
ANNUAL FINANCIAL REPORT RHEA COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2012



ANNUAL FINANCIAL REPORT
RHEA COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2012

COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON

DIVISION OF LOCAL GOVERNMENT AUDIT
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Director

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

RHEA COUNTY, TENNESSEE

TABLE OF CONTENTS

	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	21-22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C-4	23
Proprietary Fund:		
Statement of Net Assets	D-1	24
Statement of Revenues, Expenses, and Changes in Net Assets	D-2	25
Statement of Cash Flows	D-3	26
Fiduciary Funds:		
Statement of Fiduciary Assets and Liabilities	E	27
Notes to the Financial Statements		28-78
REQUIRED SUPPLEMENTARY INFORMATION:		79
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Fund	F-1	80-82
Highway/Public Works Fund	F-2	83
Schedule of Funding Progress – Pension Plan – Primary Government and Discretely Presented Rhea County School Department	F-3	84
Schedule of Funding Progress – Pension Plan – Discretely Presented Rhea County Emergency Communications District	F-4	85

	Exhibit	Page(s)
Schedule of Funding Progress – Other Postemployment Benefits Plans – Primary Government and Discretely Presented Rhea County School Department	F-5	86
Notes to the Required Supplementary Information		87
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		88
Nonmajor Governmental Funds:		89
Combining Balance Sheet	G-1	90
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	G-2	91
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
Solid Waste/Sanitation Fund	G-3	92
Drug Control Fund	G-4	93
District Attorney General Fund	G-5	94
Major Governmental Fund:		95
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
General Debt Service Fund	H	96
Fiduciary Funds:		97
Combining Statement of Fiduciary Assets and Liabilities	I-1	98
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	I-2	99
Component Unit:		
Discretely Presented Rhea County School Department:		100
Statement of Activities	J-1	101
Balance Sheet – Governmental Funds	J-2	102
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	J-3	103
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	J-4	104
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	J-5	105
Combining Balance Sheet - Nonmajor Governmental Funds	J-6	106
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	J-7	107
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Purpose School Fund	J-8	108-109
School Federal Projects Fund	J-9	110
Central Cafeteria Fund	J-10	111
School Transportation Fund	J-11	112
Statement of Fiduciary Net Assets	J-12	113
Statement of Changes in Fiduciary Net Assets	J-13	114

	Exhibit	Page(s)
Miscellaneous Schedules:		115
Schedule of Changes in Long-term Notes, Capital Leases, Other Loans, and Bonds – Primary Government and Discretely Presented Rhea County School Department	K-1	116-117
Schedule of Long-term Debt Requirements by Year – Primary Government and Discretely Presented Rhea County School Department	K-2	118-119
Schedule of Transfers	K-3	120
Schedule of Salaries and Official Bonds of Principal Officials – Primary Government and Discretely Presented Rhea County School Department	K-4	121
Schedule of Detailed Revenues – All Governmental Fund Types	K-5	122-126
Schedule of Detailed Revenues – All Governmental Fund Types – Discretely Presented Rhea County School Department	K-6	127-129
Schedule of Detailed Expenditures – All Governmental Fund Types	K-7	130-149
Schedule of Detailed Expenditures – All Governmental Fund Types – Discretely Presented Rhea County School Department	K-8	150-163
Schedule of Detailed Revenues and Expenses – Proprietary Fund (Internal Service Fund)	K-9	164-165
Schedule of Detailed Receipts, Disbursements, and Changes in Cash Balances – City Agency Funds	K-10	166
 <u>SINGLE AUDIT SECTION</u>		 167
Auditor's Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>		168-169
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		170-172
Schedule of Expenditures of Federal Awards and State Grants		173-174
Schedule of Audit Findings Not Corrected		175-176
Schedule of Findings and Questioned Costs		177-184
Auditee Reporting Responsibilities		185

Audit Highlights
Annual Financial Report
Rhea County, Tennessee
For the Year Ended June 30, 2012

Scope

We have audited the basic financial statements of Rhea County as of and for the year ended June 30, 2012.

Results

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

Our audit resulted in 10 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.
- ◆ The official bond of the finance director was not approved by the County Commission, recorded in the Register's Office, or filed with the state Comptroller's Office.
- ◆ The office had deficiencies in purchasing procedures.
- ◆ Some sheriff and circuit court clerk employees' time records were not signed by a supervisor.

OFFICE OF CLERK AND MASTER

- ◆ Multiple employees operated from the same cash drawer.

OFFICE OF REGISTER

- ◆ Deficiencies were noted in the maintenance of accounting records.
 - ◆ Employees shared usernames and passwords.
-

OFFICE OF SHERIFF

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

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

- ◆ Duties were not segregated adequately.
-

BEST PRACTICE

Rhea County does not have an Audit Committee. The Division of Local Government 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.

INTRODUCTORY SECTION

Rhea County Officials

June 30, 2012

Officials

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

Board of County Commissioners

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

Financial Management Committee

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

Board of Education

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

FINANCIAL SECTION



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
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INDEPENDENT AUDITOR'S REPORT

December 12, 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, 2012, 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 38 percent and 21 percent, respectively, of the assets and revenues of the discretely presented component units and the Rhea County Emergency Communications District, which represent 1.2 percent and .6 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, 2012, and the respective changes in financial position and, where applicable, cash flows 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 December 12, 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.

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 87 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,

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

Justin P. Wilson
Comptroller of the Treasury

JPW/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

Rhea County, Tennessee
Statement of Net Assets
June 30, 2012

	Component Units			
	Primary Governmental Activities	Rhea County School Department	Rhea Medical Center	Rhea County Emergency Communications District
ASSETS				
Cash	\$ 93,471	\$ 689	\$ 10,978,190	\$ 1,030,760
Equity in Pooled Cash and Investments	3,120,732	32,015,496	0	0
Investments - Current	0	0	5,640,283	84,804
Inventories	0	58,541	537,449	0
Accounts Receivable	82,838	5,072	4,456,703	12,623
Allowance for Uncollectibles	0	0	(1,940,000)	0
Due from Other Governments	590,922	881,810	0	0
Due from Component Unit	51,549	0	0	0
Property Taxes Receivable	7,371,292	3,639,818	0	0
Allowance for Uncollectible Property Taxes	(433,381)	(213,998)	0	0
Prepaid Items	0	0	71,883	3,305
Deferred Charges - Debt Issuance Cost	511,276	0	131,211	0
Investments - Noncurrent	0	0	2,168,211	0
Other	0	0	668,776	0
Assets Not Depreciated:				
Land	1,028,831	939,515	2,362,513	0
Construction in Progress	0	10,850,978	497,935	0
Assets Net of Accumulated Depreciation:				
Buildings and Improvements	2,346,449	27,153,024	20,842,927	282,943
Infrastructure	2,739,558	0	0	0
Other Capital Assets	1,054,353	2,368,820	2,979,901	121,479
Total Assets	\$ 18,557,890	\$ 77,699,765	\$ 49,395,982	\$ 1,535,914
LIABILITIES				
Accounts Payable	\$ 34,609	\$ 1,919,776	\$ 780,616	\$ 1,573
Accrued Payroll	0	12,782	407,638	0
Payroll Deductions Payable	75,364	509,115	0	0
Accrued Interest Payable	722,597	0	0	0
Due to Primary Government	0	51,549	0	0
Due to State of Tennessee	0	2,051	0	0
Due to Litigants, Heirs, and Others	3,966	0	0	0
Other Current Liabilities	0	0	4,887,553	0
Deferred Revenue - Current Property Taxes	6,603,342	3,260,616	0	0
Noncurrent Liabilities:				
Due Within One Year	1,735,429	84,933	787,783	7,385
Due in More Than One Year (net of deferred amount on refunding and unamortized premium on debt)	45,431,210	878,284	21,203,000	0
Total Liabilities	\$ 54,606,517	\$ 6,719,106	\$ 28,066,590	\$ 8,958

(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	\$ 4,301,191	\$ 41,262,024	\$ 4,692,493	\$ 0
Invested in Capital Assets	0	0	0	404,422
Restricted for:				
General Purposes	1,060,506	105,195	0	
Solid Waste/Sanitation	289,676	0	0	0
Drug Control	18,164	0	0	0
District Attorney General	26,203	0	0	0
Highway/Public Works	503,172	0	0	0
Debt Service	370,544	0	0	0
School Federal Projects	0	300,000	0	0
Central Cafeteria	0	880,537	0	0
School Transportation	0	531,253	0	0
Capital Projects	0	25,267,460	0	0
Unrestricted	<u>(42,618,083)</u>	<u>2,634,190</u>	<u>16,636,899</u>	<u>1,122,534</u>
Total Net Assets (Deficit)	<u>\$ (36,048,627)</u>	<u>\$ 70,980,659</u>	<u>\$ 21,329,392</u>	<u>\$ 1,526,956</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, 2012

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	\$ 1,796,099	\$ 301,509	\$ 28,270	\$ 100,000	\$ (1,366,320)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Finance	1,247,987	637,816	0	0	(610,171)	0	0	0	0	0
Administration of Justice	1,204,111	666,249	9,000	0	(528,862)	0	0	0	0	0
Public Safety	4,487,267	602,411	129,302	35,442	(3,720,112)	0	0	0	0	0
Public Health and Welfare	752,485	208,385	173,328	0	(370,772)	0	0	0	0	0
Agriculture and Natural Resources	191,158	0	0	0	(191,158)	0	0	0	0	0
Other Operations	1,189,477	972,536	0	0	(216,941)	0	0	0	0	0
Highways/Public Works	4,305,852	107,614	1,635,002	215,239	(2,347,997)	0	0	0	0	0
Education (Payments to Component Units)	36,065,448	0	0	0	(36,065,448)	0	0	0	0	0
Interest on Long-term Debt	1,093,593	0	0	0	(1,093,593)	0	0	0	0	0
Other Debt Service	115,470	0	2,324,470	0	2,209,000	0	0	0	0	0
Total Primary Government	\$ 52,448,947	\$ 3,496,520	\$ 4,299,372	\$ 350,681	\$ (44,302,374)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Component Units:										
Rhea County School Department	\$ 35,032,846	\$ 792,806	\$ 4,712,444	\$ 36,163,209	\$ 0	\$ 6,635,613	\$ 0	\$ 0	\$ 0	\$ 0
Rhea Medical Center	18,119,074	18,629,870	52,100	16,000	0	0	578,896	0	0	0
Rhea County Emergency Communications District	380,571	441,863	64,957	0	0	0	0	126,249	0	0
Total Component Units	\$ 53,532,491	\$ 19,864,539	\$ 4,829,501	\$ 36,179,209	\$ 0	\$ 6,635,613	\$ 578,896	\$ 126,249	\$ 0	\$ 0

(Continued)

Exhibit B

Rhea County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets							
	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
General Revenues:								
Taxes:								
Property Taxes Levied for General Purposes		\$ 5,560,177			\$ 5,560,177	\$ 3,383,810	\$ 0	\$ 0
Property Taxes Levied for Debt Service		1,268,407			1,268,407	0	0	0
Local Option Sales Taxes		432,673			432,673	3,120,376	0	0
Hotel/Motel Tax		143,282			143,282	0	0	0
Litigation Tax - General		122,034			122,034	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse		29,340			29,340	0	0	0
Business Tax		273,684			273,684	0	0	0
Mineral Severance Tax		54,052			54,052	0	0	0
Wholesale Beer Tax		132,022			132,022	0	0	0
Other Local Taxes		3,266			3,266	1,615	0	0
Grants and Contributions Not Restricted to Specific Programs		431,796			431,796	22,440,216	0	0
Unrestricted Investment Earnings		16,333			16,333	49,233	84,560	1,775
Miscellaneous		45,737			45,737	4,985	1,700	0
Total General Revenues		\$ 8,512,803			\$ 8,512,803	\$ 29,000,235	\$ 86,260	\$ 1,775
Change in Net Assets		\$ (35,789,571)			\$ (35,789,571)	\$ 35,635,848	\$ 665,156	\$ 128,024
Net Assets (Deficit), July 1, 2011		(259,056)			(259,056)	35,344,811	20,664,236	1,398,932
Net Assets (Deficit), June 30, 2012		\$ (36,048,627)			\$ (36,048,627)	\$ 70,980,659	\$ 21,329,392	\$ 1,526,956

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, 2012

	Major Funds			Nonmajor Funds	Total Govern- mental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>ASSETS</u>					
Cash	\$ 777	\$ 0	\$ 0	\$ 92,694	\$ 93,471
Equity in Pooled Cash and Investments	1,911,957	248,034	664,544	287,848	3,112,383
Accounts Receivable	47,289	0	0	35,549	82,838
Due from Other Governments	180,587	301,651	89,623	18,756	590,617
Due from Other Funds	36	0	0	0	36
Due from Component Units	0	0	51,549	0	51,549
Property Taxes Receivable	5,798,102	195,050	1,378,140	0	7,371,292
Allowance for Uncollectible Property Taxes	(340,889)	(11,467)	(81,025)	0	(433,381)
Total Assets	\$ 7,597,859	\$ 733,268	\$ 2,102,831	\$ 434,847	\$ 10,868,805
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 33,369	\$ 0	\$ 0	\$ 1,240	\$ 34,609
Payroll Deductions Payable	55,681	8,161	0	2,868	66,710
Due to Other Funds	0	0	0	36	36
Due to Litigants, Heirs, and Others	0	0	0	3,966	3,966
Deferred Revenue - Current Property Taxes	5,194,049	174,730	1,234,563	0	6,603,342
Deferred Revenue - Delinquent Property Taxes	243,164	8,353	59,052	0	310,569
Other Deferred Revenues	0	144,292	38,912	0	183,204
Total Liabilities	\$ 5,526,263	\$ 335,536	\$ 1,332,527	\$ 8,110	\$ 7,202,436
<u>Fund Balances</u>					
Restricted:					
Restricted for General Government	\$ 35,181	\$ 0	\$ 0	\$ 0	\$ 35,181
Restricted for Administration of Justice	189,646	0	0	26,203	215,849
Restricted for Public Safety	462,515	0	0	0	462,515
Restricted for Public Health and Welfare	36,072	0	0	0	36,072
Restricted for Highways/Public Works	0	381,757	0	0	381,757
Restricted for Other Purposes	3,885	0	0	0	3,885
Committed:					
Committed for Public Health and Welfare	0	0	0	283,909	283,909
Assigned:					
Assigned for General Government	652	0	0	0	652
Assigned for Finance	0	0	0	92,694	92,694
Assigned for Administration of Justice	54,458	0	0	0	54,458
Assigned for Public Safety	74,727	0	0	18,164	92,891
Assigned for Capital Projects	162,750	0	0	0	162,750
Assigned for Other Purposes	203,370	15,975	0	5,767	225,112
Unassigned	848,340	0	0	0	848,340
Total Fund Balances	\$ 2,071,596	\$ 397,732	\$ 770,304	\$ 426,737	\$ 3,666,369
Total Liabilities and Fund Balances	\$ 7,597,859	\$ 733,268	\$ 2,102,831	\$ 434,847	\$ 10,868,805

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, 2012

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)		\$	3,666,369
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	1,028,831	
Add: buildings and improvements net of accumulated depreciation		2,346,449	
Add: infrastructure net of accumulated depreciation		2,739,558	
Add: other capital assets net of accumulated depreciation		<u>1,054,353</u>	7,169,191
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: notes payable	\$	(3,275,000)	
Less: capital leases payable		(171,510)	
Less: other loans payable		(1,090,500)	
Less: bonds payable		(41,620,000)	
Less: deferred premium on debt issuances		(727,326)	
Less: compensated absences payable		(352,310)	
Less: other postemployment benefits liability		(154,866)	
Less: accrued interest on bonds and notes		(722,597)	
Add: deferred amount on refunding		224,873	
Add: deferred charges - debt issuance costs		<u>511,276</u>	(47,377,960)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>493,773</u>
Net assets (deficit) of governmental activities (Exhibit A)		\$	<u><u>(36,048,627)</u></u>

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

Exhibit C-3

Rhea County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Education Capital Projects	Other		
					Governmental Funds	Governmental Funds	
<u>Revenues</u>							
Local Taxes	\$ 6,168,576	\$ 233,497	\$ 1,722,340	\$ 0	\$ 0	\$ 0	\$ 8,124,413
Licenses and Permits	72,679	0	0	0	0	0	72,679
Fines, Forfeitures, and Penalties	190,519	0	0	0	40,874	0	231,393
Charges for Current Services	38,231	0	0	0	557,596	0	595,827
Other Local Revenues	334,197	110,384	15,909	0	23,095	0	483,585
Fees Received from County Officials	809,474	0	0	0	0	0	809,474
State of Tennessee	498,391	1,796,545	190,347	0	51,878	0	2,537,161
Federal Government	174,795	43,799	0	0	1,102	0	219,696
Other Governments and Citizens Groups	218,143	0	2,324,470	0	11,337	0	2,553,950
Total Revenues	\$ 8,505,005	\$ 2,184,225	\$ 4,253,066	\$ 0	\$ 685,882	\$ 0	\$ 15,628,178
<u>Expenditures</u>							
Current:							
General Government	\$ 1,597,767	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,597,767
Finance	880,627	0	0	0	366,860	0	1,247,487
Administration of Justice	1,061,542	0	0	0	18,377	0	1,079,919
Public Safety	4,414,840	0	0	0	54,514	0	4,469,354
Public Health and Welfare	190,568	0	0	0	537,538	0	728,106
Agriculture and Natural Resources	190,705	0	0	0	0	0	190,705
Other Operations	428,627	0	3,466	0	8,290	0	440,383
Highways	0	4,019,963	0	0	0	0	4,019,963
Debt Service:							
Principal on Debt	0	0	3,906,965	0	0	0	3,906,965
Interest on Debt	0	0	480,778	0	0	0	480,778
Other Debt Service	0	0	41,839	436,476	0	0	478,315
Capital Projects	245,575	0	0	0	40,000	0	285,575
Capital Projects - Donated	0	0	0	36,065,448	0	0	36,065,448
Total Expenditures	\$ 9,010,251	\$ 4,019,963	\$ 4,433,048	\$ 36,501,924	\$ 1,025,579	\$ 0	\$ 54,990,765

(Continued)

Exhibit C-3

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

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Highway/ Public Works	General Debt Service	Education Capital Projects	Other Governmental Funds	Governmental Funds	
Excess (Deficiency) of Revenues Over Expenditures	\$ (505,246)	\$ (1,835,738)	\$ (179,982)	\$ (36,501,924)	\$ (339,697)	\$ (39,362,587)	
<u>Other Financing Sources (Uses)</u>							
Bonds Issued	0	0	0	33,000,000	0	33,000,000	
Notes Issued	250,000	0	0	2,800,000	0	3,050,000	
Premiums on Debt Issued	0	0	0	701,924	0	701,924	
Proceeds from Sale of Capital Assets	6,055	0	0	0	0	6,055	
Insurance Recovery	11,359	0	0	0	0	11,359	
Transfers In	0	0	228,867	0	0	228,867	
Transfers Out	0	(228,867)	0	0	0	(228,867)	
Total Other Financing Sources (Uses)	\$ 267,414	\$ (228,867)	\$ 228,867	\$ 36,501,924	\$ 0	\$ 36,769,338	
Net Change in Fund Balances	\$ (237,832)	\$ (2,064,605)	\$ 48,885	\$ 0	\$ (339,697)	\$ (2,593,249)	
Fund Balance, July 1, 2011	2,309,428	2,462,337	721,419	0	766,434	6,259,618	
Fund Balance, June 30, 2012	\$ 2,071,596	\$ 397,732	\$ 770,304	\$ 0	\$ 426,737	\$ 3,666,369	

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, 2012

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)		\$ (2,593,249)
(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	\$ 388,635	
Less: current-year depreciation expense	<u>(458,126)</u>	(69,491)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.		
Less: loss on disposal of capital assets		(9,577)
(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, 2012	\$ 493,773	
Less: deferred delinquent property taxes and other deferred June 30, 2011	<u>(465,395)</u>	28,378
(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	\$ (3,050,000)	
Less: bond proceeds	(33,000,000)	
Less: change in deferred amount on refunding	(40,990)	
Less: change in premium on debt issuances	(679,477)	
Add: change in deferred debt issuance costs	403,835	
Add: principal payments on notes	2,082,868	
Add: principal payments on capital leases	181,028	
Add: principal payments on other loans	153,069	
Add: principal payments on bonds	<u>1,490,000</u>	(32,459,667)
(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	\$ (32,127)	
Change in other postemployment benefits liability	(41,023)	
Change in accrued interest payable	<u>(612,815)</u>	<u>(685,965)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ (35,789,571)</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, 2012

	Governmental Activities - Internal Service Fund
	<u>Central Maintenance/ Garage</u>
<u>ASSETS</u>	
Current Assets:	
Equity in Pooled Cash and Investments	\$ 8,349
Due from Other Governments	<u>305</u>
Total Assets	<u>\$ 8,654</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Payroll Deductions Payable	<u>\$ 8,654</u>
Total Liabilities	<u>\$ 8,654</u>
<u>NET ASSETS</u>	
Unrestricted	<u><u>\$ 0</u></u>

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

Exhibit D-2

Rhea County, Tennessee
Statement of Revenues, Expenses, and
Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2012

	Governmental Activities - Internal Service Fund
	<u>Central Maintenance/ Garage</u>
<u>Operating Revenues</u>	
Charges for Current Services	\$ 1,519,587
Total Operating Revenues	<u>\$ 1,519,587</u>
<u>Operating Expenses</u>	
General Government	\$ 292,736
Other Charges	350,466
Miscellaneous	876,385
Total Operating Expenses	<u>\$ 1,519,587</u>
Operating Income (Loss)	<u>\$ 0</u>
Change in Net Assets	\$ 0
Net Assets, July 1, 2011	<u>0</u>
Net Assets, June 30, 2012	<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, 2012

	Governmental Activities - Internal Service Fund
	<u>Central Maintenance/ Garage</u>
<u>Cash Flows from Operating Activities</u>	
Receipts from Interfund Services Provided	\$ 1,519,282
Central Maintenance Garage Activity - Uses	(1,519,788)
Net Cash Provided By (Used In) Operating Activities	<u>\$ (506)</u>
Net Increase (Decrease) in Cash	\$ (506)
Cash, July 1, 2011	<u>8,855</u>
Cash, June 30, 2012	<u><u>\$ 8,349</u></u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities</u>	
Operating Income (Loss)	\$ 0
Adjustment to Reconcile Net Operating Income to Net Cash Provided By (Used In) Operating Activities:	
Change in Assets and Liabilities:	
(Increase) Decrease in Due from Other Governments	(305)
Increase (Decrease) in Payroll Deductions Payable	<u>(201)</u>
Net Cash Provided By (Used In) Operating Activities	<u><u>\$ (506)</u></u>

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

Exhibit E

Rhea County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2012

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 1,980,631
Equity in Pooled Cash and Investments	70,862
Accounts Receivable	0
Due from Other Governments	626,314
Taxes Receivable	364,208
Allowance for Uncollectible Taxes	<u>(21,413)</u>
Total Assets	<u>\$ 3,020,602</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 1,039,971
Due to Litigants, Heirs, and Others	<u>1,980,631</u>
Total Liabilities	<u>\$ 3,020,602</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, 2012

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. Net debt issues totaling \$36,065,448 were contributed by the county to the School Department during the year ended June 30, 2012. Rhea County also issued a \$50,313 other loan, for energy efficient upgrades and

equipment, on behalf of the School Department's General Purpose Fund during the year ended June 30, 2012. The other loan is a direct obligation of the General Purpose School Fund.

