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# ANNUAL FINANCIAL REPORT RHEA COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2014



**ANNUAL FINANCIAL REPORT**  
**RHEA COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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

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

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***Audit Manager***

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***JENI PALADENI, CISA***  
***State Auditors***

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

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# ***Summary of Audit Findings***

Annual Financial Report  
Rhea County, Tennessee  
For the Year Ended June 30, 2014

## ***Scope***

We have audited the basic financial statements of Rhea County as of and for the year ended June 30, 2014.

## ***Results***

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

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

## ***Findings***

The following are summaries of the audit findings:

### **OFFICE OF FINANCE DIRECTOR**

- ◆ The office had deficiencies in budget operations.
- ◆ Government-wide financial statements do not include other postemployment benefits as required by generally accepted accounting principles.
- ◆ The office had deficiencies related to time records.

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### **OFFICE OF TRUSTEE**

- ◆ Employees shared usernames and passwords.

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

- ◆ The office did not deposit some funds within three days of collection.
-

## **OFFICE OF REGISTER OF DEEDS**

- ◆ The office had deficiencies in the maintenance of accounting records.
  - ◆ The annual financial report was not filed with the county executive and county clerk.
  - ◆ The office did not review its software audit logs.
- 

## **OFFICE OF SHERIFF**

- ◆ The office did not deposit some funds within three days of collection.
- 

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

- ◆ Duties were not segregated adequately.

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# INTRODUCTORY SECTION

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# Rhea County Officials

## June 30, 2014

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### **Officials**

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

### **Board of County Commissioners**

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

### **Financial Management Committee**

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

### **Board of Education**

John Mincy, Chairman	Perry Massengill
Billy DaVault	Harold McCawley
Dale Harris	Benny J. McCoy
Carroll Henderson	Larry Pendergrass
Paul Hill	

### **Audit Committee**

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

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## **FINANCIAL SECTION**

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STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF LOCAL GOVERNMENT AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-1402  
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Independent Auditor's Report

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

To the County Executive and Board of County Commissioners:

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Rhea County, Tennessee, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Rhea Medical Center, which represent 39.84 percent, 24.07 percent, and 34.34 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Also, we did not audit the financial statements of the Rhea County Emergency Communications District, which represent 1.47 percent, 1.99 percent, and .88 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and

our opinion, insofar as it relates to the amounts included for the Rhea Medical Center and the Rhea County Emergency Communications District is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, based on our audit and the 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General and Highway/Public Works funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

As described in Note V.B., Rhea County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans* and GASB Statement No. 70, *Accounting and Reporting for Nonexchange Financial Guarantees*, which have an effective date of June 30, 2014. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to

supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the schedules of funding progress – pension plan and other postemployment benefit plan on pages 91 - 93 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Rhea County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Rhea County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Rhea County School Department (a discretely presented component unit), and miscellaneous schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, the combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Rhea County School Department

(a discretely presented component unit), and miscellaneous schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2015, on our consideration of Rhea County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rhea County's internal control over financial reporting and compliance.

Very truly yours,



Justin P. Wilson  
Comptroller of the Treasury  
Nashville, Tennessee

January 27, 2015

JPW/yu

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# **BASIC FINANCIAL STATEMENTS**

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Exhibit A

Rhea County, Tennessee  
Statement of Net Position  
June 30, 2014

	Component Units			
	Primary Government Governmental Activities	Rhea County School Department	Rhea Medical Center	Rhea County Emergency Communications District
<u>ASSETS</u>				
Cash	\$ 91,916	\$ 0	\$ 7,397,879	\$ 1,239,988
Equity in Pooled Cash and Investments	3,050,137	6,632,348	0	0
Investments - Current	0	0	7,908,093	85,019
Inventories	0	72,285	419,511	0
Accounts Receivable	47,439	9,832	4,181,848	9,623
Allowance for Uncollectible	0	0	(1,770,000)	0
Due from Other Governments	583,597	1,079,771	0	0
Due from Component Units	277,603	0	0	0
Property Taxes Receivable	7,580,893	4,117,879	0	0
Allowance for Uncollectible Property Taxes	(536,764)	(291,567)	0	0
Prepaid Items	0	0	99,506	4,731
Other Current Assets	0	0	241,568	0
Investments - Noncurrent	0	0	6,014,781	0
Other Noncurrent Assets	0	0	246,632	0
Assets Not Depreciated:				
Land	1,393,763	939,515	2,463,248	0
Construction in Progress	457,629	31,803,312	28,585	0
Assets Net of Accumulated Depreciation:				
Buildings and Improvements	2,364,656	27,022,719	20,018,876	262,232
Infrastructure	2,323,384	0	0	0
Other Capital Assets	1,064,982	2,118,530	2,638,290	233,700
Total Assets	<u>\$ 18,699,235</u>	<u>\$ 73,504,624</u>	<u>\$ 49,888,817</u>	<u>\$ 1,835,293</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred Charge on Refunding	\$ 138,024	\$ 0	\$ 0	\$ 0
Total Deferred Outflows of Resources	<u>\$ 138,024</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 77,150	\$ 4,307	\$ 518,743	\$ 3,330
Accrued Payroll	0	1,355	479,823	0
Payroll Deductions Payable	72,768	521,129	0	0
Accrued Interest Payable	390,091	0	0	0
Due to Primary Government	0	277,603	0	0
Due to State of Tennessee	0	2,339	0	0
Due to Litigants, Heirs, and Others	6,320	0	0	0
Other Current Liabilities	0	0	6,254,000	0
Noncurrent Liabilities:				
Due Within One Year	1,997,689	76,090	805,000	0
Due in More Than One Year (net of unamortized premium on debt)	42,523,927	707,627	19,617,000	0
Total Liabilities	<u>\$ 45,067,945</u>	<u>\$ 1,590,450</u>	<u>\$ 27,674,566</u>	<u>\$ 3,330</u>

