direct payments; however, the payments were not receipted each month. The official would receipt several months as a lump payment, making the payments difficult to trace.

## RECOMMENDATION

Bank statements should be reconciled with the general ledger monthly, and any errors discovered should be corrected promptly. The beginning balances for all general ledger accounts should be carried forward to the next year. Each individual IRS payment should be receipted when collected.

---

**FINDING 11.07      THE OFFICE DID NOT FILE AN ANNUAL FINANCIAL REPORT TIMELY**  
(Noncompliance – Under *Government Auditing Standards*)

The office prepared an annual financial report; however, the report was not filed with the county clerk and county executive until October 2011. Section 5-8-505, *Tennessee Code Annotated*, provides that the report for the year ended June 30, 2011, be filed and made available to each member of the County Commission on or before the next meeting of the County Commission. The next meeting of the County Commission subsequent to June 30, 2011, was July 19, 2011. This deficiency was the result of a lack of management oversight.

**RECOMMENDATION**

The office should file an annual financial report with the county clerk and county mayor timely.

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**OFFICE OF SHERIFF**

**FINDING 11.08      BANK STATEMENTS WERE NOT RECONCILED WITH THE GENERAL LEDGER MONTHLY**  
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

The office maintains four bank accounts, which are combined in the general ledger. Bank statements were not reconciled with the general ledger monthly. Each bank statement was reviewed by the bookkeeper; however, a reconciliation of all bank statements with the general ledger was not performed. Additional audit procedures were performed and adjustments for errors were presented to the sheriff for his approval to correctly reflect the financial statements in this report. Sound business practices dictate that bank statements should be reconciled with general ledger amounts monthly to ensure errors are identified and corrected promptly. This deficiency is the result of a lack of management oversight.

**RECOMMENDATION**

The office should reconcile bank statements with general ledger accounts monthly, and any errors identified should be corrected promptly.

---

**FINDING 11.09      SOME COLLECTIONS WERE NOT DEPOSITED WITHIN THREE DAYS OF RECEIPT**  
(Noncompliance Under *Government Auditing Standards*)

Some collections were not deposited to the office bank account within three days of receipt as required by Section 5-8-207, *Tennessee Code Annotated*. This deficiency is the result of a

lack of management oversight. The delay in depositing funds increases the risks of fraud and misappropriation.

**RECOMMENDATION**

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

---

**OFFICES OF COUNTY CLERK, CLERK AND MASTER, AND REGISTER**

**FINDING 11.10**      **MULTIPLE EMPLOYEES OPERATED FROM THE SAME CASH DRAWER**  
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

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

**RECOMMENDATION**

Officials should assign each employee their own cash drawer.

**MANAGEMENT'S RESPONSE – COUNTY CLERK**

I corrected this immediately on the day that the auditor advised me that this was necessary for sound internal controls. I strive to operate my office effectively and efficiently and still maintain sound financial controls. I sincerely appreciate the audit division's help in making this possible.

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

**FINDING 11.11**      **DUTIES WERE NOT SEGREGATED ADEQUATELY**  
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Duties were not segregated adequately among officials and employees in the Offices of Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master,

Register, and Sheriff. Officials and employees responsible for maintaining the accounting records in these offices were also involved in receipting, depositing, and/or disbursing funds. Accounting standards provide that internal controls be designed to provide reasonable assurance of the reliability of financial reporting and of the effectiveness and efficiency of operations. This lack of segregation of duties is the result of management's decisions based on the availability of financial resources and is a significant deficiency in internal controls that increases the risk of unauthorized transactions. Also, this deficiency is the result of management's failure to correct the finding noted in the prior-year audit report.

#### RECOMMENDATION

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

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#### BEST PRACTICE

#### **RHEA COUNTY SHOULD ESTABLISH AN AUDIT COMMITTEE**

Rhea County does not have an Audit Committee. Sound business practices dictate that establishing an Audit Committee would significantly improve management oversight and accountability. The absence of an Audit Committee has been a management decision by the County Commission. The Division of County Audit strongly believes that an Audit Committee is a best practice that should be adopted to assist the County Commission by providing independent and objective reviews of the financial reporting process, internal controls, the audit function, and being responsible for monitoring management's plans to address various risks.

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

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	11.12	10.553 10.555	Circular A-133, Section 500(c)(3)	Significant Deficiency in Internal Control - See Finding 11.02 - Some purchase orders were issued after purchases were made.	\$ 0

**RHEA COUNTY, TENNESSEE  
AUDITEE REPORTING RESPONSIBILITIES  
For the Year Ended June 30, 2011**

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 11.02 and 11.12

Contact person: Bill Graham

Corrective action planned: Every department head is constantly reminded to follow proper purchasing procedures. The Finance Committee makes a consistent effort to encourage proper purchasing procedures. The department head will be encouraged to change his procedure to accomplish proper purchasing procedures.

Anticipated completion date: 2011-12

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

FINDINGS 10.04 and 10.09

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 10.04 – In some instances, purchase orders were issued after purchases were made. This is a continuing problem and was reported again in findings 11.02 and 11.12.