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.

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

Additionally, Rhea County reports the following fund types:

Internal Service Fund – The Central Maintenance/Garage Fund is used to account for the central maintenance program activities that

are provided to the various departments on a cost reimbursement basis.

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 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.

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 3.05 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. Inventories

Inventories of the discretely presented Rhea County School Department are recorded at cost, determined on the first-in, first-out

method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Inventories are offset in the nonspendable fund balance account in governmental funds.

4. Capital Assets

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

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

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

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

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

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

5. 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.

6. 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.

7. 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 \$1,060,506, with the primary restrictions being for: (1) alcohol and drug treatment (\$162,885); (2) litigation tax - jail, workhouse, or courthouse (\$169,550); (3) computer systems for various offices (\$142,052); (4) animal shelter (\$16,338); (5) fire departments and rescue squad (\$280,524); (6) fire hydrants (\$44,203); (7) hotel/motel tax (\$64,814); and (8) drug court (\$7,852). For the discretely presented School Department, the account balance in Restricted for General Purposes totaling \$105,195 consists of: (1) restrictions for technology (\$36,879); (2) reading program (\$23,121); (3) adult education (\$18,197); and (4) career ladder program (\$20,585).

As of June 30, 2012, Rhea County had \$43,289,010 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.

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

which amounts in any of these unrestricted fund balance classifications could be used.

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

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

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

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

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

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

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, 2012, Rhea County and the Rhea County School Department reported the following significant encumbrances:

Funds	Description	Amount
Primary Government		
Major Fund:		
General	Architects	\$ 81,250
"	Construction Manager	81,500
School Department:		
Major Fund:		
General Purpose School	Heating and Air System	267,509

B. Cash Shortage – Prior Year

The audit of Rhea County for the 2010-11 year reported a cash shortage of \$5,297 in the Office of Circuit and General Sessions Courts Clerk. Between September 28, 2011, and December 12, 2011, an employee had voided improperly 15 receipts totaling \$5,297. These funds were not credited to customers' cases or otherwise accounted for properly. On April 12, 2012, the former employee, pled guilty to theft of property over \$1,000 and paid restitution totaling \$5,297.

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, 2012.

B. Capital Assets

Capital assets activity for the year ended June 30, 2012, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-11	Increases	Decreases	Balance 6-30-12
Capital Assets Not Depreciated:				
Land	\$ 868,831	\$ 160,000	\$ 0	\$ 1,028,831
Total Capital Assets Not Depreciated	\$ 868,831	\$ 160,000	\$ 0	\$ 1,028,831
Capital Assets Depreciated:				
Buildings and Improvements	\$ 3,030,976	\$ 83,500	\$ 0	\$ 3,114,476
Infrastructure	11,880,767	0	0	11,880,767
Other Capital Assets	3,429,023	145,135	(95,770)	3,478,388
Total Capital Assets Depreciated	\$ 18,340,766	\$ 228,635	\$ (95,770)	\$ 18,473,631
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 732,588	\$ 35,439	\$ 0	\$ 768,027
Infrastructure	8,917,829	223,380	0	9,141,209
Others Capital Assets	2,310,921	199,307	(86,193)	2,424,035
Total Accumulated Depreciation	\$ 11,961,338	\$ 458,126	\$ (86,193)	\$ 12,333,271
Total Capital Assets Depreciated, Net	\$ 6,379,428	\$ (229,491)	\$ (9,577)	\$ 6,140,360
Governmental Activities Capital Assets, Net	\$ 7,248,259	\$ (69,491)	\$ (9,577)	\$ 7,169,191

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

Governmental Activities:

General Government	\$ 46,723
Finance	3,397
Public Safety	97,602
Public Health and Welfare	16,769
Highways	293,635
Total Depreciation Expense - Governmental Activities	\$ 458,126

Discretely Presented Rhea County School Department

Governmental Activities:

	Balance 7-1-11	Increases	Decreases	Balance 6-30-12
Capital Assets Not Depreciated:				
Land	\$ 939,515	\$ 0	\$ 0	\$ 939,515
Construction in Progress	498,427	10,737,858	(385,307)	10,850,978
Total Capital Assets Not Depreciated	<u>\$ 1,437,942</u>	<u>\$ 10,737,858</u>	<u>\$ (385,307)</u>	<u>\$ 11,790,493</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 35,630,777	\$ 731,581	\$ 0	\$ 36,362,358
Other Capital Assets	4,639,139	781,858	(58,891)	5,362,106
Total Capital Assets Depreciated	<u>\$ 40,269,916</u>	<u>\$ 1,513,439</u>	<u>\$ (58,891)</u>	<u>\$ 41,724,464</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 8,648,626	\$ 560,708	\$ 0	\$ 9,209,334
Others Capital Assets	2,752,417	293,871	(53,002)	2,993,286
Total Accumulated Depreciation	<u>\$ 11,401,043</u>	<u>\$ 854,579</u>	<u>\$ (53,002)</u>	<u>\$ 12,202,620</u>
Total Capital Assets Depreciated, Net	<u>\$ 28,868,873</u>	<u>\$ 658,860</u>	<u>\$ (5,889)</u>	<u>\$ 29,521,844</u>
Governmental Activities Capital Assets, Net	<u>\$ 30,306,815</u>	<u>\$ 11,396,718</u>	<u>\$ (391,196)</u>	<u>\$ 41,312,337</u>

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

Governmental Activities:

Instruction	\$ 457,670
Support Services	387,415
Operation of Non-Instructional Services	<u>9,494</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 854,579</u></u>

C. Insurance Recovery

During the year, Rhea County had damage to a Sheriff's Department vehicle. Insurance recovery of \$11,359 was used to replace the damaged vehicle.

D. Construction Commitments

At June 30, 2012, the discretely presented Rhea County School Department had uncompleted construction contracts of approximately \$21,814,500 for the construction of a high school. Funding has been received for these future expenditures.

E. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2012, was as follows:

Due to/from Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General	Nonmajor governmental	\$ 36
Discretely Presented School Department:		
General Purpose School	School Transportation	132
"	Nonmajor governmental	7
School Transportation	General Purpose School	161

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, 2012, consisted of the following amount:

Primary Government

<u>Transfer Out</u>	<u>Transfer In</u>
	General
	Debt
	Service
	Fund
Highway/Public Works Fund	\$ 228,867

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

F. Operating Leases

Discretely Presented Rhea County School Department

The Rhea County School Department leases two outdoor lighting systems for the high school and Spring City middle school from the local electric co-op. The rent expenditures for the year ended June 30, 2012, 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:

<u>Year Ending June 30</u>	<u>Amount</u>
2013	\$ 15,168
2014	15,168
2015	15,168
2016	<u>11,080</u>
Total	<u>\$ 56,584</u>

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:

<u>Asset</u>	<u>Governmental Activities</u>
Buildings and Improvements	\$ 868,018
Less: Accumulated Depreciation	<u>(73,948)</u>
Total Book Value	<u>\$ 794,070</u>

The future minimum lease obligation and the net present value of the minimum lease payments as of June 30, 2012, were as follows:

Year Ending June 30	Amount
2013	174,483
Total Minimum Lease Payments	\$ 174,483
Less: Amount Representing Interest	(2,973)
Present Value of Minimum Lease Payments	<u>\$ 171,510</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 22 years for bonds, up to ten years for notes, and up to 20 years for the other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds, notes, and other loans included in long-term debt as of June 30, 2012, 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, 2012, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-12
General Obligation Bonds -	2 to 4.25%	2-1-34	\$ 33,000,000	\$ 33,000,000
General Obligation Bonds - Refunding	3.375 to 4	4-1-23	9,535,000	8,620,000
Capital Outlay Notes	2.37 to 4.17	6-20-22	3,630,000	3,275,000
Other Loans	various	5-25-26	1,517,500	1,090,500
Capital Lease	9.64	5-1-13	868,018	171,510

In previous years, Rhea County entered into a loan agreement with the Tennessee State School Bond Authority. Under this loan agreement, the

authority loaned \$517,500 in Qualified Zone Academy Bonds to Rhea County for an energy construction project, school renovations, repairs, and equipment. This loan is repayable at zero percent interest.

Also, in previous years, Rhea County entered into a loan agreement with the Montgomery County Public Building Authority. Under this loan agreement, the authority loaned \$1 million to Rhea County for a sewer project. The loan is repayable at an interest rate that is a tax-exempt variable rate determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the county pays various other fees (trustee, letter of credit, and debt remarketing) in connection with this loan. At June 30, 2012, the variable interest rate was .49 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, 2012, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2013	\$ 1,025,000	\$ 1,893,331	\$ 2,918,331
2014	1,230,000	1,551,533	2,781,533
2015	1,310,000	1,504,833	2,814,833
2016	1,345,000	1,455,433	2,800,433
2017	1,365,000	1,406,120	2,771,120
2018-2022	8,030,000	6,275,547	14,305,547
2023-2027	9,215,000	4,798,694	14,013,694
2028-2032	12,150,000	2,824,470	14,974,470
2033-2034	5,950,000	376,688	6,326,688
Total	\$ 41,620,000	\$ 22,086,649	\$ 63,706,649

Year Ending June 30	Notes		
	Principal	Interest	Total
2013	\$ 332,815	\$ 101,950	\$ 434,765
2014	343,556	91,107	434,663
2015	355,367	79,901	435,268
2016	365,246	68,295	433,541
2017	326,195	56,364	382,559
2018-2022	1,551,821	121,729	1,673,550
Total	\$ 3,275,000	\$ 519,346	\$ 3,794,346

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2013	\$ 77,500	\$ 3,822	\$ 2,814	\$ 84,136
2014	78,500	3,611	2,715	84,826
2015	80,500	3,396	2,614	86,510
2016	82,500	3,170	2,508	88,178
2017	84,500	2,935	2,398	89,833
2018-2022	419,000	10,804	10,179	439,983
2023-2026	268,000	3,348	5,734	277,082
Total	<u>\$ 1,090,500</u>	<u>\$ 31,086</u>	<u>\$ 28,962</u>	<u>\$ 1,150,548</u>

There is \$770,304 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$1,308 based on the 2010 federal census. Debt per capita, including bonds, notes, capital leases, and other loans totaled \$1,451, based on the 2010 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2012, was as follows:

Governmental Activities:

	Bonds	Notes	Capital Leases
Balance, July 1, 2011	\$ 10,110,000	\$ 2,307,868	\$ 352,538
Additions	33,000,000	3,050,000	0
Reductions	(1,490,000)	(2,082,868)	(181,028)
Balance, June 30, 2012	<u>\$ 41,620,000</u>	<u>\$ 3,275,000</u>	<u>\$ 171,510</u>
Balance Due Within One Year	<u>\$ 1,025,000</u>	<u>\$ 332,815</u>	<u>\$ 171,510</u>

	Other Loans	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2011	\$ 1,243,569	\$ 320,183	\$ 113,843
Additions	0	194,908	53,720
Reductions	(153,069)	(162,781)	(12,697)
Balance, June 30, 2012	<u>\$ 1,090,500</u>	<u>\$ 352,310</u>	<u>\$ 154,866</u>
Balance Due Within One Year	<u>\$ 77,500</u>	<u>\$ 128,604</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2012	\$ 46,664,186
Less: Balance Due Within One Year	(1,735,429)
Less: Deferred Amount on Refunding	(224,873)
Add: Unamortized Premium on Debt	<u>727,326</u>
 Noncurrent Liabilities - Due in More Than One Year - Exhibit A	 <u>\$ 45,431,210</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

Other Loans

Rhea County issues other loans on behalf of the School Department to provide funds for an energy efficiency loan program.

Other loans are direct obligations and pledge the full faith and credit of the government. Other loans outstanding were issued for original terms of up to seven years after the date of the last draw down. Total amount available under this energy efficiency loan program is \$314,322, of which \$264,009 had not been drawn as of June 30, 2012. Repayment terms are structured to begin after the date of the last draw down with a fixed amount of principal maturing each year with no interest requirements for seven years. All other loans included in long-term debt as of June 30, 2012, will be retired from the General Purpose School Fund.

Other loans outstanding as of June 30, 2012, for governmental activities are as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Original Amount of Issue</u>	<u>Balance 6-30-12</u>
Other Loans	0 %	Various	\$ 50,313	\$ 50,313

The annual requirements to amortize the other loans outstanding as of June 30, 2012, including interest payments, are presented in the following table:

Year Ending June 30	Other Loans		
	Principal	Interest	Total
2013	\$ 7,188	\$ 0	\$ 7,188
2014	7,188	0	7,188
2015	7,188	0	7,188
2016	7,188	0	7,188
2017	7,188	0	7,188
2018-2019	14,373	0	14,373
Total	\$ 50,313	\$ 0	\$ 50,313

Changes in Long-term Liabilities

Long-term liability activity for the discretely presented Rhea County School Department for the year ended June 30, 2012, was as follows:

	Other Loans	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2011	\$ 0	\$ 510,124	\$ 359,930
Additions	50,313	119,932	324,115
Reductions	0	(142,779)	(258,418)
Balance, June 30, 2012	\$ 50,313	\$ 487,277	\$ 425,627
Balance Due Within One Year	\$ 7,188	\$ 77,745	\$ 0

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2012	\$ 963,217
Less: Balance Due Within One Year	<u>(84,933)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 878,284</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

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, 2012, were \$47,486 and \$22,002, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

J. Short-term Debt

Rhea County issued tax anticipation notes of \$441,043 from the General Purpose School Fund in advance of property tax collections and deposited the proceeds in the General Fund. These notes were necessary because funds were not available to meet obligations coming due before current tax collections. Short-term debt activity for the year ended June 30, 2012, was as follows:

	Balance 7-1-11	Issued	Paid	Balance 6-30-12
Tax Anticipation Note	\$ 0	\$ 441,043	\$ (441,043)	\$ 0

V. OTHER INFORMATION

A. Risk Management

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

Primary Government

Rhea County participates in the Local Government Group Insurance Fund (LGGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local governments and quasi-governmental entities that was established for the primary purpose of providing services for or on behalf of state and local governments. In accordance with Section 8-27-207, *Tennessee Code Annotated (TCA)*, all local governments and quasi-governmental entities described above are eligible to participate. The LGGIF is included in the Comprehensive Annual Financial

Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. The state statute provides for the LGGIF to be self-sustaining through member premiums.

Discretely Presented Rhea County School Department

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

B. Subsequent Events

On March 23, 2012, Assessor of Property Julene Purser died. This position was not filled until September 1, 2012, when Debbie Byrd assumed the Office of Assessor of Property.

On October 17, 2012, Rhea County issued capital outlay notes totaling \$120,534 for a dump truck for the highway department.

On October 25, 2012, the School Department's General Purpose School Fund issued a \$500,000 tax anticipation note to the General (\$456,238) and School Transportation (\$43,762) funds for temporary operating funds.

On October 30, 2012, the General Purpose School Fund drew down an additional \$146,550 from the energy efficiency other loan.

C. Contingent Liabilities

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

Rhea County is contingently liable for a loan agreement of the Rhea County Medical Center. The Public Building Authority of the County of Montgomery, Tennessee, issued its Adjustable Rate Pooled Financing Revenue Bonds, Series 2004 on July 1, 2004, and loaned \$24,100,000 of the proceeds to the medical center under a loan agreement with terms substantially identical to terms of the bonds. The bonds mature on various dates from May 25, 2010, through May 25, 2033. Principal payments will be made annually as they become due. Interest payments are due monthly. Interest is calculated daily as set forth in the loan agreement (.49 percent at June 30, 2012). The outstanding principal balance of this loan agreement on June 30, 2012, was \$21,961,000.

D. 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 costs of the old landfill and closure and postclosure care costs of the new landfill as long as the contract with Rhea County is in effect. In the event the contract with Santek is not renewed, the county must assume liability for closure and postclosure care costs of the landfills. The estimated closure and postclosure costs of the landfills totaling \$2,441,857 at June 30, 2012, 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 2012. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

E. 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, 2012.

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

F. 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. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2012, 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, 2012, Rhea County's annual pension cost of \$1,281,466 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 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 post retirement 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, 2011, which established contribution rates effective July 1, 2012.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-12	\$1,281,466	100%	\$0
6-30-11	1,258,509	100	0
6-30-10	1,291,866	100	0

Funded Status and Funding Progress

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

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

SCHOOL TEACHERS

Plan Description

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

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

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2012, 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, 2012, 2011, and 2010, were \$1,360,780, \$1,346,495, and \$927,366 respectively, equal to the required contributions for each year.

G. Other Postemployment Benefits (OPEB)

Plan Description

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

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employer in the plan develops a contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state does not provide a subsidy for local government participants, however, the state does provide a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. Rhea County retirees' contributions vary depending on the insurance options they select, ranging from \$623 to \$660 per month. School Department retirees' contributions vary depending on the insurance options they select, ranging from \$469 to \$1,084 per month. During the year ended June 30, 2012, the county and the discretely presented School Department contributed \$12,697 and \$258,418, respectively, for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan	Local Government Group Plan
ARC	\$ 325,000	\$ 54,000
Interest on the NPO	14,397	4,554
Adjustment to the ARC	(15,282)	(4,834)
Annual OPEB cost	\$ 324,115	\$ 53,720
Amount of contribution	(258,418)	(12,697)
Increase/decrease in NPO	\$ 65,697	\$ 41,023
Net OPEB obligation, 7-1-11	359,930	113,843
Net OPEB obligation, 6-30-12	\$ 425,627	\$ 154,866

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-10	Local Government Group	\$ 71,038	32%	\$ 64,169
6-30-11	"	73,153	32	113,843
6-30-12	"	53,720	24	154,866
6-30-10	Local Education Group	248,968	108	388,213
6-30-11	"	259,923	111	359,930
6-30-12	"	324,115	80	425,627

Funded Status and Funding Progress

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

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

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

Actuarial Methods and Assumptions

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

In the July 1, 2011, actuarial valuation for the Local Government Group and Local Education Group plans, the projected unit credit actuarial cost method was used, and the actuarial assumptions included a four percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 9.25 percent for fiscal year 2012. The trend rate will decrease to 8.75 percent in fiscal year 2013 and then be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. Both rates include a 2.5 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with June 30, 2008.

H. 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.

I. 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 2012 net patient service revenue increased by approximately \$89,000 due to prior year retroactive adjustments in excess of amounts previously estimated.

Revenue from the Medicare and Medicaid programs accounted for approximately 31 and six percent, respectively, for the year ended June 30, 2012, 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 was 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, 2012.

12. Noncurrent Cash and Investments

Internally designated for capital acquisition is cash and investments designated by the Board of Trustees for the creation of a health education library. The board acknowledged the use of these funds for their designated purpose in 2012.

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 2012.

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, 2012.

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, 2012, was as follows:

Bond Issuance Cost	\$ 168,700
Less Accumulated Amortization	<u>(37,489)</u>
Total	<u><u>\$ 131,211</u></u>

Amortization expense was \$6,248 for June 30, 2012. Estimated amortization expense for the next five fiscal years is as follows:

Year Ending June 30	Amount
2013	\$ 6,248
2014	6,248
2015	6,248
2016	6,248
2017	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. Restricted nonexpendable net assets - equal the principal portion of permanent endowments.
- d. 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, 2012.