(Continued)

Exhibit A

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

	Primary Governmental Activities	Component Units		
		Rhea County School Department	Rhea Medical Center	Rhea County Emergency Communications District
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Current Property Taxes	\$ 6,761,099	\$ 3,672,574	\$ 0	\$ 0
Total Deferred Inflows of Resources	\$ 6,761,099	\$ 3,672,574	\$ 0	\$ 0
<u>NET ASSETS</u>				
Net Investment in Capital Assets	\$ 5,568,265	\$ 61,884,076	\$ 4,726,999	\$ 495,932
Restricted for:				
General Government	42,759	0	0	0
Administration of Justice	313,249	0	0	0
Public Safety	179,979	0	0	0
Public Health and Welfare	70,403	0	0	0
Highways/Public Works	544,962	0	0	0
Debt Service	138,790	0	0	0
Education	0	2,992,920	0	0
Unrestricted	(39,850,192)	3,364,604	17,487,252	1,336,031
Total Net Position	\$ (32,991,785)	\$ 68,241,600	\$ 22,214,251	\$ 1,831,963

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, 2014

Functions/Programs	Net (Expense) Revenue and Changes in Net Position									
	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	\$ 2,413,354	\$ 1,301,123	\$ 24,647	\$ 0	\$ (1,087,584)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Finance	1,339,025	694,324	0	0	(644,701)	0	0	0	0	0
Administration of Justice	1,060,192	624,791	9,000	0	(426,401)	0	0	0	0	0
Public Safety	4,641,906	410,915	341,708	14,036	(3,875,247)	0	0	0	0	0
Public Health and Welfare	1,238,267	228,400	253,116	0	(756,751)	0	0	0	0	0
Social, Cultural, and Recreational Services	282,998	0	0	0	(282,998)	0	0	0	0	0
Agriculture and Natural Resources	160,071	0	0	0	(160,071)	0	0	0	0	0
Highways/Public Works	1,691,280	2,875	1,589,025	365,171	265,791	0	0	0	0	0
Education	0	0	0	1,178,508	1,178,508	0	0	0	0	0
Interest on Long-term Debt	1,642,928	0	0	0	(1,642,928)	0	0	0	0	0
<b>Total Primary Government</b>	<b>\$ 14,470,021</b>	<b>\$ 3,262,428</b>	<b>\$ 2,217,496</b>	<b>\$ 1,557,715</b>	<b>\$ (7,432,382)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
Component Units:										
Rhea County School Department	\$ 36,794,136	\$ 848,075	\$ 5,562,598	\$ 0	\$ 0	\$ (30,383,463)	\$ 0	\$ 0	\$ 0	\$ 0
Rhea Medical Center	18,726,028	19,066,046	52,476	0	0	0	392,494	0	0	0
Rhea County Emergency Communications District	367,709	379,551	111,156	0	0	0	0	0	0	122,998
<b>Total Component Units</b>	<b>\$ 55,887,873</b>	<b>\$ 20,293,672</b>	<b>\$ 5,726,230</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (30,383,463)</b>	<b>\$ 392,494</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 122,998</b>

(Continued)

Exhibit B

Rhea County, Tennessee  
Statement of Activities (Cont.)

Functions/Programs	Net (Expense) Revenue and Changes in Net Position					
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Component Units	
					Total Governmental Activities	Rhea County School Department
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes		\$ 5,790,074			\$ 3,577,401	\$ 0
Property Taxes Levied for Debt Service		1,331,481			0	0
Local Option Sales Taxes		422,461			3,311,769	0
Hotel/Motel Tax		157,105			0	0
Litigation Tax - General		111,054			0	0
Litigation Tax - Jail, Workhouse, or Courthouse		63,271			0	0
Business Tax		320,300			0	0
Mineral Severance Tax		54,875			0	0
Wholesale Beer Tax		137,966			0	0
Other Local Taxes		7,607			2,750	0
Grants and Contributions Not Restricted to Specific Programs		1,168,654			22,918,808	0
Unrestricted Investment Earnings		8,206			2,607	92,094
Miscellaneous		48,020			12,250	0
Total General Revenues		\$ 9,621,074			\$ 29,825,585	\$ 92,094
Change in Net Position		\$ 2,188,692			\$ (557,878)	\$ 484,588
Restatement - See Note I.D.9.		190,188			0	0
Net Position, July 1, 2013		(35,370,665)			68,799,478	21,729,663
Net Position, June 30, 2014		\$ (32,991,785)			\$ 68,241,600	\$ 22,214,251
						\$ 1,831,963