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 \$11,060,619 at June 30, 2012. 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:

	Balance 6-30-12
Investments	
Insured by FDIC	\$ 7,808,494

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:

	Balance 6-30-12
Carrying Amount:	
Deposits	\$ 10,977,190
Certificates of Deposit	7,808,494
Cash on Hand	1,000
Total	<u>\$ 18,786,684</u>
Included in the Following Balance Sheet Captions:	
Cash	\$ 10,978,190
Current Investments	5,640,283
Noncurrent Investments	2,168,211
Total	<u>\$ 18,786,684</u>

The certificates of deposit are with various U.S. financial institutions and mature with various terms through July 2014.

C. Net Patient Service Revenue

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

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

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

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

D. Inventories

Inventories at June 30, 2012, consisted of the following:

	Balance <u>6-30-12</u>
Pharmacy	\$ 164,764
General Supplies	79,038
Dietary	13,404
Laboratory	27,988
X-ray	14,827
Surgery	<u>237,428</u>
Total	<u>\$ 537,449</u>

E. Cash and Investments Internally Designated for Capital Acquisitions

During 2004, the medical center received an unrestricted contribution from an anonymous donor. The Board of Trustees had designated the money for the creation of a health education library and invested it in a certificate of deposit at a local bank. The board acknowledged the use of these funds for their designated purpose in 2012.

F. Capital Assets

A summary of changes in capital assets follows:

	Balance 7-1-11	Additions	Balance 6-30-12
Land	\$ 2,362,513	\$ 0	\$ 2,362,513
Construction in Progress	900	497,035	497,935
Land Improvements	65,951	68,144	134,095
Buildings and Improvements	27,517,086	48,614	27,565,700
Major Movable Equipment	12,030,020	75,261	12,105,281
Capital Equipment	941,525	0	941,525
Total at Historical Cost	<u>\$ 42,917,995</u>	<u>\$ 689,054</u>	<u>\$ 43,607,049</u>
Less Accumulated Depreciation For:			
Land Improvements	\$ 61,798	\$ 4,093	\$ 65,891
Buildings and Improvements	6,089,160	701,817	6,790,977
Major Movable Equipment	8,282,539	979,184	9,261,723
Capital Equipment	803,378	1,804	805,182
Total Accumulated Depreciation	<u>\$ 15,236,875</u>	<u>\$ 1,686,898</u>	<u>\$ 16,923,773</u>
Property and Equipment, Net	<u>\$ 27,681,120</u>	<u>\$ (997,844)</u>	<u>\$ 26,683,276</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, 2012, the assets totaled \$570,384, net of accumulated amortization.

Other assets also included various lease deposits and prepayments of \$98,392 at June 30, 2012.

H. Long-term Debt

	Balance 6-30-12
	<u> </u>
Loan agreement	\$ 21,961,000
Capital lease obligation #2, payable in monthly installments of \$14,970, including interest until August 2012, secured by an MRI system	29,783
Total long-term debt	\$ 21,990,783
Less current maturities of long-term debt	<u>(787,783)</u>
Long-term debt, net of current maturities	<u>\$ 21,203,000</u>

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

Principal payments will be made annually as they become due. Interest payments are due monthly. Interest is calculated daily as set forth in the loan agreement (.49 percent at June 30, 2012).

The loan agreement is a general obligation of Rhea County.

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 \$26,949 at June 30, 2012.

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
2013	\$ 758,000	\$ 105,752	\$ 29,783	\$ 6,889
2014	781,000	101,981	0	0
2015	805,000	98,096	0	0
2016	830,000	94,090	0	0
2017	856,000	89,959	0	0
2018-2022	4,694,000	383,214	0	0
2023-2027	5,470,000	258,941	0	0
2028-2032	6,372,000	114,136	0	0
2033	1,395,000	3,418	0	0
Total	\$ 21,961,000	\$ 1,249,587	\$ 29,783	\$ 6,889

* - Future interest payments are based on the loan amounts outstanding and interest rates in effect at June 30, 2012, and do not necessarily represent the payments that will be required.

Activity for long-term debt for 2012 follows:

	Balance		Amounts Due	
	7-1-11	Decreases	6-30-12	Within One Year
Bonds Payable	\$ 22,696,000	\$ (735,000)	\$ 21,961,000	\$ 758,000
Capital Leases # 1	65,380	(65,380)	0	0
Capital Leases # 2	204,153	(174,370)	29,783	29,783
Total Long-term Debt	\$ 22,965,533	\$ (974,750)	\$ 21,990,783	\$ 787,783

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 \$267,745 for 2012 and are included with accrued payroll in current liabilities.

J. Charity Care

The medical center estimates that the cost of providing care under the charity care policy was approximately \$241,882 during the year ended June 30, 2012. This is the cost of supplies and services provided to patients for which payment was foregone under the charity care policy, based on current cost to charge ratio for the medical center.

K. Pension Plans

Effective January 1, 1990, Rhea County government and related entities including the medical center, joined the Tennessee Consolidated Retirement System (TCRS), a multiple-employer Public Employee Retirement System. All full-time personnel employed at or after January 1, 1990, are required to participate in the TCRS pension plan. The medical center contributes the employer's share of pension contributions of three percent, and the employees are required to contribute five percent of their salaries to the plan. Past service costs as of January 1, 1990, were required to be funded upon entering the plan. The medical center has chosen to amortize these costs over a 30-year period by increasing its contribution rate, which is currently 8.72 percent. Contributions by the medical center totaled \$517,000 in 2012. Information in regard to funding status, contribution requirements, and trends appears in the financial statements of Rhea County and cannot be separately identified for the medical center.

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

L. Net Working Capital

Net working capital at June 30, 2012, was \$13,217,494.

M. Designated Net Assets

Net assets reported in 2011 included \$243,345, which had been designated by the medical center's Board of Trustees for capital acquisitions. In 2012, the board acknowledged the use of these funds for their designated purpose.

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 \$168,407 in 2012.

The medical center leases space to physicians and others with various terms. Total rental income for all operating leases was \$505,296 for 2012.

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>(3,259,139)</u>
Net Book Value	<u>\$ 726,051</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 \$293,727 in 2012.

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 \$410,933 for 2012.

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, 2012, was as follows:

	<u>6-30-11</u>
Medicare	29%
Medicaid/TennCare	7
Blue Cross	11
Commercial	22
Private Pay	<u>31</u>
Total	<u>100%</u>

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>
Mapping/Imagery Software	\$ 66,136	3

6. Investments

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

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	\$ 23,099	\$ 23,099
Local Government Investment Pool	61,705	61,705
Total Investments	\$ 84,804	\$ 84,804

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, 2012:

	Balance 7-1-11	Increases	Decreases	Balance 6-30-12
Capital and Intangible Assets,				
Depreciated:				
Buildings and				
Improvements	\$ 352,784	\$ 17,428	\$ (2,749)	\$ 367,463
Furniture and Fixtures	91,905	0	(1,041)	90,864
Office Equipment	5,108	0	(19)	5,089
Communications Equipment	497,448	6,229	(97,133)	406,544
Vehicles	45,910	19,849	0	65,759
Database Development	132,118	0	(31,246)	100,872
Installation Cost	36,036	0	(36,036)	0
Site Preparation	4,904	0	(4,904)	0
Total Capital and Intangible Assets, Depreciated	\$ 1,166,213	\$ 43,506	\$ (173,128)	\$ 1,036,591
Less Accumulated Depreciation/ Amortization For:				
Buildings and				
Improvements	\$ 75,012	\$ 12,258	\$ (2,750)	\$ 84,520
Furniture and Fixtures	61,092	8,804	(1,041)	68,855
Office Equipment	3,548	485	(19)	4,014
Communications Equipment	427,837	54,231	(97,133)	384,935
Vehicles	43,549	3,022	0	46,571
Database Development	54,668	19,851	(31,245)	43,274
Installation Cost	36,036	0	(36,036)	0
Site Preparation	4,904	0	(4,904)	0
Total Accumulated Depreciation	\$ 706,646	\$ 98,651	\$ (173,128)	\$ 632,169
Total Capital and Intangible Assets, Depreciated/ Amortized	\$ 459,567	\$ (55,145)	\$ 0	\$ 404,422

E. Retirement Plan

Plan Description

Employees of Rhea County “911” 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, 2012, 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, 2012, 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, 2011, which established contribution rates effective July 1, 2012.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-12	\$ 7,143	100 %	\$ 0
6-30-11	7,143	100	0
6-30-10	6,718	100	0

Funded Status and Funding Progress

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

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

F. Commercial Insurance

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

G. Use of Estimates

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

H. Compensated Absences

The director and assistant director of the 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, 2012, was \$7,385.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit F-1

Rhea County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Fund
For the Year Ended June 30, 2012

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 6,168,576	\$ 0	\$ 6,168,576	\$ 6,073,799	\$ 6,073,799	\$ 94,777
Licenses and Permits	72,679	0	72,679	60,000	60,000	12,679
Fines, Forfeitures, and Penalties	190,519	0	190,519	238,650	238,650	(48,131)
Charges for Current Services	38,231	0	38,231	48,600	48,600	(10,369)
Other Local Revenues	334,197	0	334,197	265,903	300,408	33,789
Fees Received from County Officials	809,474	0	809,474	1,155,000	801,000	8,474
State of Tennessee	498,391	0	498,391	286,534	518,002	(19,611)
Federal Government	174,795	0	174,795	0	191,111	(16,316)
Other Governments and Citizens Groups	218,143	0	218,143	233,905	233,905	(15,762)
Total Revenues	\$ 8,505,005	\$ 0	\$ 8,505,005	\$ 8,362,391	\$ 8,465,475	\$ 39,530
<u>Expenditures</u>						
<u>General Government</u>						
County Commission	\$ 122,308	\$ 0	\$ 122,308	\$ 141,299	\$ 146,114	\$ 23,806
Board of Equalization	1,830	0	1,830	2,261	2,261	431
Other Boards and Committees	1,512	0	1,512	4,009	4,009	2,497
County Mayor/Executive	141,715	0	141,715	136,759	147,575	5,860
County Attorney	15,150	0	15,150	16,000	17,500	2,350
Election Commission	194,492	0	194,492	207,108	207,556	13,064
Register of Deeds	167,320	0	167,320	172,451	174,891	7,571
Planning	11,562	0	11,562	12,000	12,000	438
County Buildings	941,878	0	941,878	772,523	1,052,209	110,331
<u>Finance</u>						
Accounting and Budgeting	537,346	0	537,346	530,990	543,389	6,043
Property Assessor's Office	242,154	0	242,154	267,460	270,857	28,703
County Trustee's Office	40,395	0	40,395	195,319	51,479	11,084
County Clerk's Office	60,732	0	60,732	290,970	83,851	23,119

(Continued)

Exhibit F-1

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Administration of Justice</u>						
Circuit Court	\$ 270,199	\$ 0	\$ 270,199	\$ 300,834	\$ 296,485	\$ 26,286
General Sessions Court	192,077	0	192,077	174,214	197,760	5,683
General Sessions Judge	314,178	0	314,178	343,999	328,434	14,256
Drug Court	3,794	0	3,794	9,430	9,430	5,636
Chancery Court	258,400	0	258,400	255,120	259,679	1,279
Courtroom Security	22,894	0	22,894	0	23,554	660
<u>Public Safety</u>						
Sheriff's Department	2,042,754	0	2,042,754	1,948,529	2,111,030	68,276
Administration of the Sexual Offender Registry	2,071	0	2,071	6,000	6,000	3,929
Jail	1,024,711	0	1,024,711	938,383	1,055,448	30,737
Juvenile Services	197,633	0	197,633	190,086	202,704	5,071
Fire Prevention and Control	278,196	0	278,196	277,315	329,515	51,319
Civil Defense	64,955	0	64,955	1,850	88,685	23,730
Rescue Squad	33,016	0	33,016	31,000	34,500	1,484
County Coroner/Medical Examiner	29,140	0	29,140	30,000	36,835	7,695
Public Safety Grant Programs	28,113	0	28,113	0	45,643	17,530
Other Public Safety	714,251	0	714,251	741,723	775,341	61,090
<u>Public Health and Welfare</u>						
Local Health Center	180,446	0	180,446	87,411	202,566	22,120
Rabies and Animal Control	1,913	0	1,913	0	3,000	1,087
Ambulance/Emergency Medical Services	0	0	0	2,000	2,000	2,000
Crippled Children Services	2,072	0	2,072	2,072	2,072	0
Other Public Health and Welfare	6,137	0	6,137	0	23,251	17,114

(Continued)

Exhibit F-1

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Agriculture and Natural Resources</u>						
Agriculture Extension Service	\$ 110,658	\$ 0	\$ 110,658	\$ 114,002	\$ 114,022	\$ 3,364
Soil Conservation	80,047	0	80,047	75,304	92,719	12,672
<u>Other Operations</u>						
Other Economic and Community Development	100,550	0	100,550	98,500	98,581	(1,969)
Veterans' Services	99,144	0	99,144	101,303	101,332	2,188
Other Charges	128,060	0	128,060	134,954	134,954	6,894
Contributions to Other Agencies	66,200	0	66,200	66,200	66,200	0
Employee Benefits	34,673	0	34,673	37,798	37,798	3,125
<u>Capital Projects</u>						
Administration of Justice Projects	125,575	162,750	288,325	0	288,325	0
Other General Government Projects	120,000	0	120,000	0	120,000	0
Total Expenditures	\$ 9,010,251	\$ 162,750	\$ 9,173,001	\$ 8,717,176	\$ 9,801,554	\$ 628,553
Excess (Deficiency) of Revenues Over Expenditures	\$ (505,246)	\$ (162,750)	\$ (667,996)	\$ (354,785)	\$ (1,336,079)	\$ 668,083
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 250,000	\$ 0	\$ 250,000	\$ 0	\$ 0	\$ 250,000
Proceeds from Sale of Capital Assets	6,055	0	6,055	0	0	6,055
Insurance Recovery	11,359	0	11,359	0	15,919	(4,560)
Total Other Financing Sources (Uses)	\$ 267,414	\$ 0	\$ 267,414	\$ 0	\$ 15,919	\$ 251,495
Net Change in Fund Balance Fund Balance, July 1, 2011	\$ (237,832)	\$ (162,750)	\$ (400,582)	\$ (354,785)	\$ (1,320,160)	\$ 919,578
Fund Balance, July 1, 2011	2,309,428	0	2,309,428	2,301,584	2,301,584	7,844
Fund Balance, June 30, 2012	\$ 2,071,596	\$ (162,750)	\$ 1,908,846	\$ 1,946,799	\$ 981,424	\$ 927,422

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, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 233,497	\$ 236,427	\$ 236,427	\$ (2,930)
Other Local Revenues	110,384	5,000	5,000	105,384
State of Tennessee	1,796,545	2,034,263	2,034,263	(237,718)
Federal Government	43,799	0	43,799	0
Total Revenues	<u>\$ 2,184,225</u>	<u>\$ 2,275,690</u>	<u>\$ 2,319,489</u>	<u>\$ (135,264)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 215,064	\$ 206,138	\$ 219,254	\$ 4,190
Highway and Bridge Maintenance	1,035,986	927,941	1,061,093	25,107
Operation and Maintenance of Equipment	243,550	214,952	250,612	7,062
Other Charges	62,212	62,315	67,315	5,103
Employee Benefits	167,819	173,061	171,389	3,570
Capital Outlay	2,295,332	2,738,272	2,530,349	235,017
Total Expenditures	<u>\$ 4,019,963</u>	<u>\$ 4,322,679</u>	<u>\$ 4,300,012</u>	<u>\$ 280,049</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (1,835,738)</u>	<u>\$ (2,046,989)</u>	<u>\$ (1,980,523)</u>	<u>\$ 144,785</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	<u>\$ (228,867)</u>	<u>\$ 0</u>	<u>\$ (228,867)</u>	<u>\$ 0</u>
Total Other Financing Sources (Uses)	<u>\$ (228,867)</u>	<u>\$ 0</u>	<u>\$ (228,867)</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (2,064,605)	\$ (2,046,989)	\$ (2,209,390)	\$ 144,785
Fund Balance, July 1, 2011	2,462,337	2,462,339	2,462,339	(2)
Fund Balance, June 30, 2012	<u>\$ 397,732</u>	<u>\$ 415,350</u>	<u>\$ 252,949</u>	<u>\$ 144,783</u>

Exhibit F-3

Rhea County, Tennessee
Schedule of Funding Progress – Pension Plan
Primary Government and Discretely Presented Rhea County School Department
June 30, 2012

(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)
7-1-11	\$ 37,167	\$ 39,011	\$ 1,844	95.27 %	\$ 14,949	12.34 %
7-1-09	30,045	32,160	2,115	93.42	14,653	14.44
7-1-07	27,416	29,765	2,349	92.11	13,595	17.28

Exhibit F-4

Rhea County, Tennessee
Schedule of Funding Progress – Pension Plan
Discretely Presented Rhea County Emergency Communications District
June 30, 2012

(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)
7-1-11	\$ 37,167	\$ 39,011	\$ 1,844	95.27 %	\$ 14,949	12.34 %
7-1-09	30,045	32,160	2,115	93.42	14,653	14.44
7-1-07	27,416	29,765	2,349	92.11	13,595	17.28

Exhibit F-5

Rhea County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plans
Primary Government and Discretely Presented Rhea County School Department
June 30, 2012

(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	7-1-09	\$ 0	\$ 438	\$ 438	0	\$ 5,360	8.17 %
"	7-1-10	0	473	473	0	5,226	9.05
"	7-1-11	0	365	365	0	5,499	6.64
Local Education Group	7-1-09	0	2,197	2,197	0	18,413	11.93
"	7-1-10	0	2,291	2,291	0	17,342	13.21
"	7-1-11	0	2,683	2,683	0	18,779	14.29

RHEA COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2012

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, Board of Equalization, 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.

At June 30, 2012, Rhea County reported the following significant encumbrances in the General Fund:

<u>Description</u>	<u>Amount</u>
Architects	\$ 81,250
Construction Manager	81,500

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

District Attorney General Fund – 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.

Rhea County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	District Attorney General	Constitu- tional Officers - Fees		
\$	0 \$	0 \$	0 \$	92,694 \$		92,694
	240,320	22,130	25,398	0		287,848
	35,513	0	0	36		35,549
	17,951	0	805	0		18,756
	<u>293,784 \$</u>	<u>22,130 \$</u>	<u>26,203 \$</u>	<u>92,730 \$</u>		<u>434,847</u>

ASSETS

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

LIABILITIES AND FUND BALANCES

<u>Liabilities</u>						
Accounts Payable	1,240 \$	0 \$	0 \$	0 \$	0 \$	1,240
Payroll Deductions Payable	2,868	0	0	0	0	2,868
Due to Other Funds	0	0	0	36	36	36
Due to Litigants, Heirs, and Others	0	3,966	0	0	0	3,966
Total Liabilities	<u>4,108 \$</u>	<u>3,966 \$</u>	<u>0 \$</u>	<u>36 \$</u>	<u>36 \$</u>	<u>8,110</u>
<u>Fund Balances</u>						
Restricted:						
Restricted for Administration of Justice	0 \$	0 \$	26,203 \$	0 \$	0 \$	26,203
Committed:						
Committed for Public Health and Welfare	283,909	0	0	0	0	283,909
Assigned:						
Assigned for Finance	0	0	0	92,694	92,694	92,694
Assigned for Public Safety	0	18,164	0	0	0	18,164
Assigned for Other Purposes	5,767	0	0	0	0	5,767
Total Fund Balances	<u>289,676 \$</u>	<u>18,164 \$</u>	<u>26,203 \$</u>	<u>92,694 \$</u>	<u>92,694 \$</u>	<u>426,737</u>
Total Liabilities and Fund Balances	<u>293,784 \$</u>	<u>22,130 \$</u>	<u>26,203 \$</u>	<u>92,730 \$</u>	<u>92,730 \$</u>	<u>434,847</u>

Exhibit G-2

Rhea County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2012

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	District Attorney General	Constitu- tional Officers - Fees		
<u>Revenues</u>						
Fines, Forfeitures, and Penalties	\$ 0	\$ 21,816	\$ 19,058	\$ 0	\$ 0	\$ 40,874
Charges for Current Services	188,853	0	0	368,743	0	557,596
Other Local Revenues	19,565	3,530	0	0	0	23,095
State of Tennessee	51,878	0	0	0	0	51,878
Federal Government	1,102	0	0	0	0	1,102
Other Governments and Citizens Groups	8,929	2,408	0	0	0	11,337
Total Revenues	\$ 270,327	\$ 27,754	\$ 19,058	\$ 368,743	\$ 0	\$ 685,882
<u>Expenditures</u>						
Current:						
Finance	\$ 0	\$ 0	\$ 0	\$ 366,860	\$ 0	\$ 366,860
Administration of Justice	0	0	17,973	404	0	18,377
Public Safety	0	54,410	0	104	0	54,514
Public Health and Welfare	537,538	0	0	0	0	537,538
Other Operations	8,102	0	188	0	0	8,290
Capital Projects	40,000	0	0	0	0	40,000
Total Expenditures	\$ 585,640	\$ 54,410	\$ 18,161	\$ 367,368	\$ 0	\$ 1,025,579
Excess (Deficiency) of Revenues Over Expenditures	\$ (315,313)	\$ (26,656)	\$ 897	\$ 1,375	\$ (339,697)	
Net Change in Fund Balances Fund Balance, July 1, 2011	\$ (315,313)	\$ (26,656)	\$ 897	\$ 1,375	\$ (339,697)	
	604,989	44,820	25,306	91,319	766,434	
Fund Balance, June 30, 2012	\$ 289,676	\$ 18,164	\$ 26,203	\$ 92,694	\$ 426,737	