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

Rhea County, Tennessee  
Balance Sheet  
Governmental Funds  
June 30, 2014

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway/ Public Works	General Debt Service	Other	Governmental Funds	
<b>ASSETS</b>						
Cash	\$ 100	\$ 0	\$ 0	\$ 91,816	\$ 91,916	
Equity in Pooled Cash and Investments	2,230,121	348,984	365,401	97,848	3,042,354	
Accounts Receivable	470	0	91	46,878	47,439	
Due from Other Governments	203,140	284,278	74,848	21,331	583,597	
Due from Other Funds	12	0	35,626	0	35,638	
Property Taxes Receivable	5,962,971	200,596	1,417,326	0	7,580,893	
Allowance for Uncollectible Property Taxes	(422,207)	(14,203)	(100,354)	0	(536,764)	
Total Assets	\$ 7,974,607	\$ 819,655	\$ 1,792,938	\$ 257,873	\$ 10,845,073	
<b>LIABILITIES</b>						
Accounts Payable	\$ 57,240	\$ 10,285	\$ 0	\$ 5,438	\$ 72,963	
Payroll Deductions Payable	54,063	8,096	0	2,826	64,985	
Due to Other Funds	36,874	0	0	170	37,044	
Due to Litigants, Heirs, and Others	0	0	0	6,320	6,320	
Total Liabilities	\$ 148,177	\$ 18,381	\$ 0	\$ 14,754	\$ 181,312	
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred Current Property Taxes	\$ 5,318,138	\$ 178,904	\$ 1,264,057	\$ 0	\$ 6,761,099	
Deferred Delinquent Property Taxes	207,626	7,189	49,915	0	264,730	
Other Deferred/Unavailable Revenue	11,502	127,057	37,665	5,406	181,630	
Total Deferred Inflows of Resources	\$ 5,537,266	\$ 313,150	\$ 1,351,637	\$ 5,406	\$ 7,207,459	

(Continued)

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

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway/ Public Works	General Debt Service	Other	Governmental Funds	
\$	40,759	0	0	0	0	40,759
Restricted for General Government						
Restricted for Administration of Justice	313,249	0	0	0	0	313,249
Restricted for Public Safety	179,979	0	0	0	0	179,979
Restricted for Public Health and Welfare	70,403	0	0	0	0	70,403
Restricted for Highways/Public Works	0	443,430	0	0	0	443,430
Restricted for Debt Service	0	0	441,301	0	0	441,301
Restricted for Other Purposes	2,000	0	0	0	0	2,000
Committed:						
Committed for Public Health and Welfare	0	0	0	100,170	0	100,170
Committed for Agriculture and Natural Resources	37,360	0	0	0	0	37,360
Assigned:						
Assigned for General Government	1,210	0	0	0	0	1,210
Assigned for Finance	0	0	0	91,816	0	91,816
Assigned for Administration of Justice	89,924	0	0	0	0	89,924
Assigned for Public Safety	93,816	0	0	39,959	0	133,775
Assigned for Other Purposes	128,232	44,694	0	5,768	0	178,694
Unassigned	1,332,232	0	0	0	0	1,332,232
Total Fund Balances	2,289,164	488,124	441,301	237,713	0	3,456,302
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	7,974,607	819,655	1,792,938	257,873	0	10,845,073

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

Exhibit C-2

Rhea County, Tennessee  
Reconciliation of the Balance Sheet of Governmental  
Funds to the Statement of Net Position  
June 30, 2014

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$	3,456,302
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	1,393,763	
Add: construction in progress		457,629	
Add: buildings and improvements net of accumulated depreciation		2,364,656	
Add: infrastructure net of accumulated depreciation		2,323,384	
Add: other capital assets net of accumulated depreciation		<u>1,064,982</u>	7,604,414
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: notes payable	\$	(2,951,628)	
Less: other loans payable		(1,209,322)	
Less: bonds payable		(39,365,000)	
Less: deferred premium on debt issuances		(650,672)	
Less: compensated absences payable		(344,994)	
Less: accrued interest on bonds and notes		(390,091)	
Add: deferred amount on refunding		138,024	
Add: debt to be contributed by the School Department		<u>274,822</u>	(44,498,861)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>446,360</u>
Net position of governmental activities (Exhibit A)		\$	<u><u>(32,991,785)</u></u>

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

Rhea County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2014

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Governmental Funds		
<u>Revenues</u>						
Local Taxes	\$ 6,209,745	\$ 247,271	\$ 1,791,063	\$ 301,956	\$ 8,550,035	
Licenses and Permits	126,645	0	0	0	126,645	
Fines, Forfeitures, and Penalties	233,193	0	0	43,889	277,082	
Charges for Current Services	56,869	0	0	510,392	567,261	
Other Local Revenues	337,940	3,073	8,180	69,749	418,942	
Fees Received from County Officials	825,957	0	0	0	825,957	
State of Tennessee	1,146,943	1,954,649	0	45,193	3,146,785	
Federal Government	44,553	0	0	301,925	346,478	
Other Governments and Citizens Groups	218,014	0	1,178,508	6,515	1,403,037	
<u>Total Revenues</u>	<u>\$ 9,199,859</u>	<u>\$ 2,204,993</u>	<u>\$ 2,977,751</u>	<u>\$ 1,279,619</u>	<u>\$ 15,662,222</u>	
<u>Expenditures</u>						
<u>Current:</u>						
General Government	\$ 1,523,993	\$ 0	\$ 0	\$ 0	\$ 1,523,993	
Finance	987,146	0	0	350,460	1,337,606	
Administration of Justice	1,063,806	0	0	734	1,064,540	
Public Safety	4,274,770	0	0	21,407	4,296,177	
Public Health and Welfare	358,716	0	0	552,072	910,788	
Agriculture and Natural Resources	159,768	0	0	0	159,768	
Other Operations	470,011	0	0	312,610	782,621	
Highways	0	1,877,094	0	0	1,877,094	
Debt Service:						
Principal on Debt	0	0	1,719,591	0	1,719,591	
Interest on Debt	0	0	1,652,904	0	1,652,904	
Other Debt Service	0	0	40,871	0	40,871	
Capital Projects	0	0	0	350,000	350,000	
<u>Total Expenditures</u>	<u>\$ 8,838,210</u>	<u>\$ 1,877,094</u>	<u>\$ 3,413,366</u>	<u>\$ 1,587,283</u>	<u>\$ 15,715,953</u>	

(Continued)

Exhibit C-3

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

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other	Governmental Funds	
Excess (Deficiency) of Revenues Over Expenditures	\$ 361,649	\$ 327,899	\$ (435,615)	\$ (307,664)	\$ (53,731)	
Other Financing Sources (Uses)						
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 300,000	\$ 300,000	300,000
Insurance Recovery	0	0	0	3,402	3,402	3,402
Transfers In	0	0	317,789	69,453	387,242	387,242
Transfers Out	(105,079)	(282,163)	0	0	(387,242)	(387,242)
Total Other Financing Sources (Uses)	\$ (105,079)	\$ (282,163)	\$ 317,789	\$ 372,855	\$ 303,402	
Net Change in Fund Balances	\$ 256,570	\$ 45,736	\$ (117,826)	\$ 65,191	\$ 249,671	249,671
Fund Balance, July 1, 2013	2,032,594	442,388	559,127	172,522	3,206,631	3,206,631
Fund Balance, June 30, 2014	\$ 2,289,164	\$ 488,124	\$ 441,301	\$ 237,713	\$ 3,456,302	3,456,302

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, 2014

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)		\$ 249,671
(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	\$ 966,327	
Less: current-year depreciation expense	<u>(454,640)</u>	511,687
(2) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2014	\$ 446,360	
Less: deferred delinquent property taxes and other deferred June 30, 2013	<u>(461,908)</u>	(15,548)
(3) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:		
Less: note proceeds	\$ (300,000)	
Less: change in deferred amount on refunding	(43,425)	
Add: change in premium on debt issuances	38,327	
Add: principal payments on notes	411,091	
Add: principal payments on other loans	78,500	
Add: principal payments on bonds	<u>1,230,000</u>	1,414,493
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Change in compensated absences payable	\$ 18,413	
Change in other postemployment benefits liability	190,188	
Change in accrued interest payable	<u>9,976</u>	<u>218,577</u>
Change in net position of governmental activities (Exhibit B)		<u>\$ 2,378,880</u>

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

Exhibit C-5

Rhea County, Tennessee  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Fund  
For the Year Ended June 30, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 6,209,745	\$ 6,027,282	\$ 6,052,782	\$ 156,963
Licenses and Permits	126,645	89,050	112,650	13,995
Fines, Forfeitures, and Penalties	233,193	192,073	203,284	29,909
Charges for Current Services	56,869	43,775	48,875	7,994
Other Local Revenues	337,940	328,676	338,551	(611)
Fees Received from County Officials	825,957	1,206,646	864,204	(38,247)
State of Tennessee	1,146,943	830,164	1,197,793	(50,850)
Federal Government	44,553	0	59,928	(15,375)
Other Governments and Citizens Groups	218,014	235,438	235,506	(17,492)
Total Revenues	\$ 9,199,859	\$ 8,953,104	\$ 9,113,573	\$ 86,286
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 168,841	\$ 184,457	\$ 187,830	\$ 18,989
Board of Equalization	2,260	2,260	2,262	2
Other Boards and Committees	3,709	3,948	5,584	1,875
County Mayor/Executive	140,234	143,752	153,142	12,908
County Attorney	17,450	15,000	22,000	4,550
Election Commission	196,191	236,308	240,848	44,657
Register of Deeds	174,756	182,454	179,454	4,698
Planning	9,250	9,250	9,250	0
Building	20,214	6,000	21,000	786
County Buildings	791,088	715,007	874,237	83,149
<u>Finance</u>				
Accounting and Budgeting	545,254	568,805	571,304	26,050
Property Assessor's Office	297,623	317,500	312,139	14,516
County Trustee's Office	59,684	210,693	68,550	8,866
County Clerk's Office	84,585	314,468	124,044	39,459
<u>Administration of Justice</u>				
Circuit Court	263,240	293,812	286,297	23,057
General Sessions Court	186,357	210,885	195,385	9,028
General Sessions Judge	314,888	323,798	320,152	5,264
Drug Court	1,729	7,853	14,091	12,362
Chancery Court	259,612	268,533	263,015	3,403
Courtroom Security	37,980	40,304	40,304	2,324
<u>Public Safety</u>				
Sheriff's Department	2,000,530	2,011,907	2,099,925	99,395
Administration of the Sexual Offender Registry	2,450	6,800	6,800	4,350
Jail	940,794	1,049,936	1,056,478	115,684
Juvenile Services	196,503	203,810	203,810	7,307
Fire Prevention and Control	253,801	237,853	331,738	77,937
Civil Defense	54,661	50	55,976	1,315
Rescue Squad	29,814	31,000	36,000	6,186
County Coroner/Medical Examiner	25,625	29,140	29,140	3,515
Public Safety Grants Program	23,063	0	30,141	7,078
Other Public Safety	747,529	792,017	797,942	50,413
<u>Public Health and Welfare</u>				
Local Health Center	252,631	86,812	327,042	74,411
Rabies and Animal Control	64,240	62,358	68,359	4,119

(Continued)