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, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 188,853	\$ 205,000	\$ 205,000	\$ (16,147)
Other Local Revenues	19,565	6,300	6,300	13,265
State of Tennessee	51,878	0	58,920	(7,042)
Federal Government	1,102	0	0	1,102
Other Governments and Citizens Groups	8,929	0	12,344	(3,415)
Total Revenues	<u>\$ 270,327</u>	<u>\$ 211,300</u>	<u>\$ 282,564</u>	<u>\$ (12,237)</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Waste Pickup	\$ 537,538	\$ 526,185	\$ 628,650	\$ 91,112
<u>Other Operations</u>				
Other Charges	2,025	3,700	3,700	1,675
Employee Benefits	6,077	6,077	6,077	0
<u>Capital Projects</u>				
Other General Government Projects	40,000	0	40,000	0
Total Expenditures	<u>\$ 585,640</u>	<u>\$ 535,962</u>	<u>\$ 678,427</u>	<u>\$ 92,787</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (315,313)</u>	<u>\$ (324,662)</u>	<u>\$ (395,863)</u>	<u>\$ 80,550</u>
Net Change in Fund Balance	\$ (315,313)	\$ (324,662)	\$ (395,863)	\$ 80,550
Fund Balance, July 1, 2011	<u>604,989</u>	<u>620,357</u>	<u>620,357</u>	<u>(15,368)</u>
Fund Balance, June 30, 2012	<u>\$ 289,676</u>	<u>\$ 295,695</u>	<u>\$ 224,494</u>	<u>\$ 65,182</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, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 21,816	\$ 46,000	\$ 46,000	\$ (24,184)
Other Local Revenues	3,530	2,000	4,700	(1,170)
Other Governments and Citizens Groups	2,408	4,092	4,092	(1,684)
Total Revenues	<u>\$ 27,754</u>	<u>\$ 52,092</u>	<u>\$ 54,792</u>	<u>\$ (27,038)</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 54,410	\$ 54,474	\$ 76,474	\$ 22,064
Total Expenditures	<u>\$ 54,410</u>	<u>\$ 54,474</u>	<u>\$ 76,474</u>	<u>\$ 22,064</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (26,656)</u>	<u>\$ (2,382)</u>	<u>\$ (21,682)</u>	<u>\$ (4,974)</u>
Net Change in Fund Balance	\$ (26,656)	\$ (2,382)	\$ (21,682)	\$ (4,974)
Fund Balance, July 1, 2011	<u>44,820</u>	<u>43,395</u>	<u>43,395</u>	<u>1,425</u>
Fund Balance, June 30, 2012	<u>\$ 18,164</u>	<u>\$ 41,013</u>	<u>\$ 21,713</u>	<u>\$ (3,549)</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, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 19,058	\$ 14,175	\$ 14,175	\$ 4,883
Total Revenues	\$ 19,058	\$ 14,175	\$ 14,175	\$ 4,883
<u>Expenditures</u>				
<u>Administration of Justice</u>				
District Attorney General	\$ 17,973	\$ 0	\$ 17,973	\$ 0
<u>Public Safety</u>				
Drug Enforcement	0	23,000	5,027	5,027
<u>Other Operations</u>				
Other Charges	188	200	200	12
Total Expenditures	\$ 18,161	\$ 23,200	\$ 23,200	\$ 5,039
Excess (Deficiency) of Revenues Over Expenditures	\$ 897	\$ (9,025)	\$ (9,025)	\$ 9,922
Net Change in Fund Balance	\$ 897	\$ (9,025)	\$ (9,025)	\$ 9,922
Fund Balance, July 1, 2011	25,306	18,186	18,186	7,120
Fund Balance, June 30, 2012	\$ 26,203	\$ 9,161	\$ 9,161	\$ 17,042

Major Governmental Fund

Debt Service Fund

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

Exhibit H

Rhea County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,722,340	\$ 1,682,852	\$ 1,682,852	\$ 39,488
Other Local Revenues	15,909	69,000	69,000	(53,091)
State of Tennessee	190,347	190,347	190,347	0
Other Governments and Citizens Groups	2,324,470	757,978	2,332,202	(7,732)
Total Revenues	<u>\$ 4,253,066</u>	<u>\$ 2,700,177</u>	<u>\$ 4,274,401</u>	<u>\$ (21,335)</u>
<u>Expenditures</u>				
<u>Other Operations</u>				
Contributions to Other Agencies	\$ 3,466	\$ 3,509	\$ 3,509	\$ 43
<u>Principal on Debt</u>				
General Government	41,000	41,000	41,000	0
Highways and Streets	162,000	162,000	162,000	0
Education	3,703,965	1,903,533	3,703,965	0
<u>Interest on Debt</u>				
General Government	2,870	32,840	32,840	29,970
Highways and Streets	66,867	66,867	66,867	0
Education	411,041	408,076	411,167	126
<u>Other Debt Service</u>				
General Government	39,242	29,724	40,334	1,092
Education	2,597	1,050	3,550	953
Total Expenditures	<u>\$ 4,433,048</u>	<u>\$ 2,648,599</u>	<u>\$ 4,465,232</u>	<u>\$ 32,184</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (179,982)</u>	<u>\$ 51,578</u>	<u>\$ (190,831)</u>	<u>\$ 10,849</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 228,867	\$ 0	\$ 228,867	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 228,867</u>	<u>\$ 0</u>	<u>\$ 228,867</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 48,885	\$ 51,578	\$ 38,036	\$ 10,849
Fund Balance, July 1, 2011	<u>721,419</u>	<u>388,086</u>	<u>388,086</u>	<u>333,333</u>
Fund Balance, June 30, 2012	<u>\$ 770,304</u>	<u>\$ 439,664</u>	<u>\$ 426,122</u>	<u>\$ 344,182</u>

Fiduciary Funds

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

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

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

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, 2012

	Agency Funds			
	Cities - Sales Tax	City School ADA - Dayton	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 1,980,631	\$ 1,980,631
Equity in Pooled Cash and Investments	0	70,862	0	70,862
Due from Other Governments	531,028	95,286	0	626,314
Taxes Receivable	0	364,208	0	364,208
Allowance for Uncollectible Taxes	0	(21,413)	0	(21,413)
Total Assets	<u>\$ 531,028</u>	<u>\$ 508,943</u>	<u>\$ 1,980,631</u>	<u>\$ 3,020,602</u>
<u>LIABILITIES</u>				
Due to Other Taxing Units	\$ 531,028	\$ 508,943	\$ 0	\$ 1,039,971
Due to Litigants, Heirs, and Others	0	0	1,980,631	1,980,631
Total Liabilities	<u>\$ 531,028</u>	<u>\$ 508,943</u>	<u>\$ 1,980,631</u>	<u>\$ 3,020,602</u>

Exhibit I-2

Rhea County, Tennessee
Combining Statement of Changes in Assets and Liabilities - All Agency Funds
For the Year Ended June 30, 2012

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 3,012,664	\$ 3,012,664	\$ 0
Due from Other Governments	507,777	531,028	507,777	531,028
Total Assets	\$ 507,777	\$ 3,543,692	\$ 3,520,441	\$ 531,028
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 507,777	\$ 3,543,692	\$ 3,520,441	\$ 531,028
Total Liabilities	\$ 507,777	\$ 3,543,692	\$ 3,520,441	\$ 531,028
<u>City School ADA - Dayton Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 59,118	\$ 880,543	\$ 868,799	\$ 70,862
Due from Other Governments	88,790	95,286	88,790	95,286
Taxes Receivable	351,672	364,208	351,672	364,208
Allowance for Uncollectible Taxes	(18,828)	(21,413)	(18,828)	(21,413)
Total Assets	\$ 480,752	\$ 1,318,624	\$ 1,290,433	\$ 508,943
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 480,752	\$ 1,318,624	\$ 1,290,433	\$ 508,943
Total Liabilities	\$ 480,752	\$ 1,318,624	\$ 1,290,433	\$ 508,943
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 2,064,348	\$ 5,205,191	\$ 5,288,908	\$ 1,980,631
Accounts Receivable	478	0	478	0
Total Assets	\$ 2,064,826	\$ 5,205,191	\$ 5,289,386	\$ 1,980,631
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 2,064,826	\$ 5,205,191	\$ 5,289,386	\$ 1,980,631
Total Liabilities	\$ 2,064,826	\$ 5,205,191	\$ 5,289,386	\$ 1,980,631
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 2,064,348	\$ 5,205,191	\$ 5,288,908	\$ 1,980,631
Equity in Pooled Cash and Investments	59,118	3,893,207	3,881,463	70,862
Accounts Receivable	478	0	478	0
Due from Other Governments	596,567	626,314	596,567	626,314
Taxes Receivable	351,672	364,208	351,672	364,208
Allowance for Uncollectible Taxes	(18,828)	(21,413)	(18,828)	(21,413)
Total Assets	\$ 3,053,355	\$ 10,067,507	\$ 10,100,260	\$ 3,020,602
<u>Totals - All Agency Funds</u>				
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 988,529	\$ 4,862,316	\$ 4,810,874	\$ 1,039,971
Due to Litigants, Heirs, and Others	2,064,826	5,205,191	5,289,386	1,980,631
Total Liabilities	\$ 3,053,355	\$ 10,067,507	\$ 10,100,260	\$ 3,020,602

Rhea County School Department

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

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

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

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

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

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

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

Exhibit J-1

Rhea County, Tennessee
Statement of Activities
Discretely Presented Rhea County School Department
For the Year Ended June 30, 2012

Functions/Programs	Program Revenues			Expenses	Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Total	Governmental Activities	
Governmental Activities:							
Instruction	\$ 19,831,976	\$ 2,217,130	\$ 36,163,209	\$	\$	\$	18,617,252
Support Services	10,379,085	463,877	0				(9,859,589)
Operation of Non-Instructional Services	2,497,315	2,031,437	0				202,420
Other Debt Service	2,324,470	0	0				(2,324,470)
Total Governmental Activities	\$ 35,032,846	\$ 4,712,444	\$ 36,163,209	\$	\$	\$	6,635,613
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes							\$ 3,383,810
Local Option Sales Taxes							3,120,376
Other Local Taxes							1,615
Grants and Contributions Not Restricted to Specific Programs							22,440,216
Unrestricted Investment Earnings							49,233
Miscellaneous							4,985
Total General Revenues							\$ 29,000,235
Change in Net Assets							\$ 35,635,848
Net Assets, July 1, 2011							35,344,811
Net Assets, June 30, 2012							\$ 70,980,659

Exhibit J-2

Rhea County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Rhea County School Department
June 30, 2012

	Major Funds			Nonmajor Funds	Total Govern- mental Funds
	General Purpose School	School Transpor - tation	Education Capital Projects	Other Govern- mental Funds	
<u>ASSETS</u>					
Cash	\$ 689	\$ 0	\$ 0	\$ 0	\$ 689
Equity in Pooled Cash and Investments	3,286,998	506,561	27,130,286	1,091,651	32,015,496
Inventories	0	0	0	58,541	58,541
Accounts Receivable	2,828	2,211	0	33	5,072
Due from Other Governments	654,942	14,323	112,293	100,252	881,810
Due from Other Funds	139	161	0	0	300
Property Taxes Receivable	2,027,807	1,612,011	0	0	3,639,818
Allowance for Uncollectible Property Taxes	(119,222)	(94,776)	0	0	(213,998)
Total Assets	\$ 5,854,181	\$ 2,040,491	\$ 27,242,579	\$ 1,250,477	\$ 36,387,728
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 482	\$ 175	\$ 1,919,119	\$ 0	\$ 1,919,776
Accrued Payroll	12,782	0	0	0	12,782
Payroll Deductions Payable	427,920	13,313	0	67,882	509,115
Due to Other Funds	161	132	0	7	300
Due to Primary Government	0	51,549	0	0	51,549
Due to State of Tennessee	0	0	0	2,051	2,051
Deferred Revenue - Current Property Taxes	1,816,547	1,444,069	0	0	3,260,616
Deferred Revenue - Delinquent Property Taxes	86,038	67,166	0	0	153,204
Other Deferred Revenues	218,916	0	56,000	0	274,916
Total Liabilities	\$ 2,562,846	\$ 1,576,404	\$ 1,975,119	\$ 69,940	\$ 6,184,309
<u>Fund Balances</u>					
Nonspendable:					
Inventory	\$ 0	\$ 0	\$ 0	\$ 58,541	\$ 58,541
Restricted:					
Restricted for Education	105,195	455,578	3,452,960	821,996	4,835,729
Committed:					
Committed for Education	0	0	0	300,000	300,000
Assigned:					
Assigned for Education	273,476	8,509	21,814,500	0	22,096,485
Unassigned	2,912,664	0	0	0	2,912,664
Total Fund Balances	\$ 3,291,335	\$ 464,087	\$ 25,267,460	\$ 1,180,537	\$ 30,203,419
Total Liabilities and Fund Balances	\$ 5,854,181	\$ 2,040,491	\$ 27,242,579	\$ 1,250,477	\$ 36,387,728

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, 2012

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)		\$ 30,203,419
(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	10,850,978	
Add: buildings and improvements net of accumulated depreciation	27,153,024	
Add: other capital assets net of accumulated depreciation	<u>2,368,820</u>	41,312,337
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: other loans payable	\$ (50,313)	
Less: compensated absences payable	(487,277)	
Less: other postemployment benefits liability	<u>(425,627)</u>	(963,217)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>428,120</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 70,980,659</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, 2012

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General Purpose School	School Transpor - tation	Education Capital Projects	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 4,379,823	\$ 1,521,623	\$ 643,556	\$ 0	\$ 6,545,002
Licenses and Permits	2,108	0	0	0	2,108
Charges for Current Services	27,916	0	0	668,298	696,214
Other Local Revenues	87,087	56,079	47,582	7,292	198,040
State of Tennessee	21,718,796	0	454,791	19,747	22,193,334
Federal Government	298,176	0	0	4,645,181	4,943,357
Other Governments and Citizens Groups	5,000	0	36,065,448	0	36,070,448
Total Revenues	<u>\$ 26,518,906</u>	<u>\$ 1,577,702</u>	<u>\$ 37,211,377</u>	<u>\$ 5,340,518</u>	<u>\$ 70,648,503</u>
<u>Expenditures</u>					
Current:					
Instruction	\$ 17,091,444	\$ 0	\$ 0	\$ 2,506,562	\$ 19,598,006
Support Services	7,962,946	1,644,744	0	516,008	10,123,698
Operation of Non-Instructional Services	393,746	0	0	2,162,564	2,556,310
Capital Outlay	169,791	0	686,186	0	855,977
Debt Service:					
Other Debt Service	469,830	51,549	1,803,091	0	2,324,470
Capital Projects	0	0	10,542,946	0	10,542,946
Total Expenditures	<u>\$ 26,087,757</u>	<u>\$ 1,696,293</u>	<u>\$ 13,032,223</u>	<u>\$ 5,185,134</u>	<u>\$ 46,001,407</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 431,149</u>	<u>\$ (118,591)</u>	<u>\$ 24,179,154</u>	<u>\$ 155,384</u>	<u>\$ 24,647,096</u>
<u>Other Financing Sources (Uses)</u>					
Other Loans Issued	\$ 50,313	\$ 0	\$ 0	\$ 0	\$ 50,313
Proceeds from Sale of Capital Assets	0	1,831	0	0	1,831
Total Other Financing Sources (Uses)	<u>\$ 50,313</u>	<u>\$ 1,831</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 52,144</u>
Net Change in Fund Balances	\$ 481,462	\$ (116,760)	\$ 24,179,154	\$ 155,384	\$ 24,699,240
Fund Balance, July 1, 2011	2,809,873	580,847	1,088,306	1,025,153	5,504,179
Fund Balance, June 30, 2012	<u>\$ 3,291,335</u>	<u>\$ 464,087</u>	<u>\$ 25,267,460</u>	<u>\$ 1,180,537</u>	<u>\$ 30,203,419</u>

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, 2012

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)		\$ 24,699,240
(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	\$ 11,865,990	
Less: current-year depreciation expense	<u>(854,579)</u>	11,011,411
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.		
Less: proceeds for the disposal of capital assets	\$ (1,831)	
Less: loss on disposal of capital assets	<u>(4,058)</u>	(5,889)
(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, 2012	\$ 428,120	
Less: deferred delinquent property taxes and other deferred June 30, 2011	<u>(403,871)</u>	24,249
(4) The issuance of long-term debt (e.g., bonds, notes, other loans capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net 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: other loan proceeds		(50,313)
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in compensated absences payable	\$ 22,847	
Change in other postemployment benefits liability	<u>(65,697)</u>	(42,850)
Change in net assets of governmental activities (Exhibit B)		<u>\$ 35,635,848</u>

Exhibit J-6

Rhea County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Rhea County School Department
June 30, 2012

	<u>Special Revenue Funds</u>		<u>Total</u>
	<u>School</u>	<u>Central</u>	<u>Nonmajor</u>
	<u>Federal</u>	<u>Cafeteria</u>	<u>Governmental</u>
	<u>Projects</u>		<u>Funds</u>
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 257,497	\$ 834,154	\$ 1,091,651
Inventories	0	58,541	58,541
Accounts Receivable	0	33	33
Due from Other Governments	100,252	0	100,252
Total Assets	\$ 357,749	\$ 892,728	\$ 1,250,477
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Payroll Deductions Payable	\$ 55,698	\$ 12,184	\$ 67,882
Due to Other Funds	0	7	7
Due to State of Tennessee	2,051	0	2,051
Total Liabilities	\$ 57,749	\$ 12,191	\$ 69,940
<u>Fund Balances</u>			
Nonspendable:			
Inventory	\$ 0	\$ 58,541	\$ 58,541
Restricted:			
Restricted for Education	0	821,996	821,996
Committed:			
Committed for Education	300,000	0	300,000
Total Fund Balances	\$ 300,000	\$ 880,537	\$ 1,180,537
Total Liabilities and Fund Balances	\$ 357,749	\$ 892,728	\$ 1,250,477

Exhibit J-7

Rhea County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Nonmajor Governmental Funds
Discretely Presented Rhea County School Department
For the Year Ended June 30, 2012

	<u>Special Revenue Funds</u>		Total
	School Federal Projects	Central Cafeteria	Nonmajor Governmental Funds
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 668,298	\$ 668,298
Other Local Revenues	0	7,292	7,292
State of Tennessee	0	19,747	19,747
Federal Government	3,022,570	1,622,611	4,645,181
Total Revenues	<u>\$ 3,022,570</u>	<u>\$ 2,317,948</u>	<u>\$ 5,340,518</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 2,506,562	\$ 0	\$ 2,506,562
Support Services	516,008	0	516,008
Operation of Non-Instructional Services	0	2,162,564	2,162,564
Total Expenditures	<u>\$ 3,022,570</u>	<u>\$ 2,162,564</u>	<u>\$ 5,185,134</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 0</u>	<u>\$ 155,384</u>	<u>\$ 155,384</u>
Net Change in Fund Balances	\$ 0	\$ 155,384	\$ 155,384
Fund Balance, July 1, 2011	300,000	725,153	1,025,153
Fund Balance, June 30, 2012	<u>\$ 300,000</u>	<u>\$ 880,537</u>	<u>\$ 1,180,537</u>

Exhibit J-8

Rhea County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Rhea County School Department
General Purpose School Fund
For the Year Ended June 30, 2012

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 4,379,823	\$ 0	\$ 4,379,823	\$ 4,281,401	\$ 4,281,401	\$ 98,422
Licenses and Permits	2,108	0	2,108	1,800	1,800	308
Charges for Current Services	27,916	0	27,916	50,000	50,000	(22,084)
Other Local Revenues	87,087	0	87,087	37,575	73,393	13,694
State of Tennessee	21,718,796	0	21,718,796	21,001,364	22,020,916	(302,120)
Federal Government	298,176	0	298,176	56,106	322,489	(24,313)
Other Governments and Citizens Groups	5,000	0	5,000	0	5,000	0
Total Revenues	<u>\$ 26,518,906</u>	<u>\$ 0</u>	<u>\$ 26,518,906</u>	<u>\$ 25,428,246</u>	<u>\$ 26,754,999</u>	<u>\$ (236,093)</u>
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 14,027,549	\$ 5,967	\$ 14,033,516	\$ 14,196,314	\$ 14,391,352	\$ 357,836
Special Education Program	2,145,481	0	2,145,481	2,250,898	2,280,409	134,928
Vocational Education Program	838,906	0	838,906	844,329	849,061	10,155
Adult Education Program	79,508	0	79,508	10,388	105,796	26,288
<u>Support Services</u>						
Health Services	175,280	0	175,280	168,965	177,702	2,422
Other Student Support	1,619,575	0	1,619,575	1,636,102	1,760,407	140,832
Regular Instruction Program	324,337	0	324,337	327,307	333,530	9,193
Special Education Program	284,944	0	284,944	295,269	295,177	10,233
Vocational Education Program	739	0	739	1,200	740	1
Adult Programs	121,406	0	121,406	16,641	148,553	27,147
Other Programs	233,344	0	233,344	156,051	240,131	6,787
Board of Education	346,238	0	346,238	344,378	351,595	5,357

(Continued)