Exhibit C-5

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Public Health and Welfare (Cont.)</u>				
Crippled Children Services	\$ 2,072	\$ 2,072	\$ 2,072	\$ 0
Other Waste Disposal	38,202	40,000	40,000	1,798
Other Public Health and Welfare	1,571	0	24,430	22,859
<u>Agriculture and Natural Resources</u>				
Agricultural Extension Service	121,117	127,412	127,412	6,295
Soil Conservation	38,651	84,345	40,291	1,640
<u>Other Operations</u>				
Other Economic and Community Development	108,540	102,181	122,181	13,641
Veterans' Services	99,590	103,334	103,334	3,744
Other Charges	141,068	130,553	141,068	0
Contributions to Other Agencies	72,950	72,950	72,950	0
Employee Benefits	47,863	42,510	47,863	0
Total Expenditures	\$ 8,838,210	\$ 9,272,127	\$ 9,655,840	\$ 817,630
Excess (Deficiency) of Revenues Over Expenditures				
	\$ 361,649	\$ (319,023)	\$ (542,267)	\$ 903,916
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 0	\$ 0	\$ 2,457	\$ (2,457)
Transfers Out	(105,079)	0	(105,079)	0
Total Other Financing Sources	\$ (105,079)	\$ 0	\$ (102,622)	\$ (2,457)
Net Change in Fund Balance	\$ 256,570	\$ (319,023)	\$ (644,889)	\$ 901,459
Fund Balance, July 1, 2013	2,032,594	1,463,411	1,463,411	569,183
Fund Balance, June 30, 2014	\$ 2,289,164	\$ 1,144,388	\$ 818,522	\$ 1,470,642

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

Exhibit C-6

Rhea County, Tennessee  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Highway/Public Works Fund  
For the Year Ended June 30, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 247,271	\$ 260,000	\$ 260,000	\$ (12,729)
Other Local Revenues	3,073	10,000	10,000	(6,927)
State of Tennessee	1,954,649	2,148,952	2,148,952	(194,303)
Total Revenues	\$ 2,204,993	\$ 2,418,952	\$ 2,418,952	\$ (213,959)
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 232,399	\$ 238,520	\$ 239,020	\$ 6,621
Highway and Bridge Maintenance	854,510	968,769	1,008,469	153,959
Operation and Maintenance of Equipment	239,648	212,477	250,227	10,579
Other Charges	69,584	64,419	69,584	0
Employee Benefits	39,235	36,115	40,132	897
Capital Outlay	441,718	644,000	658,250	216,532
Total Expenditures	\$ 1,877,094	\$ 2,164,300	\$ 2,265,682	\$ 388,588
Excess (Deficiency) of Revenues Over Expenditures	\$ 327,899	\$ 254,652	\$ 153,270	\$ 174,629
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (282,163)	\$ (282,163)	\$ (282,163)	\$ 0
Total Other Financing Sources	\$ (282,163)	\$ (282,163)	\$ (282,163)	\$ 0
Net Change in Fund Balance	\$ 45,736	\$ (27,511)	\$ (128,893)	\$ 174,629
Fund Balance, July 1, 2013	442,388	293,543	293,543	148,845
Fund Balance, June 30, 2014	\$ 488,124	\$ 266,032	\$ 164,650	\$ 323,474

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

Exhibit D-1

Rhea County, Tennessee  
Statement of Net Position  
Proprietary Fund  
June 30, 2014

	Governmental Activities - Internal Service Fund <hr/> Central Maintenance/ Garage <hr/>
<u>ASSETS</u>	
Current Assets:	
Equity in Pooled Cash and Investments	\$ 7,783
Due from Other Funds	1,406
Due from Component Units	<hr/> 2,781
Total Assets	<hr/> \$ 11,970
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	\$ 4,187
Payroll Deductions Payable	<hr/> 7,783
Total Liabilities	<hr/> \$ 11,970
<u>NET POSITION</u>	
Unrestricted	<hr/> <hr/> \$ 0

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

Exhibit D-2

Rhea County, Tennessee  
Statement of Revenues, Expenses, and  
Changes in Net Position  
Proprietary Fund  
For the Year Ended June 30, 2014

	Governmental Activities - Internal Service Fund
	<u>Central Maintenance/ Garage</u>
<u>Operating Revenues</u>	
Charges for Current Services	\$ 1,491,408
Total Operating Revenues	<u>\$ 1,491,408</u>
<u>Operating Expenses</u>	
<u>General Government</u>	
<u>Other Facilities</u>	
Foremen	\$ 83,792
Secretary(ies)	26,713
Social Security	6,915
State Retirement	9,565
Life Insurance	144
Medical Insurance	21,715
Employer Medicare	1,617
Other Fringe Benefits	3,300
Communication	7,419
Operating Lease Payments	984
Licenses	375
Towing Services	75
Travel	33
Other Contracted Services	4,903
Custodial Supplies	800
Diesel Fuel	3,858
Electricity	13,625
Gasoline	32,234
Lubricants	2,014
Natural Gas	6,726
Office Supplies	1,499
Tires and Tubes	1,369
Uniforms	3,411
Vehicle Parts	9,111
Water and Sewer	276
Other Supplies and Materials	10,161
Building and Contents Insurance	7,104
Liability Insurance	2,199
Vehicle and Equipment Insurance	7,612
Workers' Compensation Insurance	21,221
Liability Claims	500
Maintenance Equipment	2,963
Total Other Facilities	<u>\$ 294,233</u>

(Continued)

Exhibit D-2

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

	Governmental Activities - Internal Service Fund <hr/> Central Maintenance/ Garage <hr/>
<u>Other Operations</u>	
<u>Other Charges</u>	
Mechanic(s)	\$ 95,651
Social Security	5,905
State Retirement	8,393
Life Insurance	144
Medical Insurance	21,865
Employer Medicare	1,381
Towing Services	2,725
Other Contracted Services	14,765
Lubricants	17,084
Tires and Tubes	52,655
Vehicle Parts	112,360
Other Supplies and Materials	627
Total Other Charges	<u>\$ 333,555</u>
<u>Miscellaneous</u>	
Maintenance Personnel	\$ 368,558
Social Security	22,584
State Retirement	30,898
Life Insurance	556
Medical Insurance	82,794
Employer Medicare	5,282
Other Fringe Benefits	3,391
Other Contracted Services	186,166
Custodial Supplies	31,796
Other Supplies and Materials	131,595
Total Miscellaneous	<u>\$ 863,620</u>
Total Operating Expenses	<u>\$ 1,491,408</u>
Operating Income (Loss)	<u>\$ 0</u>
Change in Net Position	\$ 0
Net Position, July 1, 2013	<u>0</u>
Net Position, June 30, 2014	<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, 2014

	Governmental Activities - Internal Service Fund
	<u>Central Maintenance/ Garage</u>
<u>Cash Flows from Operating Activities</u>	
Receipts from Interfund Services Provided	\$ 1,487,221
Central Maintenance Garage Activity - Uses	<u>(1,486,734)</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ 487</u>
Net Increase (Decrease) in Cash	\$ 487
Cash, July 1, 2013	<u>7,296</u>
Cash, June 30, 2014	<u><u>\$ 7,783</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 Funds	(1,406)
(Increase) Decrease in Due from Component Units	(2,781)
Increase (Decrease) in Accounts Payable	4,187
Increase (Decrease) in Payroll Deductions Payable	<u>487</u>
Net Cash Provided By (Used In) Operating Activities	<u><u>\$ 487</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, 2014

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 1,372,224
Equity in Pooled Cash and Investments	79,300
Due from Other Governments	668,676
Taxes Receivable	369,768
Allowance for Uncollectible Taxes	<u>(26,182)</u>
Total Assets	<u>\$ 2,463,786</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 1,061,484
Due to Litigants, Heirs, and Others	<u>1,402,302</u>
Total Liabilities	<u>\$ 2,463,786</u>

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

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

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**RHEA COUNTY, TENNESSEE**  
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**RHEA COUNTY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**A. Reporting Entity**

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

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

The Rhea County School Department operates the public school system in the county, and the voters of Rhea County elect its board. The School Department is fiscally dependent on the county because it may not issue debt, and its budget and property tax levy are subject to the County Commission's approval. The School Department's taxes are levied under the taxing authority of the county and are included as part of the county's total tax levy.

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

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

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

Administrative Offices:

Rhea Medical Center  
9400 Rhea County Highway  
Dayton, TN 37321

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

**Related Organization** – The Rhea County Industrial Development Board is a related organization of Rhea County. The County Commission’s Steering Committee nominates and the Rhea County Commission confirms the board members, but the county’s accountability for the organization does not extend beyond making the appointments.

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other

items not properly included among program revenues are reported instead as general revenues.

Rhea County issues all debt for the discretely presented Rhea County School Department. There were no debt issues contributed by the county to the School Department during the year ended June 30, 2014.

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

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay

liabilities of the current period. For this purpose, the county considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. Rhea County considers grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the General Debt Service Fund for payments to be made early in the following year.

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

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

Rhea County reports the following major governmental funds:

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

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

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

Additionally, Rhea County reports the following fund types:

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

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

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

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

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

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

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

**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.

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

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

Operating expenses for the internal service fund include administrative expenses and employee benefits.

**D. Assets, Liabilities, Deferred Outflows/Inflows or Resources, and Net Position/Fund Balance**

**1. Deposits and Investments**

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

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

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented Rhea County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net position as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Debt Service Fund. Rhea County and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit are reported at cost. Investments in the State Treasurer's Investment Pool are reported at fair value. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Accordingly, the pool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

**2. Receivables and Payables**

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

All property taxes receivable are shown net of an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 3.65 percent of total taxes levied.

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

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current fiscal year. These property taxes receivable are presented on the balance sheet as a deferred inflow of resources to reflect amounts not available as of June 30. Property taxes collected within 30 days of year-end are considered available and accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

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

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

**3. Inventories**

Inventories of the discretely presented Rhea County School Department are recorded at cost, determined on the first-in, first-out method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Inventories are offset in the nonspendable fund balance account in governmental funds.

4. **Capital Assets**

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$10,000 or more and an estimated useful life of more than three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

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

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

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the governmental funds balance sheet. These revenues are from the following sources: current and delinquent property taxes and various receivables for revenue, which do not meet the availability criteria in governmental funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**6. Compensated Absences**

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.

**7. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Debt premiums and discounts are deferred and amortized over the life of the new debt using the straight-line method. Debt issuance costs are expensed in the period incurred. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is

reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the refunded debt or the life of the new debt issued, whichever is shorter.

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

Only the matured portion (the portion that has come due for payment) of long-term indebtedness, including bonds payable, is recognized as a liability and expenditure in the governmental fund financial statements. Liabilities and expenditures for other long-term obligations, including compensated absences and other postemployment benefits, are recognized to the extent that the liabilities have matured (come due for payment) each period.

## **8. Net Position and Fund Balance**

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

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

As of June 30, 2014, Rhea County had \$41,489,801 in outstanding debt for capital purposes for the discretely presented Rhea County School Department. This debt is a liability of Rhea County; however, the capital assets acquired are reported in the financial statements of the School Department. Therefore, Rhea County has incurred a liability

significantly decreasing its unrestricted net position with no corresponding increase in the county's capital assets.