Exhibit J-8

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2012	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	\$ 444,494	\$ 0	\$ 444,494	\$ 435,346	\$ 455,878	\$ 11,384
Office of the Principal	1,583,231	0	1,583,231	1,593,947	1,613,885	30,604
Operation of Plant	2,186,804	0	2,186,804	2,278,675	2,313,354	126,550
Maintenance of Plant	616,464	0	616,464	830,732	878,485	262,021
Transportation	26,090	0	26,090	31,989	31,989	5,899
Operation of Non-Instructional Services	393,746	0	393,746	4,668	399,505	5,759
Early Childhood Education	169,791	267,509	437,300	9,000	515,934	78,634
<u>Capital Outlay</u>						
Regular Capital Outlay	469,830	0	469,830	477,563	479,063	9,233
Other Debt Service	\$ 26,087,757	\$ 273,476	\$ 26,361,233	\$ 25,909,762	\$ 27,622,496	\$ 1,261,263
Total Expenditures	\$ 431,149	\$ (273,476)	\$ 157,673	\$ (481,516)	\$ (867,497)	\$ 1,025,170
<u>Excess (Deficiency) of Revenues</u>						
Over Expenditures	\$ 50,313	\$ 0	\$ 50,313	\$ 0	\$ 50,313	\$ 0
<u>Other Financing Sources (Uses)</u>						
Other Loans Issued	\$ 50,313	\$ 0	\$ 50,313	\$ 0	\$ 50,313	\$ 0
Total Other Financing Sources (Uses)	\$ 481,462	\$ (273,476)	\$ 207,986	\$ (481,516)	\$ (817,184)	\$ 1,025,170
Net Change in Fund Balance	2,809,873	0	2,809,873	3,163,728	3,163,728	(353,855)
Fund Balance, July 1, 2011	\$ 3,291,335	\$ (273,476)	\$ 3,017,859	\$ 2,682,212	\$ 2,346,544	\$ 671,315
Fund Balance, June 30, 2012						

Exhibit J-9

Rhea County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Rhea County School Department
School Federal Projects Fund
For the Year Ended June 30, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 3,022,570	\$ 554,885	\$ 3,636,056	\$ (613,486)
Total Revenues	\$ 3,022,570	\$ 554,885	\$ 3,636,056	\$ (613,486)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 1,596,147	\$ 166,732	\$ 1,716,841	\$ 120,694
Special Education Program	820,646	202,211	1,014,225	193,579
Vocational Education Program	89,769	61,036	89,890	121
<u>Support Services</u>				
Other Student Support	212,536	36,110	389,103	176,567
Regular Instruction Program	273,384	50,946	377,590	104,206
Special Education Program	13,176	18,870	22,192	9,016
Vocational Education Program	0	1,158	0	0
Transportation	16,912	17,822	26,215	9,303
Total Expenditures	\$ 3,022,570	\$ 554,885	\$ 3,636,056	\$ 613,486
Excess (Deficiency) of Revenues Over Expenditures	\$ 0	\$ 0	\$ 0	\$ 0
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 33,048	\$ 0	\$ 0
Transfers Out	0	(33,048)	0	0
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0
Net Change in Fund Balance	\$ 0	\$ 0	\$ 0	\$ 0
Fund Balance, July 1, 2011	300,000	0	0	300,000
Fund Balance, June 30, 2012	\$ 300,000	\$ 0	\$ 0	\$ 300,000

Exhibit J-10

Rhea County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Rhea County School Department
Central Cafeteria Fund
For the Year Ended June 30, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 668,298	\$ 703,491	\$ 703,491	\$ (35,193)
Other Local Revenues	7,292	5,150	5,150	2,142
State of Tennessee	19,747	20,000	20,000	(253)
Federal Government	1,622,611	1,471,717	1,570,112	52,499
Total Revenues	<u>\$ 2,317,948</u>	<u>\$ 2,200,358</u>	<u>\$ 2,298,753</u>	<u>\$ 19,195</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 2,162,564	\$ 2,132,343	\$ 2,397,738	\$ 235,174
Total Expenditures	<u>\$ 2,162,564</u>	<u>\$ 2,132,343</u>	<u>\$ 2,397,738</u>	<u>\$ 235,174</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 155,384</u>	<u>\$ 68,015</u>	<u>\$ (98,985)</u>	<u>\$ 254,369</u>
Net Change in Fund Balance	\$ 155,384	\$ 68,015	\$ (98,985)	\$ 254,369
Fund Balance, July 1, 2011	<u>725,153</u>	<u>727,741</u>	<u>727,741</u>	<u>(2,588)</u>
Fund Balance, June 30, 2012	<u>\$ 880,537</u>	<u>\$ 795,756</u>	<u>\$ 628,756</u>	<u>\$ 251,781</u>

Exhibit J-11

Rhea County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Rhea County School Department
School Transportation Fund
For the Year Ended June 30, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,521,623	\$ 1,501,685	\$ 1,501,685	\$ 19,938
Other Local Revenues	56,079	56,000	56,000	79
Total Revenues	<u>\$ 1,577,702</u>	<u>\$ 1,557,685</u>	<u>\$ 1,557,685</u>	<u>\$ 20,017</u>
<u>Expenditures</u>				
<u>Support Services</u>				
Other Programs	\$ 4,054	\$ 4,148	\$ 4,148	\$ 94
Board of Education	30,082	32,000	32,000	1,918
Operation of Plant	1,569	1,900	1,900	331
Transportation	1,609,039	1,687,156	1,774,160	165,121
<u>Other Debt Service</u>				
Education	51,549	51,218	51,549	0
Total Expenditures	<u>\$ 1,696,293</u>	<u>\$ 1,776,422</u>	<u>\$ 1,863,757</u>	<u>\$ 167,464</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (118,591)</u>	<u>\$ (218,737)</u>	<u>\$ (306,072)</u>	<u>\$ 187,481</u>
<u>Other Financing Sources (Uses)</u>				
Proceeds from Sale of Capital Assets	\$ 1,831	\$ 0	\$ 0	\$ 1,831
Insurance Recovery	0	0	667	(667)
Total Other Financing Sources (Uses)	<u>\$ 1,831</u>	<u>\$ 0</u>	<u>\$ 667</u>	<u>\$ 1,164</u>
Net Change in Fund Balance	\$ (116,760)	\$ (218,737)	\$ (305,405)	\$ 188,645
Fund Balance, July 1, 2011	<u>580,847</u>	<u>580,617</u>	<u>580,617</u>	<u>230</u>
Fund Balance, June 30, 2012	<u>\$ 464,087</u>	<u>\$ 361,880</u>	<u>\$ 275,212</u>	<u>\$ 188,875</u>

Exhibit J-12

Rhea County, Tennessee
Statement of Fiduciary Net Assets
Discretely Presented Rhea County School Department
Fiduciary Fund
June 30, 2012

	Private Purpose Trust Fund
	<u>Other Trust Fund</u>
<u>ASSETS</u>	
Current Assets:	
Equity in Pooled Cash and Investments	\$ 202,098
Total Assets	<u>\$ 202,098</u>
<u>NET ASSETS</u>	
Funds Held in Trust for Scholarships	<u>\$ 202,098</u>
Total Net Assets	<u><u>\$ 202,098</u></u>

Exhibit J-13

Rhea County, Tennessee
Statement of Changes in Fiduciary Net Assets
Discretely Presented Rhea County School Department
Fiduciary Fund
For the Year Ended June 30, 2012

	Private Purpose Trust Fund	Other Trust Fund
	<u> </u>	<u> </u>
<u>ADDITIONS</u>		
Investment Income	\$ 4,186	
Total Additions	<u>\$ 4,186</u>	
<u>DEDUCTIONS</u>		
Awards	\$ 2,531	
Total Deductions	<u>\$ 2,531</u>	
Change in Net Assets	\$ 1,655	
Net Assets, July 1, 2011	<u>200,443</u>	
Net Assets, June 30, 2012	<u>\$ 202,098</u>	

MISCELLANEOUS SCHEDULES

Exhibit K-1

Rhea County, Tennessee
 Schedule of Changes in Long-term Notes, Capital Leases, Other Loans, and Bonds
 Primary Government and Discretely Presented Rhea County School Department
 For the Year Ended June 30, 2012

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-11	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-12
PRIMARY GOVERNMENT								
NOTES PAYABLE								
Payable through General Debt Service Fund								
School Buses	\$ 380,000	4.17 %	1-22-07	1-22-16	\$ 229,000	\$ 0	\$ 42,000	\$ 187,000
School Buses	225,000	5.25	2-18-09	2-18-12	78,868	0	78,868	0
Highway Paving	2,000,000	3.54	4-21-11	4-1-21	2,000,000	0	162,000	1,838,000
Rhea County High School Temporary Financing	1,800,000	.9511	11-11-11	1-10-12	0	1,800,000	1,800,000	0
Track, Football Field, and Multi Sports Facility	1,000,000	2.37	6-20-12	6-20-22	0	1,000,000	0	1,000,000
Fire Department	250,000	2.65	6-20-12	6-20-22	0	250,000	0	250,000
Total Notes Payable					\$ 2,307,868	\$ 3,050,000	\$ 2,082,868	\$ 3,275,000
CAPITAL LEASES PAYABLE								
Payable through General Debt Service Fund								
School Modular Buildings	868,018	9.64	2-28-08	5-1-13	\$ 352,538	\$ 0	\$ 181,028	\$ 171,510
Total Capital Leases Payable					\$ 352,538	\$ 0	\$ 181,028	\$ 171,510
OTHER LOANS PAYABLE								
Payable through General Debt Service Fund								
School HVAC Loan	930,817	0	3-13-00	11-30-11	\$ 77,569	\$ 0	\$ 77,569	\$ 0
School Renovation, Repair, and Equipment	517,500	0	12-28-05	12-28-20	345,000	0	34,500	310,500
Sewer Project	1,000,000	Various	5-15-06	5-25-26	821,000	0	41,000	780,000
Total Other Loans Payable					\$ 1,243,569	\$ 0	\$ 153,069	\$ 1,090,500
BONDS PAYABLE								
Payable through General Debt Service Fund								
School Refunding Bonds, Series 2006	6,180,000	3.375 to 3.75	2-1-06	4-1-18	\$ 6,020,000	\$ 0	\$ 685,000	\$ 5,335,000
County District School Refunding Bonds, Series 2006	3,615,000	3.375 to 4	2-1-06	4-1-23	3,515,000	0	230,000	3,285,000
County District School Refunding Bonds, Series 2007	2,760,000	3.42	12-27-07	4-1-12	575,000	0	575,000	0
General Obligation School Bonds, Series 2012	33,000,000	2 to 4.25	1-15-12	2-1-34	0	33,000,000	0	33,000,000
Total Bonds Payable					\$ 10,110,000	\$ 33,000,000	\$ 1,490,000	\$ 41,620,000

(Continued)

Exhibit K-1

Rhea County, Tennessee
 Schedule of Changes in Long-term Notes, Capital Leases, Other Loans, and Bonds
 Primary Government and Discretely Presented Rhea County School Department (Cont.)

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-11	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-12
<u>DISCRETELY PRESENTED RHEA</u>								
<u>COUNTY SCHOOL DEPARTMENT</u>								
<u>OTHER LOANS PAYABLE</u>								
Payable through General Purpose School Fund	(1)	0 %	Various	(2)	\$ 0	\$ 50,313	\$ 0	\$ 50,313
Energy Efficiency Loan Program					\$	\$	\$	\$
Total Other Loans Payable					\$ 0	\$ 50,313	\$ 0	\$ 50,313

(1) Total amount available under this Energy Efficiency Loan Program is \$314,322, of which \$264,009 had not been drawn as of June 30, 2012.

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

Exhibit K-2

Rhea County, Tennessee
Schedule of Long-term Debt Requirements by Year
Primary Government and Discretely Presented Rhea County School Department

PRIMARY GOVERNMENT

Year Ending June 30	Notes		
	Principal	Interest	Total
2013	\$ 332,815	\$ 101,950	\$ 434,765
2014	343,556	91,107	434,663
2015	355,367	79,901	435,268
2016	365,246	68,295	433,541
2017	326,195	56,364	382,559
2018	337,217	46,156	383,373
2019	347,314	35,589	382,903
2020	358,486	24,700	383,186
2021	369,737	13,449	383,186
2022	139,067	1,835	140,902
Total	\$ 3,275,000	\$ 519,346	\$ 3,794,346

Year Ending June 30	Capital Leases		
	Principal	Interest	Total
2013	\$ 171,510	\$ 2,973	\$ 174,483
Total	\$ 171,510	\$ 2,973	\$ 174,483

Year Ending June 30	Other Loans			Total
	Principal	Interest	Other Fees	
2013	\$ 77,500	\$ 3,822	\$ 2,814	\$ 84,136
2014	78,500	3,611	2,715	84,826
2015	80,500	3,396	2,614	86,510
2016	82,500	3,170	2,508	88,178
2017	84,500	2,935	2,398	89,833
2018	86,500	2,690	2,284	91,474
2019	88,500	2,435	2,165	93,100
2020	90,500	2,171	2,041	94,712
2021	92,500	1,896	1,911	96,307
2022	61,000	1,612	1,778	64,390
2023	63,000	1,313	1,637	65,950
2024	66,000	1,005	1,493	68,498
2025	68,000	681	1,341	70,022
2026	71,000	349	1,263	72,612
Total	\$ 1,090,500	\$ 31,086	\$ 28,962	\$ 1,150,548

(Continued)

Exhibit K-2

Rhea County, Tennessee
Schedule of Long-term Debt Requirements by Year
Primary Government and Discretely Presented Rhea County School Department (Cont.)

PRIMARY GOVERNMENT (CONT.)

Year Ending June 30	Bonds		Total
	Principal	Interest	
2013	\$ 1,025,000	\$ 1,893,331	\$ 2,918,331
2014	1,230,000	1,551,533	2,781,533
2015	1,310,000	1,504,833	2,814,833
2016	1,345,000	1,455,433	2,800,433
2017	1,365,000	1,406,120	2,771,120
2018	1,440,000	1,356,664	2,796,664
2019	1,505,000	1,304,165	2,809,165
2020	1,600,000	1,256,575	2,856,575
2021	1,685,000	1,205,812	2,890,812
2022	1,800,000	1,152,331	2,952,331
2023	1,915,000	1,080,506	2,995,506
2024	1,650,000	1,019,406	2,669,406
2025	1,750,000	967,844	2,717,844
2026	1,850,000	897,844	2,747,844
2027	2,050,000	833,094	2,883,094
2028	2,150,000	761,344	2,911,344
2029	2,275,000	675,344	2,950,344
2030	2,425,000	561,594	2,986,594
2031	2,575,000	464,594	3,039,594
2032	2,725,000	361,594	3,086,594
2033	2,950,000	249,188	3,199,188
2034	3,000,000	127,500	3,127,500
Total	\$ 41,620,000	\$ 22,086,649	\$ 63,706,649

DISCRETELY PRESENTED RHEA
COUNTY SCHOOL DEPARTMENT

Year Ending June 30	Other Loans		Total
	Principal	Interest	
2013	\$ 7,188	\$ 0	\$ 7,188
2014	7,188	0	7,188
2015	7,188	0	7,188
2016	7,188	0	7,188
2017	7,188	0	7,188
2018	7,188	0	7,188
2019	7,185	0	7,185
Total	\$ 50,313	\$ 0	\$ 50,313

Exhibit K-3

Rhea County, Tennessee
Schedule of Transfers
For the Year Ended June 30, 2012

From Fund	To Fund	Purpose	Amount
<u>PRIMARY GOVERNMENT</u>			
Highway/Public Works	General Debt Service	Debt Reimbursement	\$ 228,867
Total Transfers Primary Government			<u>\$ 228,867</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, 2012

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Executive	Section 8-24-102, TCA	\$ 71,322	\$ 50,000	Travelers Casualty and Surety Company of America
Highway Supervisor	Section 8-24-102, TCA	67,927	100,000	"
Director of Schools	State Board of Education and Rhea County Board of Education	93,636 (1)	(2)	"
Trustee	Section 8-24-102, TCA	61,751	1,480,000	"
Assessor of Property	Section 8-24-102, TCA	46,313 (4)	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	Section 8-24-102, TCA	61,751	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.
- (4) Assessor of Property Julene Purser died on March 23, 2012. The position remained vacant until September 1, 2012.

Exhibit K-5

Rhea County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2012

	Special Revenue Funds						Debt Service Fund	Total
	General	Solid Waste / Sanitation	Drug Control	District Attorney General	Constitutional Officers - Fees	Highway / Public Works		
Local Taxes								
<u>County Property Taxes</u>								
Current Property Tax	\$ 4,974,428	\$ 0	\$ 0	\$ 0	\$ 0	\$ 167,312	\$ 1,185,280	
Trustee's Collections - Prior Year	154,225	0	0	0	0	5,890	35,455	
Trustee's Collections - Bankruptcy	3,637	0	0	0	0	2	568	
Circuit/Clerk & Master Collections - Prior Years	200,878	0	0	0	0	1,839	35,646	
Interest and Penalty	34,118	0	0	0	0	1,007	8,044	
Payments in-Lieu-of Taxes - T.V.A.	3,236	0	0	0	0	109	769	
Payments in-Lieu-of Taxes - Local Utilities	56,474	0	0	0	0	1,900	13,423	
Payments in-Lieu-of Taxes - Other	8,271	0	0	0	0	278	1,966	
<u>County Local Option Taxes</u>								
Local Option Sales Tax	0	0	0	0	0	0	432,097	
Hotel/Motel Tax	143,282	0	0	0	0	0	143,282	
Litigation Tax - General	122,034	0	0	0	0	0	0	
Litigation Tax - Jail, Workhouse, or Courthouse	29,340	0	0	0	0	0	0	
Business Tax	273,684	0	0	0	0	0	0	
Mineral Severance Tax	0	0	0	0	0	54,052	0	
<u>Statutory Local Taxes</u>								
Bank Excise Tax	32,947	0	0	0	0	1,108	7,831	
Wholesale Beer Tax	132,022	0	0	0	0	0	0	
Interstate Telecommunications Tax	0	0	0	0	0	0	1,261	
Total Local Taxes	\$ 6,168,576	\$ 0	\$ 0	\$ 0	\$ 0	\$ 233,497	\$ 1,722,340	
							\$ 8,124,413	
<u>Licenses and Permits</u>								
<u>Licenses</u>								
Cable TV Franchise	\$ 62,397	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	
<u>Permits</u>								
Beer Permits	3,255	0	0	0	0	0	0	
Building Permits	1,275	0	0	0	0	0	0	
Other Permits	5,752	0	0	0	0	0	0	
Total Licenses and Permits	\$ 72,679	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	
							\$ 72,679	

(Continued)

Exhibit K-5

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

	Special Revenue Funds							Debt Service Fund	Total
	General	Solid Waste / Sanitation	Drug Control	District Attorney General	Constitu- tional Officers - Fees	Highway / Public Works	General Debt Service		
<u>Circuit Court</u>									
Fines	\$ 1,838	\$ 0	\$ 0	\$ 3,708	\$ 0	\$ 0	\$ 0	\$ 5,546	
Officers Costs	6,257	0	0	0	0	0	0	6,257	
Drug Control Fines	8,634	0	4,183	0	0	0	0	12,817	
Drug Court Fees	1,274	0	0	0	0	0	0	1,274	
Jail Fees	5,992	0	0	0	0	0	0	5,992	
DUI Treatment Fines	665	0	0	0	0	0	0	665	
Data Entry Fee - Circuit Court	978	0	0	0	0	0	0	978	
Courtroom Security Fee	2	0	0	0	0	0	0	2	
<u>General Sessions Court</u>									
Fines	20,016	0	0	15,350	0	0	0	35,366	
Fines for Littering	24	0	0	0	0	0	0	24	
Officers Costs	58,659	0	0	0	0	0	0	58,659	
Game and Fish Fines	1,225	0	0	0	0	0	0	1,225	
Drug Control Fines	9,857	0	10,687	0	0	0	0	20,544	
Drug Court Fees	6,578	0	0	0	0	0	0	6,578	
Jail Fees	30,805	0	0	0	0	0	0	30,805	
DUI Treatment Fines	5,988	0	0	0	0	0	0	5,988	
Data Entry Fee - General Sessions Court	5,682	0	0	0	0	0	0	5,682	
Courtroom Security Fee	513	0	0	0	0	0	0	513	
<u>Juvenile Court</u>									
Jail Fees	6,619	0	0	0	0	0	0	6,619	
<u>Chancery Court</u>									
Officers Costs	8,718	0	0	0	0	0	0	8,718	
Data Entry Fee - Chancery Court	3,394	0	0	0	0	0	0	3,394	
Courtroom Security Fee	441	0	0	0	0	0	0	441	
<u>Other Fines, Forfeitures, and Penalties</u>									
Proceeds from Confiscated Property	6,360	0	6,946	0	0	0	0	13,306	
Total Fines, Forfeitures, and Penalties	\$ 190,519	\$ 0	\$ 21,816	\$ 19,058	\$ 0	\$ 0	\$ 0	\$ 231,393	

(Continued)

Exhibit K-5

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

	Special Revenue Funds						Debt Service Fund	Total
	General	Solid Waste / Sanitation	Drug Control	District Attorney General	Constitutional Officers - Fees	Highway / Public Works		
<u>Charges for Current Services</u>								
<u>General Service Charges</u>								
Surcharge - Host Agency	\$ 0	\$ 188,853	\$ 0	\$ 0	\$ 0	\$ 0	\$ 188,853	
Work Release Charges for Board Fees	5,546	0	0	0	0	0	5,546	
Copy Fees	2,518	0	0	0	0	0	2,518	
Telephone Commissions	7,736	0	0	0	0	0	7,736	
Vending Machine Collections	575	0	0	0	0	0	575	
Constitutional Officers' Fees and Commissions	0	0	0	368,743	0	0	368,743	
Data Processing Fee - Register	8,284	0	0	0	0	0	8,284	
Data Processing Fee - Sheriff	6,747	0	0	0	0	0	6,747	
Sexual Offender Registration Fees - Sheriff	6,825	0	0	0	0	0	6,825	
Total Charges for Current Services	\$ 38,231	\$ 188,853	\$ 0	\$ 368,743	\$ 0	\$ 0	\$ 595,827	
<u>Other Local Revenues</u>								
<u>Recurring Items</u>								
Investment Income	\$ 424	\$ 0	\$ 0	\$ 0	\$ 0	\$ 15,909	\$ 16,333	
Lease/Rentals	94,437	0	0	0	0	0	94,437	
Sale of Materials and Supplies	348	0	0	0	107,614	0	107,962	
Commissary Sales	9,389	0	0	0	0	0	9,389	
Sale of Recycled Materials	0	2,116	0	0	0	0	2,116	
Sale of Animals/Livestock	10,164	0	0	0	0	0	10,164	
Miscellaneous Refunds	13,824	0	0	0	0	0	13,824	
<u>Nonrecurring Items</u>								
Sale of Equipment	186	33	0	0	0	420	639	
Damages Recovered from Individuals	379	0	0	0	2,350	0	2,729	
Contributions and Gifts	5,582	0	2,700	0	0	0	8,282	
<u>Other Local Revenues</u>								
Other Local Revenues	199,464	17,416	830	0	0	0	217,710	
Total Other Local Revenues	\$ 334,197	\$ 19,565	\$ 3,530	\$ 0	\$ 110,384	\$ 15,909	\$ 483,585	

(Continued)

Exhibit K-5

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

	Special Revenue Funds							Debt Service Fund	Total
	General	Solid Waste / Sanitation	Drug Control	District Attorney General	Constitutional Officers - Fees	Highway / Public Works	General Debt Service		
<u>Fees Received from County Officials</u>									
<u>Excess Fees</u>									
County Clerk	\$ 54,001	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 54,001	
Trustee	206,316	0	0	0	0	0	0	206,316	
<u>Fees in-Lieu-of Salary</u>									
Circuit Court Clerk	125,333	0	0	0	0	0	0	125,333	
General Sessions Court Clerk	189,884	0	0	0	0	0	0	189,884	
Clerk and Master	132,136	0	0	0	0	0	0	132,136	
Juvenile Court Clerk	405	0	0	0	0	0	0	405	
Register	96,214	0	0	0	0	0	0	96,214	
Sheriff	5,185	0	0	0	0	0	0	5,185	
Total Fees Received from County Officials	\$ 809,474	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 809,474	
<u>State of Tennessee</u>									
<u>General Government Grants</u>									
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,000	
Child Restraint Program	2,621	0	0	0	0	0	0	2,621	
<u>Public Safety Grants</u>									
Law Enforcement Training Programs	16,800	0	0	0	0	0	0	16,800	
Health and Welfare Grants	108,798	0	0	0	0	0	0	108,798	
<u>Public Works Grants</u>									
State Aid Program	0	0	0	0	0	215,239	0	215,239	
Litter Program	0	42,086	0	0	0	0	0	42,086	
<u>Other State Revenues</u>									
Income Tax	46,722	0	0	0	0	0	0	46,722	
Beer Tax	18,421	0	0	0	0	0	0	18,421	
Alcoholic Beverage Tax	47,994	0	0	0	0	0	0	47,994	
State Revenue Sharing - T.V.A.	0	0	0	0	0	0	190,347	190,347	
Contracted Prisoner Boarding	119,499	0	0	0	0	0	0	119,499	
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,558,354	0	1,558,354	
Petroleum Special Tax	0	0	0	0	0	22,952	0	22,952	

(Continued)

Exhibit K-5

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

	Special Revenue Funds							Debt Service Fund	Total
	General	Solid Waste / Sanitation	Drug Control	District Attorney General	Constitu- tional Officers - Fees	Highway / Public Works	General Debt Service		
<u>State of Tennessee (Cont.)</u>									
<u>Other State Revenues (Cont.)</u>									
Registrar's Salary Supplement	\$ 15,164	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 15,164
Other State Grants	77,594	9,792	0	0	0	0	0	0	87,386
Other State Revenues	35,778	0	0	0	0	0	0	0	35,778
Total State of Tennessee	\$ 498,391	\$ 51,878	\$ 0	\$ 0	\$ 0	\$ 1,796,545	\$ 190,347	\$ 0	\$ 2,537,161
<u>Federal Government</u>									
<u>Federal Through State</u>									
Homeland Security Grants	\$ 35,442	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 35,442
Law Enforcement Grants	28,247	0	0	0	0	0	0	0	28,247
Other Federal through State	11,106	1,102	0	0	0	43,799	0	0	56,007
<u>Direct Federal Revenue</u>									
Energy Grant	100,000	0	0	0	0	0	0	0	100,000
Total Federal Government	\$ 174,795	\$ 1,102	\$ 0	\$ 0	\$ 0	\$ 43,799	\$ 0	\$ 0	\$ 219,696
<u>Other Governments and Citizens Groups</u>									
<u>Other Governments</u>									
Contributions	\$ 218,143	\$ 0	\$ 2,408	\$ 0	\$ 0	\$ 0	\$ 2,324,470	\$ 0	\$ 2,545,021
Other	0	8,929	0	0	0	0	0	0	8,929
Total Other Governments and Citizens Groups	\$ 218,143	\$ 8,929	\$ 2,408	\$ 0	\$ 0	\$ 0	\$ 2,324,470	\$ 0	\$ 2,553,950
<u>Total</u>	\$ 8,505,005	\$ 270,327	\$ 27,754	\$ 19,058	\$ 368,743	\$ 2,184,225	\$ 4,253,066	\$ 0	\$ 15,628,178

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, 2012

	General Purpose School	School Federal Projects	Central Cafeteria	School Transportation	Education Capital Projects	Total
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 1,738,726	\$ 0	\$ 0	\$ 1,383,434	\$ 0	\$ 3,122,160
Trustee's Collections - Prior Year	53,700	0	0	41,816	0	95,516
Trustee's Collections - Bankruptcy	1,343	0	0	1,058	0	2,401
Circuit/Clerk & Master Collections - Prior Years	73,146	0	0	57,758	0	130,904
Interest and Penalty	12,000	0	0	9,496	0	21,496
Payments in-Lieu-of Taxes - T.V.A.	1,138	0	0	900	0	2,038
Payments in-Lieu-of Taxes - Local Utilities	19,765	0	0	15,701	0	35,466
Payments in-Lieu-of Taxes - Other	2,899	0	0	2,300	0	5,199
<u>County Local Option Taxes</u>						
Local Option Sales Tax	2,463,904	0	0	0	643,556	3,107,460
<u>Statutory Local Taxes</u>						
Bank Excise Tax	11,587	0	0	9,160	0	20,747
Interstate Telecommunications Tax	1,615	0	0	0	0	1,615
Total Local Taxes	\$ 4,379,823	\$ 0	\$ 0	\$ 1,521,623	\$ 643,556	\$ 6,545,002
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Marriage Licenses	\$ 2,108	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,108
Total Licenses and Permits	\$ 2,108	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,108
<u>Charges for Current Services</u>						
<u>Education Charges</u>						
Tuition - Other	\$ 27,601	\$ 0	\$ 0	\$ 0	\$ 0	\$ 27,601
Lunch Payments - Children	0	0	439,631	0	0	439,631
Lunch Payments - Adults	0	0	61,074	0	0	61,074
Income from Breakfast	0	0	4,510	0	0	4,510
A la carte Sales	0	0	163,083	0	0	163,083
TBI Criminal Background Fees	315	0	0	0	0	315
Total Charges for Current Services	\$ 27,916	\$ 0	\$ 668,298	\$ 0	\$ 0	\$ 696,214

(Continued)

Exhibit K-6

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

	General Purpose School	School Federal Projects	Central Cafeteria	School Transportation	Education Capital Projects	Total
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 0	\$ 0	\$ 1,746	\$ 0	\$ 47,487	\$ 49,233
Lease/Rentals	60	0	0	55,304	0	55,364
Refund of Telecommunication and Internet Fees (E-Rate)	33,172	0	0	0	0	33,172
Miscellaneous Refunds	412	0	2,171	21	95	2,699
<u>Nonrecurring Items</u>						
Sale of Equipment	3,402	0	2,188	754	0	6,344
Contributions and Gifts	10,000	0	0	0	0	10,000
<u>Other Local Revenues</u>						
Other Local Revenues	40,041	0	1,187	0	0	41,228
Total Other Local Revenues	\$ 87,087	\$ 0	\$ 7,292	\$ 56,079	\$ 47,582	\$ 198,040
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
On-Behalf Contributions for OPEB	\$ 69,488	\$ 0	\$ 0	\$ 0	\$ 0	\$ 69,488
<u>State Education Funds</u>						
Basic Education Program	19,596,000	0	0	0	0	19,596,000
Early Childhood Education	389,079	0	0	0	0	389,079
School Food Service	0	0	19,747	0	0	19,747
Energy Efficient School Initiative	87,761	0	0	0	0	87,761
Driver Education	15,575	0	0	0	0	15,575
Other State Education Funds	99,143	0	0	0	0	99,143
Career Ladder Program	176,186	0	0	0	0	176,186
Career Ladder - Extended Contract	57,800	0	0	0	0	57,800
Career Ladder - Extended Contract - ARRA	37,979	0	0	0	0	37,979
<u>Other State Revenues</u>						
State Revenue Sharing - T.V.A.	1,158,702	0	0	0	454,791	1,613,493
Other State Grants	13,381	0	0	0	0	13,381
Safe Schools - ARRA	11,852	0	0	0	0	11,852
Other State Revenues	5,850	0	0	0	0	5,850
Total State of Tennessee	\$ 21,718,796	\$ 0	\$ 19,747	\$ 0	\$ 454,791	\$ 22,193,334

(Continued)

Exhibit K-6

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

	General Purpose School	School Federal Projects	Central Cafeteria	School Transportation	Education Capital Projects	Total
<u>Federal Government</u>						
<u>Federal Through State</u>						
USDA School Lunch Program	\$ 0	\$ 0	\$ 1,125,000	\$ 0	\$ 0	\$ 1,125,000
USDA - Commodities	0	0	98,394	0	0	98,394
Breakfast	0	0	399,217	0	0	399,217
Adult Education State Grant Program	181,465	0	0	0	0	181,465
Vocational Education - Basic Grants to States	0	96,481	0	0	0	96,481
Title I Grants to Local Education Agencies	0	1,090,677	0	0	0	1,090,677
Special Education - Grants to States	57,358	832,583	0	0	0	889,941
Special Education Preschool Grants	0	18,151	0	0	0	18,151
English Language Acquisition Grants	0	12,408	0	0	0	12,408
Rural Education	0	87,858	0	0	0	87,858
Eisenhower Professional Development State Grants	0	191,125	0	0	0	191,125
Race-to-the-Top - ARRA	0	91,671	0	0	0	91,671
Other Federal through State	4,678	601,616	0	0	0	606,294
<u>Direct Federal Revenue</u>	54,675	0	0	0	0	54,675
ROTC Reimbursement	298,176	3,022,570	1,622,611	0	0	4,943,357
Total Federal Government	\$ 298,176	\$ 3,022,570	\$ 1,622,611	\$ 0	\$ 0	\$ 4,943,357
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Contributions	\$ 5,000	\$ 0	\$ 0	\$ 0	\$ 36,065,448	\$ 36,070,448
Total Other Governments and Citizens Groups	\$ 5,000	\$ 0	\$ 0	\$ 0	\$ 36,065,448	\$ 36,070,448
Total	\$ 26,518,906	\$ 3,022,570	\$ 2,317,948	\$ 1,577,702	\$ 37,211,377	\$ 70,648,503

Exhibit K-7

Rhea County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2012

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	43,200	
Social Security		2,678	
Employer Medicare		626	
Audit Services		9,543	
Contributions		22,500	
Dues and Memberships		2,222	
Travel		6,347	
Other Contracted Services		7,647	
Other Supplies and Materials		14,429	
Medical Claims		7,669	
Refunds		145	
Liability Claims		500	
Other Charges		401	
Data Processing Equipment		4,401	
Total County Commission			\$ 122,308

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)	\$	90	
Board and Committee Members Fees		1,200	
Social Security		80	
State Retirement		8	
Employer Medicare		19	
Printing, Stationery, and Forms		115	
Total Other Boards and Committees			1,512

County Mayor/Executive

County Official/Administrative Officer	\$	71,322	
Mechanic(s)		309	
Secretary(ies)		22,700	
Part-time Personnel		1,867	
Social Security		5,964	
State Retirement		8,122	
Life Insurance		96	
Medical Insurance		14,831	

(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.)

Employer Medicare	\$	1,395	
Communication		992	
Dues and Memberships		1,450	
Operating Lease Payments		1,912	
Travel		1,838	
Gasoline		3,949	
Office Supplies		856	
Tires and Tubes		523	
Vehicle Parts		2,568	
Refunds		210	
Vehicle and Equipment Insurance		312	
Data Processing Equipment		499	
Total County Mayor/Executive			\$ 141,715

County Attorney

Legal Services	\$	15,150	
Total County Attorney			15,150

Election Commission

County Official/Administrative Officer	\$	55,576	
Assistant(s)		30,720	
Part-time Personnel		13,186	
Overtime Pay		1,246	
Election Commission		3,645	
Election Workers		3,603	
Social Security		6,632	
State Retirement		7,537	
Life Insurance		96	
Medical Insurance		14,670	
Employer Medicare		1,551	
Communication		960	
Dues and Memberships		225	
Operating Lease Payments		2,009	
Legal Notices, Recording, and Court Costs		6,152	
Maintenance Agreements		13,067	
Maintenance and Repair Services - Equipment		1,110	
Rentals		500	
Travel		4,845	
Other Contracted Services		13,533	
Office Supplies		2,996	

(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	\$ 9,407	
Data Processing Equipment	1,226	
Total Election Commission		\$ 194,492

Register of Deeds

County Official/Administrative Officer	\$ 61,751	
Assistant(s)	30,720	
Clerical Personnel	26,713	
Social Security	7,366	
State Retirement	4,945	
Life Insurance	144	
Medical Insurance	22,005	
Employer Medicare	1,723	
Data Processing Services	6,553	
Dues and Memberships	468	
Operating Lease Payments	1,859	
Office Supplies	3,073	
Total Register of Deeds		167,320

Planning

Other Contracted Services	\$ 11,562	
Total Planning		11,562

County Buildings

Custodial Personnel	\$ 141	
Maintenance Personnel	180,708	
Social Security	11,165	
State Retirement	15,559	
Life Insurance	96	
Medical Insurance	14,670	
Employer Medicare	2,611	
Communication	41,648	
Contracts with Other Public Agencies	1,500	
Dues and Memberships	5,369	
Postal Charges	59,743	
Disposal Fees	9,011	
Other Contracted Services	284,394	
Custodial Supplies	30,722	
Electricity	181,461	
Natural Gas	17,143	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Water and Sewer	\$	31,686	
Other Supplies and Materials		37,883	
Building and Contents Insurance		15,368	
Other Equipment		1,000	
Total County Buildings			\$ 941,878

Finance

Accounting and Budgeting

Assistant(s)	\$	33,289	
Supervisor/Director		61,751	
Accountants/Bookkeepers		148,574	
Purchasing Personnel		112,129	
Part-time Personnel		2,658	
Social Security		21,128	
State Retirement		30,630	
Life Insurance		528	
Medical Insurance		73,499	
Employer Medicare		4,941	
Data Processing Services		15,950	
Dues and Memberships		25	
Operating Lease Payments		9,766	
Legal Notices, Recording, and Court Costs		2,167	
Travel		1,327	
Other Contracted Services		112	
Office Supplies		13,450	
In Service/Staff Development		682	
Data Processing Equipment		4,209	
Office Equipment		531	
Total Accounting and Budgeting			537,346

Property Assessor's Office

County Official/Administrative Officer	\$	46,313	
Assistant(s)		31,185	
Accountants/Bookkeepers		28,947	
Mechanic(s)		46	
Clerical Personnel		51,914	
Part-time Personnel		1,001	
Social Security		8,993	
State Retirement		12,719	
Life Insurance		272	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Medical Insurance	\$	35,955	
Employer Medicare		2,114	
Communication		7	
Data Processing Services		4,611	
Dues and Memberships		1,450	
Operating Lease Payments		2,103	
Legal Services		88	
Travel		116	
Other Contracted Services		4,950	
Gasoline		1,586	
Lubricants		27	
Office Supplies		2,948	
Vehicle and Equipment Insurance		312	
Data Processing Equipment		4,497	
Total Property Assessor's Office			\$ 242,154

County Trustee's Office

Life Insurance	\$	144	
Medical Insurance		7,335	
Data Processing Services		22,490	
Dues and Memberships		468	
Operating Lease Payments		1,541	
Legal Notices, Recording, and Court Costs		92	
Postal Charges		5,226	
Other Contracted Services		475	
Office Supplies		2,624	
Total County Trustee's Office			40,395

County Clerk's Office

Life Insurance	\$	285	
Medical Insurance		39,961	
Communication		594	
Data Processing Services		15,721	
Dues and Memberships		618	
Operating Lease Payments		1,868	
Office Supplies		1,685	
Total County Clerk's Office			60,732

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	61,751	
Assistant(s)		25,532	
Accountants/Bookkeepers		1,746	
Clerical Personnel		72,116	
Part-time Personnel		8,464	
Jury and Witness Expense		594	
Social Security		10,167	
State Retirement		13,276	
Life Insurance		228	
Medical Insurance		38,195	
Employer Medicare		2,378	
Data Processing Services		10,022	
Dues and Memberships		983	
Operating Lease Payments		2,730	
Other Contracted Services		15,756	
Office Supplies		6,261	
Total Circuit Court			\$ 270,199

General Sessions Court

Assistant(s)	\$	23,639	
Clerical Personnel		94,854	
Social Security		7,199	
State Retirement		9,839	
Life Insurance		236	
Medical Insurance		36,376	
Unemployment Compensation		1,738	
Employer Medicare		1,684	
Operating Lease Payments		1,884	
Other Contracted Services		1,240	
Office Supplies		4,563	
Data Processing Equipment		8,825	
Total General Sessions Court			192,077

General Sessions Judge

Judge(s)	\$	123,239	
Probation Officer(s)		46,901	
Youth Service Officer(s)		26,713	
Secretary(ies)		26,713	
Social Security		12,784	
State Retirement		19,254	

(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.)

Life Insurance	\$	240	
Medical Insurance		36,675	
Employer Medicare		3,100	
Communication		313	
Data Processing Services		5,828	
Operating Lease Payments		1,122	
Travel		8,520	
Office Supplies		1,360	
Other Supplies and Materials		1,416	
Total General Sessions Judge			\$ 314,178

Drug Court

Fines, Assessments, and Penalties	\$	3,794	
Total Drug Court			3,794

Chancery Court

County Official/Administrative Officer	\$	61,751	
Assistant(s)		33,289	
Clerical Personnel		80,138	
Social Security		10,670	
State Retirement		15,083	
Life Insurance		240	
Medical Insurance		36,986	
Employer Medicare		2,495	
Data Processing Services		6,633	
Dues and Memberships		468	
Operating Lease Payments		1,979	
Office Supplies		4,962	
Data Processing Equipment		3,706	
Total Chancery Court			258,400

Courtroom Security

Deputy(ies)	\$	11,712	
Social Security		666	
Employer Medicare		170	
Other Supplies and Materials		355	
Other Equipment		9,991	
Total Courtroom Security			22,894

(Continued)

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

General Fund (Cont.)

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	67,927
Assistant(s)		44,115
Deputy(ies)		556,444
Investigator(s)		118,559
Lieutenant(s)		29,378
Sergeant(s)		138,598
Mechanic(s)		16,134
School Resource Officer		131,647
Educational Incentive - Other County Employees		15,606
Other Salaries and Wages		25,515
Social Security		70,651
State Retirement		92,772
Life Insurance		1,492
Medical Insurance		236,352
Unemployment Compensation		4,060
Employer Medicare		16,523
Communication		1,276
Dues and Memberships		2,375
Operating Lease Payments		6,299
Rentals		960
Tow-in Services		2,850
Travel		1,850
Other Contracted Services		16,059
Animal Food and Supplies		502
Diesel Fuel		1,453
Gasoline		187,024
Lubricants		2,251
Office Supplies		2,877
Tires and Tubes		18,210
Uniforms		11,100
Vehicle Parts		33,940
Other Supplies and Materials		10,922
Liability Insurance		21,355
Refunds		478
Vehicle and Equipment Insurance		25,745
Liability Claims		3,000
In Service/Staff Development		6,680
Other Charges		2,077
Communication Equipment		7,734
Data Processing Equipment		1,613

(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.)