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

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

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

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

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

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

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

to specific purposes within the General and General Purpose School funds.

**9. Restatement**

Effective January 1, 2014, Rhea County changed its healthcare from the Local Government Group Plan to a commercial healthcare benefits plan administered by Blue Cross/Blue Shield. A restatement of net position totaling \$190,188 has been recognized for the net other postemployment benefits obligation recognized in the prior year in the government-wide financial statements.

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

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

**Primary Government**

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

**Discretely Presented Rhea County School Department**

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

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

**Primary Government**

Exhibit C-4 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the change in net position of governmental activities reported in the government-wide Statement of Activities.

**Discretely Presented Rhea County School Department**

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

### III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

#### A. Budgetary Information

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

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

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

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

#### B. Actual Fund Balances Exceeded Estimated Beginning Fund Balances by Material Amounts

The following funds' actual beginning fund balances at July 1, 2013, exceeded estimated actual fund balances presented to the County Commission during the budget approval process.

Fund	Actual Beginning Fund Balance	Estimated Beginning Fund Balance	Difference
Primary Government:			
General	\$ 2,032,594	\$ 1,463,411	\$ (569,183)
Highway/Public Works	442,388	293,543	(148,845)
Discretely Presented School Department:			
General Purpose School	3,866,085	2,753,131	(1,112,954)

#### IV. DETAILED NOTES ON ALL FUNDS

##### A. Deposits and Investments

Rhea County and the Rhea County School Department participate in an internal cash and investment pool through the Office of Trustee. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, depositing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net position as Equity in Pooled Cash and Investments. Cash reflected on the balance sheets or statements of net position represents nonpooled amounts held separately by individual funds.

##### Deposits

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

For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured

amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the county.

**Investments**

**Legal Provisions.** Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposits at state and federal chartered banks and savings and loan associations; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county’s own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer’s Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state Comptroller’s Office and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the fair value of the securities on the day of purchase. The county had no pooled and nonpooled investments as of June 30, 2014.

**B. Capital Assets**

Capital assets activity for the year ended June 30, 2014, was as follows:

**Primary Government**

**Governmental Activities:**

	Balance 7-1-13	Increases	Balance 6-30-14
Capital Assets Not Depreciated:			
Land	\$ 1,028,831	\$ 364,932	\$ 1,393,763
Construction in Progress	0	457,629	457,629
Total Capital Assets			
Not Depreciated	<u>\$ 1,028,831</u>	<u>\$ 822,561</u>	<u>\$ 1,851,392</u>

**Governmental Activities (Cont.):**

	Balance 7-1-13	Increases	Balance 6-30-14
Capital Assets Depreciated:			
Buildings and Improvements	\$ 3,187,860	\$ 20,221	\$ 3,208,081
Infrastructure	11,880,767	0	11,880,767
Other Capital Assets	3,625,405	123,545	3,748,950
Total Capital Assets Depreciated	<u>\$ 18,694,032</u>	<u>\$ 143,766</u>	<u>\$ 18,837,798</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 804,731	\$ 38,694	\$ 843,425
Infrastructure	9,354,580	202,803	9,557,383
Others Capital Assets	2,470,825	213,143	2,683,968
Total Accumulated Depreciation	<u>\$ 12,630,136</u>	<u>\$ 454,640</u>	<u>\$ 13,084,776</u>
Total Capital Assets Depreciated, Net	<u>\$ 6,063,896</u>	<u>\$ (310,874)</u>	<u>\$ 5,753,022</u>
Governmental Activities Capital Assets, Net	<u>\$ 7,092,727</u>	<u>\$ 511,687</u>	<u>\$ 7,604,414</u>

There were no decreases in capital assets to report during the year ended June 30, 2014.

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

**Governmental Activities:**

General Government	\$ 44,974
Finance	4,423
Public Safety	115,934
Public Health and Welfare	16,769
Highways/Public Works	<u>272,540</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 454,640</u>

**Discretely Presented Rhea County School Department**

**Governmental Activities:**

	Balance 7-1-13	Increases	Balance 6-30-14
	<hr/>		<hr/>
Capital Assets Not Depreciated:			
Land	\$ 939,515	\$ 0	\$ 939,515
Construction in Progress	<u>25,749,528</u>	<u>6,053,784</u>	<u>31,803,312</u>
Total Capital Assets Not Depreciated	<u>\$ 26,689,043</u>	<u>\$ 6,053,784</u>	<u>\$ 32,742,827</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 37,374,429	\$ 0	\$ 37,374,429
Other Capital Assets	<u>5,408,152</u>	<u>69,653</u>	<u>5,477,805</u>
Total Capital Assets Depreciated	<u>\$ 42,782,581</u>	<u>\$ 69,653</u>	<u>\$ 42,852,234</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 9,787,385	\$ 564,325	\$ 10,351,710
Others Capital Assets	<u>3,061,654</u>	<u>297,621</u>	<u>3,359,275</u>
Total Accumulated Depreciation	<u>\$ 12,849,039</u>	<u>\$ 861,946</u>	<u>\$ 13,710,985</u>
Total Capital Assets Depreciated, Net	<u>\$ 29,933,542</u>	<u>\$ (792,293)</u>	<u>\$ 29,141,249</u>
Governmental Activities Capital Assets, Net	<u>\$ 56,622,585</u>	<u>\$ 5,261,491</u>	<u>\$ 61,884,076</u>

There were no decreases in capital assets to report during the year ended June 30, 2014.