Law Enforcement Equipment	\$ 108,351	
Total Sheriff's Department		\$ 2,042,754

Administration of the Sexual Offender Registry

Office Supplies	\$ 21	
Other Charges	2,050	
Total Administration of the Sexual Offender Registry		2,071

Jail

Lieutenant(s)	\$ 37,729	
Sergeant(s)	140,539	
Accountants/Bookkeepers	30,000	
Guards	175,126	
Clerical Personnel	55,428	
Social Security	26,966	
State Retirement	35,512	
Life Insurance	804	
Medical Insurance	117,198	
Unemployment Compensation	1,883	
Employer Medicare	6,306	
Communication	308	
Operating Lease Payments	1,555	
Medical and Dental Services	130,372	
Travel	2,049	
Other Contracted Services	5,887	
Drugs and Medical Supplies	55,194	
Food Supplies	178,658	
Office Supplies	1,193	
Prisoners Clothing	2,475	
Uniforms	5,925	
Other Supplies and Materials	12,431	
In Service/Staff Development	1,173	
Total Jail		1,024,711

Juvenile Services

Sergeant(s)	\$ 56,216
Guards	77,072
Social Security	8,330
State Retirement	11,476
Life Insurance	240

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Juvenile Services (Cont.)

Medical Insurance	\$	37,177	
Unemployment Compensation		904	
Employer Medicare		1,948	
Operating Lease Payments		1,059	
Office Supplies		398	
Prisoners Clothing		992	
Uniforms		1,770	
Other Supplies and Materials		51	
Total Juvenile Services			\$ 197,633

Fire Prevention and Control

Supervisor/Director	\$	46,870	
Mechanic(s)		82	
Other Salaries and Wages		6,000	
In-Service Training		575	
Social Security		3,262	
State Retirement		2,269	
Life Insurance		44	
Medical Insurance		6,702	
Employer Medicare		763	
Communication		365	
Contracts with Government Agencies		3,260	
Travel		982	
Diesel Fuel		11,921	
Electricity		20,600	
Gasoline		8,134	
Lubricants		51	
Natural Gas		15,485	
Office Supplies		72	
Vehicle Parts		186	
Water and Sewer		1,861	
Other Supplies and Materials		80,851	
Liability Insurance		803	
Vehicle and Equipment Insurance		15,856	
Other Charges		17,504	
Motor Vehicles		13,500	
Other Construction		5,098	
Other Capital Outlay		15,100	
Total Fire Prevention and Control			278,196

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Civil Defense

Dues and Memberships	\$	50	
Other Equipment		64,905	
Total Civil Defense			\$ 64,955

Rescue Squad

Contributions	\$	33,016	
Total Rescue Squad			33,016

County Coroner/Medical Examiner

Contracts with Private Agencies	\$	29,140	
Total County Coroner/Medical Examiner			29,140

Public Safety Grant Programs

Overtime Pay	\$	12,336	
Social Security		759	
State Retirement		1,027	
Employer Medicare		178	
Other Supplies and Materials		3,833	
Other Equipment		9,980	
Total Public Safety Grant Programs			28,113

Other Public Safety

Assistant(s)	\$	34,482	
Supervisor/Director		52,004	
Dispatchers/Radio Operators		376,097	
Maintenance Personnel		277	
Part-time Personnel		13,993	
Social Security		28,832	
State Retirement		37,349	
Life Insurance		728	
Medical Insurance		111,763	
Employer Medicare		6,743	
Maintenance Agreements		29,520	
Other Contracted Services		275	
Electricity		9,282	
Gasoline		3,486	
Natural Gas		266	
Office Supplies		2,042	
Water and Sewer		372	
Other Supplies and Materials		50	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Other Public Safety (Cont.)

Building and Contents Insurance	\$	4,810	
Liability Insurance		937	
Vehicle and Equipment Insurance		943	
Total Other Public Safety			\$ 714,251

Public Health and Welfare

Local Health Center

Custodial Personnel	\$	7,471	
Other Salaries and Wages		71,027	
Social Security		4,820	
State Retirement		5,773	
Life Insurance		144	
Medical Insurance		22,005	
Employer Medicare		1,127	
Contributions		63,605	
Travel		4,474	
Total Local Health Center			180,446

Rabies and Animal Control

Animal Food and Supplies	\$	1,428	
Other Supplies and Materials		485	
Total Rabies and Animal Control			1,913

Crippled Children Services

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

Other Public Health and Welfare

Other Supplies and Materials	\$	6,137	
Total Other Public Health and Welfare			6,137

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$	81,122	
Dues and Memberships		220	
Maintenance and Repair Services - Equipment		113	
Travel		5,000	
Other Contracted Services		3,850	
Electricity		1,579	
Office Supplies		2,000	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Agriculture and Natural Resources (Cont.)

Agriculture Extension Service (Cont.)

Water and Sewer	\$	550	
Other Supplies and Materials		16,224	
Total Agriculture Extension Service			\$ 110,658

Soil Conservation

Other Salaries and Wages	\$	54,346	
Social Security		3,302	
State Retirement		2,788	
Life Insurance		96	
Medical Insurance		14,670	
Employer Medicare		772	
Dues and Memberships		1,300	
Travel		1,084	
Office Supplies		1,138	
Other Charges		551	
Total Soil Conservation			80,047

Other Operations

Other Economic and Community Development

Contributions	\$	100,550	
Total Other Economic and Community Development			100,550

Veterans' Services

Supervisor/Director	\$	40,000	
Accountants/Bookkeepers		28,947	
Part-time Personnel		232	
Social Security		4,256	
State Retirement		5,936	
Life Insurance		96	
Medical Insurance		14,670	
Employer Medicare		995	
Data Processing Services		1,109	
Operating Lease Payments		897	
Travel		953	
Office Supplies		993	
Data Processing Equipment		60	
Total Veterans' Services			99,144

Other Charges

Liability Insurance	\$	9,435	
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(Continued)

Exhibit K-7

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

General Fund (Cont.)

Other Operations (Cont.)

Other Charges (Cont.)

Premiums on Corporate Surety Bonds	\$	140	
Trustee's Commission		<u>118,485</u>	
Total Other Charges	\$		128,060

Contributions to Other Agencies

Contributions	\$	<u>66,200</u>	
Total Contributions to Other Agencies			66,200

Employee Benefits

Workers' Compensation Insurance	\$	<u>34,673</u>	
Total Employee Benefits			34,673

Capital Projects

Administration of Justice Projects

Architects	\$	<u>125,575</u>	
Total Administration of Justice Projects			125,575

Other General Government Projects

Land	\$	<u>120,000</u>	
Total Other General Government Projects			<u>120,000</u>

Total General Fund \$ 9,010,251

Solid Waste/Sanitation Fund

Public Health and Welfare

Waste Pickup

Supervisor/Director	\$	28,604	
Deputy(ies)		26,061	
Mechanic(s)		4,043	
Truck Drivers		67,654	
Maintenance Personnel		6,730	
Other Salaries and Wages		147,124	
Social Security		17,306	
State Retirement		11,404	
Life Insurance		236	
Medical Insurance		37,140	
Employer Medicare		4,047	
Communication		3,051	
Rentals		900	
Tow-in Services		150	

(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.)

Travel	\$	339	
Disposal Fees		31,655	
Other Contracted Services		24,139	
Custodial Supplies		4,223	
Diesel Fuel		46,678	
Electricity		9,144	
Gasoline		7,372	
Lubricants		1,034	
Natural Gas		340	
Tires and Tubes		16,311	
Uniforms		360	
Vehicle Parts		7,829	
Water and Sewer		2,809	
Other Supplies and Materials		2,880	
Building and Contents Insurance		4,733	
Liability Insurance		1,592	
Vehicle and Equipment Insurance		7,595	
Other Charges		12,129	
Solid Waste Equipment		1,926	
Total Waste Pickup		<u>1,926</u>	\$ 537,538

Other Operations

Other Charges

Trustee's Commission	\$	<u>2,025</u>	
Total Other Charges			2,025

Employee Benefits

Workers' Compensation Insurance	\$	<u>6,077</u>	
Total Employee Benefits			6,077

Capital Projects

Other General Government Projects

Land	\$	<u>40,000</u>	
Total Other General Government Projects			<u>40,000</u>

Total Solid Waste/Sanitation Fund \$ 585,640

(Continued)

Exhibit K-7

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

Drug Control Fund

Public Safety

Drug Enforcement

Communication	\$	3,577	
Confidential Drug Enforcement Payments		10,000	
Legal Notices, Recording, and Court Costs		120	
Maintenance and Repair Services - Equipment		5,490	
Tow-in Services		825	
Other Contracted Services		5,188	
Other Supplies and Materials		15,995	
Trustee's Commission		215	
Law Enforcement Equipment		13,000	
Total Drug Enforcement			\$ 54,410

Total Drug Control Fund \$ 54,410

District Attorney General Fund

Administration of Justice

District Attorney General

Communication	\$	2,908	
Dues and Memberships		75	
Janitorial Services		915	
Pest Control		130	
Rentals		8,909	
Custodial Supplies		161	
Office Supplies		447	
Periodicals		683	
In Service/Staff Development		3,240	
Other Charges		505	
Total District Attorney General			\$ 17,973

Other Operations

Other Charges

Trustee's Commission	\$	188	
Total Other Charges			188

Total District Attorney General Fund 18,161

Constitutional Officers - Fees Fund

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$	153,610	
Total County Trustee's Office			\$ 153,610

(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	\$ 213,250	
Total County Clerk's Office		\$ 213,250

Administration of Justice

Circuit Court

Constitutional Officers' Operating Expenses	\$ 404	
Total Circuit Court		404

Public Safety

Sheriff's Department

Constitutional Officers' Operating Expenses	\$ 104	
Total Sheriff's Department		<u>104</u>

Total Constitutional Officers - Fees Fund		\$ 367,368
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Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 67,927	
Assistant(s)	51,582	
Secretary(ies)	41,910	
Social Security	9,272	
State Retirement	13,459	
Employer Medicare	2,168	
Communication	4,859	
Dues and Memberships	2,605	
Postal Charges	180	
Travel	945	
Other Contracted Services	190	
Custodial Supplies	58	
Drugs and Medical Supplies	150	
Electricity	3,659	
Gasoline	4,163	
Natural Gas	1,909	
Office Supplies	505	
Water and Sewer	219	
Other Supplies and Materials	1,193	
Communication Equipment	7,612	
Data Processing Equipment	499	
Total Administration		\$ 215,064

(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	\$	63,993	
Equipment Operators - Light		189,195	
Truck Drivers		166,148	
Social Security		25,781	
State Retirement		33,196	
Employer Medicare		6,029	
Asphalt		382,121	
Crushed Stone		143,905	
Fertilizer, Lime, and Seed		2,669	
Pipe		7,277	
Road Signs		12,716	
Other Supplies and Materials		2,956	
Total Highway and Bridge Maintenance			\$ 1,035,986

Operation and Maintenance of Equipment

Foremen	\$	34,493	
Social Security		2,147	
State Retirement		2,841	
Employer Medicare		502	
Diesel Fuel		77,436	
Gasoline		33,066	
Lubricants		10,126	
Tires and Tubes		32,331	
Vehicle Parts		50,608	
Total Operation and Maintenance of Equipment			243,550

Other Charges

Contributions	\$	491	
Building and Contents Insurance		5,018	
Liability Insurance		15,053	
Trustee's Commission		19,906	
Vehicle and Equipment Insurance		21,744	
Total Other Charges			62,212

Employee Benefits

Life Insurance	\$	888	
Medical Insurance		131,150	
Unemployment Compensation		7,128	
Uniforms		3,704	
Workers' Compensation Insurance		24,949	
Total Employee Benefits			167,819

(Continued)

Exhibit K-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Capital Outlay

Other Contracted Services	\$ 53,956	
Asphalt	1,998,000	
Highway Construction	220,000	
Highway Equipment	23,376	
Total Capital Outlay	<u>2,295,332</u>	\$ 2,295,332

Total Highway/Public Works Fund \$ 4,019,963

General Debt Service Fund

Other Operations

Contributions to Other Agencies

Contributions	\$ 3,466	
Total Contributions to Other Agencies	<u>3,466</u>	\$ 3,466

Principal on Debt

General Government

Principal on Other Loans	\$ 41,000	
Total General Government	<u>41,000</u>	41,000

Highways and Streets

Principal on Notes	\$ 162,000	
Total Highways and Streets	<u>162,000</u>	162,000

Education

Principal on Bonds	\$ 1,490,000	
Principal on Notes	1,920,868	
Principal on Capital Leases	181,028	
Principal on Other Loans	112,069	
Total Education	<u>3,703,965</u>	3,703,965

Interest on Debt

General Government

Interest on Other Loans	\$ 2,870	
Total General Government	<u>2,870</u>	2,870

Highways and Streets

Interest on Notes	\$ 66,867	
Total Highways and Streets	<u>66,867</u>	66,867

(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

Interest on Bonds	\$ 385,066	
Interest on Notes	16,657	
Interest on Capital Leases	9,318	
Total Education		\$ 411,041

Other Debt Service

General Government

Trustee's Commission	\$ 31,421	
Other Debt Service	7,821	
Total General Government		39,242

Education

Other Debt Service	\$ 2,597	
Total Education		2,597

Total General Debt Service Fund \$ 4,433,048

Education Capital Projects Fund

Other Debt Service

Education

Underwriter's Discount	\$ 325,050	
Other Debt Issuance Charges	111,426	
Total Education		\$ 436,476

Capital Projects - Donated

Capital Projects Donated to School Department

Contributions \$ 36,065,448

Total Capital Projects Donated to School Department 36,065,448

Total Education Capital Projects Fund 36,501,924

Total Governmental Funds - Primary Government \$ 54,990,765

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, 2012

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 9,365,249	
Career Ladder Program	110,000	
Career Ladder Extended Contracts	34,350	
Homebound Teachers	16,581	
Paraprofessionals	19,302	
Salary Supplements	4,340	
Secretary(ies)	6,140	
Educational Assistants	359,643	
Certified Substitute Teachers	11,880	
Non-certified Substitute Teachers	164,945	
Social Security	603,451	
State Retirement	889,313	
Life Insurance	11,879	
Medical Insurance	1,616,106	
Unemployment Compensation	23,416	
Employer Medicare	141,140	
Other Contracted Services	5,048	
Instructional Supplies and Materials	108,350	
Textbooks	441,380	
Other Supplies and Materials	10,611	
Refunds	59	
Other Charges	19,707	
Data Processing Equipment	62,191	
Other Equipment	2,468	
Total Regular Instruction Program		\$ 14,027,549

Special Education Program

Teachers	\$ 1,125,393
Career Ladder Program	12,990
Career Ladder Extended Contracts	4,000
Homebound Teachers	12,185
Educational Assistants	189,100
Speech Pathologist	92,642
Other Salaries and Wages	2,535
Certified Substitute Teachers	1,210
Non-certified Substitute Teachers	20,048
Social Security	86,426
State Retirement	125,530
Life Insurance	1,901

(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.)

Medical Insurance	\$	235,106	
Unemployment Compensation		1,318	
Employer Medicare		20,213	
Contracts with Private Agencies		181,422	
Evaluation and Testing		4,630	
Maintenance and Repair Services - Equipment		1,000	
Other Contracted Services		13,498	
Instructional Supplies and Materials		6,995	
Other Supplies and Materials		1,708	
Special Education Equipment		5,631	
Total Special Education Program			\$ 2,145,481

Vocational Education Program

Teachers	\$	597,268	
Career Ladder Program		2,000	
Certified Substitute Teachers		55	
Non-certified Substitute Teachers		10,560	
Social Security		36,617	
State Retirement		54,234	
Life Insurance		712	
Medical Insurance		100,833	
Employer Medicare		8,564	
Instructional Supplies and Materials		28,063	
Total Vocational Education Program			838,906

Adult Education Program

Teachers	\$	52,340	
Social Security		2,430	
State Retirement		1,828	
Life Insurance		96	
Employer Medicare		759	
Communication		2,131	
Operating Lease Payments		1,800	
Travel		1,015	
Other Supplies and Materials		5,733	
Other Equipment		11,376	
Total Adult Education Program			79,508

(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	\$	123,222	
Social Security		7,328	
State Retirement		9,184	
Life Insurance		288	
Medical Insurance		27,457	
Employer Medicare		1,740	
Travel		1,308	
Other Supplies and Materials		3,747	
Data Processing Equipment		1,006	
Total Health Services			\$ 175,280

Other Student Support

Supervisor/Director	\$	63,434
Career Ladder Program		4,000
Computer Programmer(s)		220,472
Guidance Personnel		415,506
Instructional Computer Personnel		62,665
Mechanic(s)		53
Secretary(ies)		15,192
Clerical Personnel		22,266
Educational Assistants		65,328
School Resource Officer		3,900
Other Salaries and Wages		12,859
Certified Substitute Teachers		385
Non-certified Substitute Teachers		1,595
Social Security		53,020
State Retirement		78,118
Life Insurance		1,097
Medical Insurance		150,216
Employer Medicare		12,400
Communication		1,909
Contributions		900
Evaluation and Testing		32,672
Maintenance and Repair Services - Equipment		4,798
Travel		16,458
Other Contracted Services		133,394
Gasoline		1,299
Instructional Supplies and Materials		85,926
Lubricants		18

(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.)

Vehicle Parts	\$	99	
Other Supplies and Materials		53,776	
In Service/Staff Development		7,737	
Other Charges		5,634	
Data Processing Equipment		70,896	
Furniture and Fixtures		4,176	
Regular Instruction Equipment		1,197	
Other Equipment		16,180	
Total Other Student Support			\$ 1,619,575

Regular Instruction Program

Supervisor/Director	\$	1,192	
Career Ladder Program		3,000	
Librarians		188,611	
Secretary(ies)		968	
Social Security		11,586	
State Retirement		17,532	
Life Insurance		202	
Medical Insurance		34,008	
Employer Medicare		2,710	
Dues and Memberships		300	
Travel		11,179	
Library Books/Media		44,401	
Periodicals		3,620	
Other Supplies and Materials		1,554	
Other Charges		3,474	
Total Regular Instruction Program			324,337

Special Education Program

Supervisor/Director	\$	57,938
Career Ladder Program		5,000
Psychological Personnel		101,337
Career Ladder Extended Contracts		800
Secretary(ies)		29,303
Social Security		10,715
State Retirement		16,878
Life Insurance		178
Medical Insurance		27,779
Employer Medicare		2,638

(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	\$	10,720	
Travel		10,719	
Other Contracted Services		7,500	
Other Supplies and Materials		915	
In Service/Staff Development		2,250	
Other Equipment		274	
Total Special Education Program			\$ 284,944

Vocational Education Program

Travel	\$	739	
Total Vocational Education Program			739

Adult Programs

Supervisor/Director	\$	51,566	
Other Salaries and Wages		43,778	
Social Security		5,542	
State Retirement		6,479	
Medical Insurance		8,206	
Employer Medicare		1,315	
In Service/Staff Development		4,520	
Total Adult Programs			121,406

Other Programs

Salary Supplements	\$	129,573	
Social Security		7,679	
State Retirement		10,221	
Medical Insurance		9,459	
Employer Medicare		1,796	
On-Behalf Payments to OPEB		69,488	
Contributions		5,128	
Total Other Programs			233,344

Board of Education

Board and Committee Members Fees	\$	43,200	
Social Security		2,678	
Employer Medicare		626	
Audit Services		6,950	
Dues and Memberships		8,785	
Legal Services		1,933	

(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.)

Travel	\$	23,669	
Other Contracted Services		238	
Liability Insurance		58,025	
Trustee's Commission		115,665	
Workers' Compensation Insurance		81,394	
Liability Claims		2,075	
Other Charges		1,000	
Total Board of Education			\$ 346,238

Director of Schools

County Official/Administrative Officer	\$	93,636	
Assistant(s)		76,849	
Supervisor/Director		62,380	
Career Ladder Program		2,000	
Materials Supervisor		26,719	
Paraprofessionals		1,440	
Mechanic(s)		167	
Secretary(ies)		53,438	
Social Security		18,907	
State Retirement		28,170	
Life Insurance		288	
Medical Insurance		39,988	
Employer Medicare		4,422	
Dues and Memberships		2,299	
Legal Notices, Recording, and Court Costs		615	
Postal Charges		3,103	
Travel		14,571	
Other Contracted Services		6,321	
Gasoline		4,052	
Lubricants		38	
Office Supplies		4,231	
Vehicle Parts		639	
Other Charges		221	
Total Director of Schools			444,494

Office of the Principal

Principals	\$	400,308	
Career Ladder Program		15,000	
Accountants/Bookkeepers		151,409	

(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.)

Career Ladder Extended Contracts	\$	6,600	
Assistant Principals		366,886	
Secretary(ies)		232,313	
Social Security		69,026	
State Retirement		104,424	
Life Insurance		1,344	
Medical Insurance		170,952	
Unemployment Compensation		263	
Employer Medicare		16,143	
Communication		45,319	
Other Contracted Services		1,632	
Other Charges		1,612	
Total Office of the Principal			\$ 1,583,231

Operation of Plant

Custodial Personnel	\$	646,175	
Social Security		39,105	
State Retirement		43,469	
Life Insurance		1,288	
Medical Insurance		154,557	
Employer Medicare		9,146	
Operating Lease Payments		15,168	
Maintenance and Repair Services - Equipment		2,063	
Rentals		2,700	
Other Contracted Services		46,461	
Custodial Supplies		39,803	
Electricity		940,460	
Natural Gas		149,614	
Water and Sewer		70,000	
Other Supplies and Materials		14,486	
Plant Operation Equipment		12,309	
Total Operation of Plant			2,186,804

Maintenance of Plant

Maintenance Personnel	\$	157,519	
Social Security		9,766	
State Retirement		13,562	
Employer Medicare		2,284	
Licenses		11,769	

(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 Contracted Services	\$ 268,410	
Other Supplies and Materials	81,291	
Building and Contents Insurance	60,011	
Other Equipment	11,852	
Total Maintenance of Plant		\$ 616,464

Transportation

Contracts with Parents	\$ 26,090	
Total Transportation		26,090

Operation of Non-Instructional Services

Early Childhood Education

Teachers	\$ 159,972	
Salary Supplements	4,000	
Bus Drivers	26,861	
Educational Assistants	72,541	
Other Salaries and Wages	10,100	
Certified Substitute Teachers	385	
Non-certified Substitute Teachers	4,180	
Social Security	16,407	
State Retirement	22,001	
Life Insurance	384	
Medical Insurance	48,318	
Employer Medicare	3,840	
Other Fringe Benefits	1,558	
Other Contracted Services	3,924	
Diesel Fuel	1,600	
Instructional Supplies and Materials	16,677	
Other Equipment	998	
Total Early Childhood Education		393,746

Capital Outlay

Regular Capital Outlay

Engineering Services	\$ 12,413	
Building Construction	2,250	
Building Improvements	1,538	
Other Equipment	126,261	
Other Construction	25,689	
Other Capital Outlay	1,640	
Total Regular Capital Outlay		169,791

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$ 469,830	
Total Education		\$ 469,830

Total General Purpose School Fund \$ 26,087,757

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 896,823	
Educational Assistants	261,221	
Other Salaries and Wages	51,381	
Certified Substitute Teachers	358	
Non-certified Substitute Teachers	6,875	
Social Security	73,222	
State Retirement	98,490	
Life Insurance	1,444	
Medical Insurance	180,483	
Unemployment Compensation	3,792	
Employer Medicare	17,125	
Other Fringe Benefits	2,853	
Other Supplies and Materials	86	
Regular Instruction Equipment	1,994	
Total Regular Instruction Program		\$ 1,596,147

Special Education Program

Teachers	\$ 94,196	
Educational Assistants	460,744	
Non-certified Substitute Teachers	330	
Social Security	33,462	
State Retirement	46,524	
Life Insurance	1,328	
Medical Insurance	149,612	
Unemployment Compensation	2,259	
Employer Medicare	7,827	
Other Fringe Benefits	1,300	
Evaluation and Testing	1,800	
Maintenance and Repair Services - Equipment	334	
Other Contracted Services	485	
Instructional Supplies and Materials	8,668	

(Continued)

Exhibit K-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Other Supplies and Materials	\$	700	
Special Education Equipment		<u>11,077</u>	
Total Special Education Program	\$		820,646

Vocational Education Program

Other Supplies and Materials	\$	13,937	
Vocational Instruction Equipment		<u>75,832</u>	
Total Vocational Education Program			89,769

Support Services

Other Student Support

Other Salaries and Wages	\$	141,185	
Social Security		8,602	
State Retirement		12,551	
Life Insurance		152	
Medical Insurance		18,198	
Unemployment Compensation		321	
Employer Medicare		2,012	
Other Fringe Benefits		331	
Travel		5,212	
Other Contracted Services		1,500	
Other Supplies and Materials		21,716	
Other Equipment		<u>756</u>	
Total Other Student Support			212,536

Regular Instruction Program

Supervisor/Director	\$	68,018	
Secretary(ies)		26,719	
Other Salaries and Wages		72,378	
Social Security		9,969	
State Retirement		15,006	
Life Insurance		139	
Medical Insurance		19,126	
Unemployment Compensation		294	
Employer Medicare		2,331	
Other Fringe Benefits		394	
Travel		21,885	
Other Contracted Services		25,100	
Other Supplies and Materials		1,380	

(Continued)

Exhibit K-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

In Service/Staff Development	\$ 10,645	
Total Regular Instruction Program		\$ 273,384

Special Education Program

Secretary(ies)	\$ 6,575	
Social Security	330	
State Retirement	188	
Life Insurance	12	
Medical Insurance	1,436	
Unemployment Compensation	38	
Employer Medicare	76	
Consultants	1,725	
Travel	1,787	
Other Supplies and Materials	227	
In Service/Staff Development	782	
Total Special Education Program		13,176

Transportation

Bus Drivers	\$ 13,124	
Social Security	814	
State Retirement	952	
Unemployment Compensation	105	
Employer Medicare	190	
Other Fringe Benefits	318	
Contracts with Parents	1,409	
Total Transportation		16,912

Total School Federal Projects Fund		\$ 3,022,570
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Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$ 58,586
Clerical Personnel	52,661
Cafeteria Personnel	621,650
Social Security	44,173
State Retirement	52,257
Life Insurance	1,632
Medical Insurance	186,861

(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.)

Unemployment Compensation	\$	66	
Employer Medicare		10,432	
Communication		1,371	
Maintenance and Repair Services - Equipment		31,133	
Travel		9,644	
Other Contracted Services		11,576	
Food Preparation Supplies		62,095	
Food Supplies		813,435	
USDA - Commodities		98,394	
Other Supplies and Materials		11,639	
Workers' Compensation Insurance		10,211	
Food Service Equipment		84,748	
Total Food Service		<u>84,748</u>	\$ <u>2,162,564</u>

Total Central Cafeteria Fund \$ 2,162,564

School Transportation Fund

Support Services

Other Programs

Contributions	\$	<u>4,054</u>	
Total Other Programs			\$ 4,054

Board of Education

Trustee's Commission	\$	<u>30,082</u>	
Total Board of Education			30,082

Operation of Plant

Communication	\$	1,044	
Other Contracted Services		<u>525</u>	
Total Operation of Plant			1,569

Transportation

Supervisor/Director	\$	42,334	
Mechanic(s)		43,695	
Bus Drivers		707,701	
Secretary(ies)		16,280	
Other Salaries and Wages		38,845	
Social Security		52,404	
State Retirement		46,509	

(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.)

Life Insurance	\$	96	
Medical Insurance		11,644	
Unemployment Compensation		551	
Employer Medicare		12,307	
Contracts with Parents		346	
Medical and Dental Services		5,340	
Tow-in Services		1,700	
Travel		2,474	
Other Contracted Services		187,341	
Diesel Fuel		270,673	
Gasoline		4,138	
Lubricants		10,674	
Tires and Tubes		22,135	
Vehicle Parts		70,151	
Other Supplies and Materials		1,883	
Vehicle and Equipment Insurance		52,905	
Other Charges		6,698	
Communication Equipment		215	
Total Transportation			\$ 1,609,039

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$	51,549	
Total Education			51,549

Total School Transportation Fund \$ 1,696,293

Education Capital Projects Fund

Capital Outlay

Regular Capital Outlay

Other Charges	\$	156	
Transportation Equipment		686,030	
Total Regular Capital Outlay			\$ 686,186

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$	1,803,091	
Total Education			1,803,091

(Continued)

Exhibit K-8

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

Education Capital Projects Fund (Cont.)

Capital Projects

Education Capital Projects

Accounting Services	\$	900	
Architects		813,056	
Legal Services		34,500	
Permits		63,320	
Other Contracted Services		219,768	
Other Supplies and Materials		630	
Building Construction		9,027,418	
Furniture and Fixtures		26,353	
Building Purchases		243,708	
Other Construction		113,293	
Total Education Capital Projects			\$ <u>10,542,946</u>

Total Education Capital Projects Fund \$ 13,032,223

Total Governmental Funds - Rhea County School Department \$ 46,001,407

Exhibit K-9

Rhea County, Tennessee
Schedule of Detailed Revenues and Expenses
Proprietary Fund
For the Year Ended June 30, 2012

	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	\$ 1,519,587
Total Revenues	<u>\$ 1,519,587</u>
<u>Expenses</u>	
<u>General Government</u>	
Supervisor/Director	\$ 205
Foremen	81,733
Secretary(ies)	26,713
Social Security	6,758
State Retirement	9,355
Life Insurance	148
Medical Insurance	23,217
Employer Medicare	1,581
Communication	5,373
Operating Lease Payments	912
Towing Services	75
Other Contracted Services	7,153
Custodial Supplies	1,265
Diesel Fuel	2,134
Electricity	14,219
Gasoline	35,588
Lubricants	1,590
Natural Gas	4,567
Office Supplies	1,698
Tires and Tubes	1,556
Uniforms	4,086
Vehicle Parts	4,911
Water and Sewer	218
Other Supplies and Materials	14,214
Building and Contents Insurance	6,323
Liability Insurance	1,956

(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	\$ 6,775
Workers' Compensation Insurance	17,207
Data Processing Equipment	895
Maintenance Equipment	10,311
Total General Government	<u>\$ 292,736</u>
<u>Other Charges</u>	
Mechanic(s)	\$ 95,651
Social Security	5,905
State Retirement	8,236
Life Insurance	144
Medical Insurance	22,939
Employer Medicare	1,381
Towing Services	2,075
Other Contracted Services	25,100
Lubricants	15,226
Tires and Tubes	57,179
Vehicle Parts	116,080
Other Supplies and Materials	550
Total Other Charges	<u>\$ 350,466</u>
<u>Miscellaneous</u>	
Maintenance Personnel	\$ 410,591
Social Security	25,143
State Retirement	34,814
Life Insurance	620
Medical Insurance	95,548
Employer Medicare	5,880
Other Contracted Services	146,857
Custodial Supplies	34,945
Other Supplies and Materials	121,987
Total Miscellaneous	<u>\$ 876,385</u>
Total Expenses	<u><u>\$ 1,519,587</u></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, 2012

	Cities - Sales Tax Fund	City School ADA - Dayton City Fund	Total
<u>Cash Receipts</u>			
Current Property Taxes	\$ 0	\$ 311,289	\$ 311,289
Trustee's Collections - Prior Years	0	11,557	11,557
Trustee's Collections - Bankruptcy Circuit/Clerk and Master Collections - Prior Years	0	226	226
Interest and Penalty	0	12,559	12,559
Payments in-Lieu-of Taxes - T.V.A	0	2,088	2,088
Payments in-Lieu-of Taxes - Local Utilities	0	197	197
Payments in-Lieu-of Taxes - Other	0	298	298
Local Option Sales Tax	0	513	513
Bank Excise Tax	3,012,664	539,127	3,551,791
Interstate Telecommunications Tax	0	2,006	2,006
Marriage Licenses	0	273	273
Total Cash Receipts	\$ 3,012,664	\$ 880,543	\$ 3,893,207
<u>Cash Disbursements</u>			
Remittance of Revenues Collected	\$ 2,982,537	\$ 856,741	\$ 3,839,278
Trustee's Commission	30,127	12,058	42,185
Total Cash Disbursements	\$ 3,012,664	\$ 868,799	\$ 3,881,463
Excess of Cash Receipts Over (Under)			
Cash Disbursements	\$ 0	\$ 11,744	\$ 11,744
Cash Balance, July 1, 2011	0	59,118	59,118
Cash Balance, June 30, 2012	\$ 0	\$ 70,862	\$ 70,862

SINGLE AUDIT SECTION



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

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

December 12, 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, 2012, which collectively comprise a portion of Rhea County's basic financial statements and have issued our report thereon dated December 12, 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

The management of Rhea County is responsible for establishing and maintaining effective 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: 12.03, 12.04, 12.05, 12.06, 12.07, and 12.10. 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

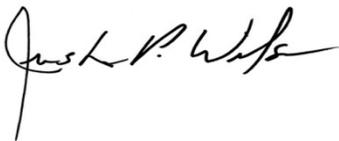
As part of obtaining reasonable assurance about whether Rhea County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 12.01, 12.02, 12.08, and 12.09.

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 LOCAL GOVERNMENT 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

Independent Auditor's Report

December 12, 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 Rhea County's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. 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, 2012.

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 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.

Schedule of Expenditures of Federal Awards

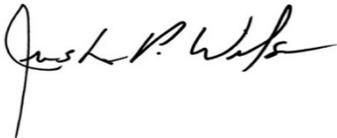
We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Rhea County as of and for the year ended June 30, 2012, and have issued our report thereon dated December 12, 2012. 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,

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

Justin P. Wilson
Comptroller of the Treasury

JPW/sb

Rhea County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2012

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	\$ 98,394 (3)
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	399,217
National School Lunch Program	10.555	N/A	1,125,000 (3)
Total U.S. Department of Agriculture			<u>\$ 1,622,611</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
State and Community Highway Safety	20.600	(2)	\$ 28,247
Total U.S. Department of Transportation			<u>\$ 28,247</u>
U.S. Department of Energy:			
Passed-through State Department of Transportation:			
Energy Efficiency and Conservation Block Grant Program (EECBG), Recovery Act	81.128	(2)	\$ 100,000
Total U.S. Department of Energy			<u>\$ 100,000</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	\$ 1,090,671
Title I Grants to Local Educational Agencies, Recovery Act	84.389	S389A090042	6
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	863,050
Special Education - Preschool Grants	84.173	N/A	17,232
Special Education - Grants to States, Recovery Act	84.391	H391A090052	26,890
Special Education - Preschool Grants, Recovery Act	84.392	H392A090095	919
Career and Technical Education - Basic Grants to States	84.048	N/A	96,481
Education Technology Cluster:			
Education Technology State Grants	84.318	(2)	827
Education Technology State Grants, Recovery Act	84.386	S3876A090042	1,175
Rural Education	84.358	(2)	87,858
English Language Acquisition Grants	84.365	(2)	12,409
Improving Teacher Quality State Grants	84.367	(2)	189,123
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	S395A100032	91,671
State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	S397A090043	49,831
Education Jobs Fund	84.410	N/A	601,616
Passed-through State Department of Labor and Workforce Development:			
Adult Education - Basic Grants to States	84.002	(2)	181,465
Total U.S. Department of Education			<u>\$ 3,311,224</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	(2)	\$ 56,007
Homeland Security Grant Program	97.067	(2)	35,442
Total U.S. Department of Homeland Security			<u>\$ 91,449</u>
Total Expenditures of Federal Awards			<u>\$ 5,153,531</u>

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Contract Number	Expenditures
<u>State Grants</u>			
Local Health Services - State Department of Health	N/A	Z-12-44141-00	\$ 108,798
Juvenile Services Program - State Commission on Children and Youth	N/A	(2)	9,000
Soil Erosion Control - State Department of Agriculture	N/A	(2)	16,265
Emergency Preparedness - State Department of Military	N/A	(2)	61,329
Child Safety Seat Grant - State Department of Health	N/A	(2)	2,621
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	9,792
Litter Program - State Department of Transportation	N/A	L12LIT072	42,086
ConnecTenn - State Department of Education	N/A	(2)	14,843
Coordinated School Health - State Department of Education	N/A	(2)	84,300
Energy Efficiency Grant - State Department of Economic and Community Development	N/A	(2)	87,761
Safe Schools - State Department of Education	N/A	(2)	11,769
Student Ticket Subsidy - Tennessee Arts Commission	N/A	(2)	1,612
Total State Grants			\$ 450,176

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 \$1,223,394.

Rhea County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2012

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, 2011, which have not been corrected.

OFFICE OF FINANCE DIRECTOR

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
11.01	170	The office had deficiencies in controls over nondepreciable assets

OFFICE OF REGISTER

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
11.06(A,B)	174	Deficiencies were noted in the maintenance of accounting records

OFFICE OF SHERIFF

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
11.09	175	Some collections were not deposited within three days of receipt

OFFICE OF CLERK AND MASTER

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
11.10	176	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**

Finding Number	Page Number	Subject
11.11	176	Duties were not segregated adequately

RHEA COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2012

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 no significant deficiency in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555); the Title I Cluster: Title I Grants to Local Educational Agencies and Title I Grants to Local Educational Agencies, Recovery Act (CFDA Nos. 84.010 and 84.389); the Special Education Cluster: Special Education – Grants to States, Special Education – Preschool Grants, Special Education – Grants to States, and Recovery Act, Special Education – Preschool Grants, Recovery Act (CFDA Nos. 84.027, 84.173, 84.391, and 84.392); and the 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 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 12.01 **THE OFFICE HAD DEFICIENCIES IN CONTROLS OVER NONDEPRECIABLE ASSETS (Noncompliance 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. Nondepreciable assets were not always marked with a county identification tag.
- C. Personnel independent of maintaining the inventory records did not periodically verify the records.

The county's inventory control policy requires accountability for all nondepreciable county- and School Department-owned assets that cost \$500 or more, 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 Department is making great strides to correct the problems in our non-depreciable assets. Everyone involved is aware of the situation and continually works toward a goal of correcting and addressing all the necessary aspects of this finding. Our goal is to have this finding corrected by the next audit.

FINDING 12.02 THE OFFICIAL BOND OF THE FINANCE DIRECTOR WAS NOT APPROVED BY THE COUNTY COMMISSION, RECORDED IN THE REGISTER'S OFFICE, OR FILED WITH THE STATE COMPTROLLER'S OFFICE
(Noncompliance Under *Government Auditing Standards*)

The finance director had an official bond; however, the bond was not approved by the County Commission. The bond was neither recorded in the Register's Office nor filed with the state Comptroller's Office as required by Section 5-21-109, *Tennessee Code Annotated*. These deficiencies were the result of a lack of oversight by management.

RECOMMENDATION

The finance director should ensure that his official bond is approved by the County Commission, recorded in the Register's Office, and filed with the state Comptroller's Office as required by state statute.

MANAGEMENT'S RESPONSE – FINANCE DIRECTOR

The bond was renewed but not approved by the County Commission. This finding will be corrected by December 18, 2012. The County Commission will approve the finance director's bond at the next County Commission meeting, and the bond will be recorded in the Register's Office.

FINDING 12.03 THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Our examination of purchasing procedures revealed the following deficiencies. These deficiencies can be attributed to a lack of management oversight.

- A. Purchase orders were not issued in some instances. Purchase orders are necessary to control who has purchasing authority for the county and to document purchasing commitments.
- B. In some instances, invoices were paid without documentation that goods had been received and/or services had been rendered. This practice weakens controls over the purchasing process and increases the risks of paying for something that was never received.

RECOMMENDATION

To strengthen internal controls over purchasing procedures and to document purchasing commitments, the office should issue purchase orders for all applicable purchases. The office should maintain documentation that goods have been received or services have been rendered before invoices are paid.

MANAGEMENT’S RESPONSE – FINANCE DIRECTOR

Various departments in the county seem continually not to follow proper purchasing procedures. The Finance Department, in conjunction with the Purchase and Finance Committee, makes a continual effort to promote proper purchasing procedures. No invoices are paid without someone from the management team’s approval.

FINDING 12.04 **SOME SHERIFF AND CIRCUIT COURT CLERK EMPLOYEES’ TIME RECORDS WERE NOT SIGNED BY A SUPERVISOR**
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

In some instances, supervisors in the Offices of Sheriff and Circuit Court Clerk did not sign employees’ time records as evidence of review and approval. Sound business practices dictate that payroll time records should be properly reviewed and approved. This deficiency is due to a lack of management oversight. If supervisors do not review and approve time records, risks increase that improper payments could result.

RECOMMENDATION

Supervisors should sign the employees’ time records as evidence of review and approval.

MANAGEMENT’S RESPONSE – FINANCE DIRECTOR

As of this notification, the Finance Department will attempt to collect all sign-in and sign-out sheets in the Payroll Department. Every effort will be made to encourage department heads to review and approve time records.

OFFICE OF CLERK AND MASTER

FINDING 12.05 **MULTIPLE EMPLOYEES OPERATED FROM THE SAME CASH DRAWER**
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

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

management decision resulting in a loss of control over assets. This deficiency can also be attributed to the failure of management to correct this finding noted in the prior-year audit report.

RECOMMENDATION

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

OFFICE OF REGISTER

FINDING 12.06 DEFICIENCIES WERE NOTED IN THE MAINTENANCE OF ACCOUNTING RECORDS
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Our examination disclosed the following deficiencies in the maintenance of accounting records. These deficiencies are 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. Also, these deficiencies are the result of management's failure to correct the findings noted in the prior-year audit report. Additional audit procedures were performed, and adjustments for errors were presented to the register for her approval to correctly reflect the financial statements in this report.

- A. The office did not reconcile bank statements with the cash journal during the fiscal year. The official reviewed 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. The official did not carry forward the ending balances from the prior fiscal year.
- C. The detailed list of accounts receivable did not match the accounts receivable balance shown on the general ledger.

RECOMMENDATION

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

FINDING 12.07

EMPLOYEES SHARED USERNAMES AND PASSWORDS

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

Although each employee had been assigned a unique username and password for accessing the office’s accounting software, this information was shared with other employees. If inappropriate activity were to occur, the employee responsible for this activity would not be easily identified because employees had access to each other’s username and password. Sound business practices dictate that each transaction be identified to the individual creating the transaction. This weakness was corrected in January 2012 after being brought to the attention of the official.

RECOMMENDATION

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

OFFICE OF SHERIFF

FINDING 12.08

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 and management’s failure to correct the finding noted in the prior-year audit report. 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.

FINDING 12.09

THE OFFICE DID NOT PREPARE AN ANNUAL FINANCIAL REPORT

(Noncompliance Under *Government Auditing Standards*)

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

RECOMMENDATION

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

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

FINDING 12.10 **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.

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 Local Government 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**

There were no findings and questioned costs for federal programs.

RHEA COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2012

There were no audit findings relative to federal awards presented in the current-year's Schedule of Findings and Questioned Costs. There were audit findings relative to federal awards presented in the prior-year's Schedule of Findings and Questioned Costs.

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

FINDINGS 11.02 and 11.12

There was an effort to instruct employees to follow the proper procedures. Management will continue to inform all employees that they must follow the correct purchasing procedures.