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

**Governmental Activities:**

Instruction	\$ 428,618
Support Services	419,387
Operation of Non-instructional Services	<u>13,941</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 861,946</u>

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

The composition of interfund balances as of June 30, 2014, was as follows:

**Due to/from Other Funds**

Receivable Fund	Payable Fund	Amount
Primary Government:		
General	Constitutional Officers - Fees	\$ 12
General Debt Service	General	35,626
Central Maintenance/Garage	"	1,248
"	Solid Waste/Sanitation	158

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.

Receivable	Payable	Amount
Primary Government:	Component Unit:	
Governmental Activities	School Department	\$ 277,603

The amount reflected as Due to Primary Government consists primarily of the balance of the energy efficiency loan issued by the county for the School Department (\$274,822). The School Department has agreed to contribute the funds annually to retire this debt once the entire loan amount has been drawn down. The balance of the amount of Due to Primary Government (\$2,781) consists of the balance of fiscal year 2014 expenditures of the School Department's General Purpose School Fund for maintenance performed by the Central Maintenance Department at various schools. These long-term debt obligations are reflected in the governmental activities on the Statement of Net Position.

**Interfund Transfers:**

Interfund transfers for the year ended June 30, 2014, consisted of the following amounts:

**Primary Government**

	<u>Transfers In</u>	
	General Debt Service Fund	Nonmajor Governmental Funds
<u>Transfers Out</u>		
General Fund	\$ 35,626	\$ 69,453
Highway/Public Works Fund	282,163	0
Total	<u>\$ 317,789</u>	<u>\$ 69,453</u>

**Discretely Presented Rhea County School Department**

	<u>Transfer In</u>
<u>Transfer Out</u>	School Transportation Fund
General Purpose School Fund	\$ 20,200

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

**D. Operating Leases**

**Discretely Presented Rhea County School Department**

The Rhea County School Department leases two outdoor lighting systems for the high school and Spring City middle school from the local electric co-op. The rent expenditures for the year ended June 30, 2014, 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>
2015	\$ 11,848
2016	7,200
2017	<u>7,200</u>
Total	<u>\$ 26,248</u>

**E. Long-term Obligations**

**Primary Government**

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

Rhea County issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities for the primary government and the discretely presented School Department. In addition, general obligation bonds have been issued to refund other general obligation bonds. Capital outlay notes are issued to fund capital facilities and other capital outlay purchases, such as equipment.

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to 22 years for bonds, up to ten years for notes, and up to 20 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds, capital outlay notes, and other loans included in long-term debt as of June 30, 2014, will be retired from the General Debt Service Fund.

General obligation bonds, capital outlay notes, and other loans outstanding as of June 30, 2014, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-14
General Obligation Bond -	2 to 4.25%	2-1-34	\$ 33,000,000	\$ 32,875,000
General Obligation Bonds - Refunding	3.375 to 4	4-1-23	9,795,000	6,490,000
Capital Outlay Notes	2.37 to 4.17	6-20-22	4,050,534	2,951,628
Other Loans	various	5-25-26	1,792,322	1,209,322

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, 2014, the variable interest rate was .28 percent and other fees totaled approximately .15 percent (letter of credit), .08 percent (remarketing) on the outstanding loan principal, and a trustee fee of \$85 per month.

Also, in previous years, Rhea County entered into a loan agreement for an energy efficient loan program for schools. Under this loan agreement, the county borrowed \$274,822. The loan is repayable at zero percent interest.

The annual requirements to amortize all general obligation bonds, notes, and other loans outstanding as of June 30, 2014, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
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
2020-2024	8,650,000	5,714,630	14,364,630
2025-2029	10,075,000	4,135,470	14,210,470
2030-2034	13,675,000	1,764,470	15,439,470
Total	\$ 39,365,000	\$ 18,641,785	\$ 58,006,785

Year Ending June 30	Notes		
	Principal	Interest	Total
2015	\$ 456,367	\$ 91,018	\$ 547,385
2016	467,245	76,050	543,295
2017	386,195	61,343	447,538
2018	397,217	48,910	446,127
2019	377,314	36,136	413,450
2020-2022	867,290	39,984	907,274
Total	\$ 2,951,628	\$ 353,441	\$ 3,305,069

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2015	\$ 103,404	\$ 1,940	\$ 2,614	\$ 107,958
2016	121,764	1,812	2,508	126,084
2017	123,764	1,677	2,398	127,839
2018	125,764	1,537	2,284	129,585
2019	127,764	1,392	2,165	131,321
2020-2024	467,862	4,569	8,860	481,291
2025-2026	139,000	588	2,605	142,193
Total	<u>\$ 1,209,322</u>	<u>\$ 13,515</u>	<u>\$ 23,434</u>	<u>\$ 1,246,271</u>

There is \$441,301 available in the General Debt Service Fund to service long-term debt. Debt per capita, including bonds, notes, and other loans totaled \$1,368, based on the 2010 federal census.

The School Department is currently contributing funds to service some of the debt issued on its behalf by the primary government as noted in the table below. This debt is reflected in the government-wide financial statements as Due to the Primary Government in the financial statements of the School Department and as Due from Component Units in the financial statements of the primary government.

Description of Indebtedness	Outstanding 6-30-14
<u>Other Loan Payable</u>	
<u>Contributions from the General Purpose School Fund</u>	
Energy Efficiency Loan Program	\$ 274,822

#### Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2014, was as follows:

#### Governmental Activities:

	Bonds	Notes
Balance, July 1, 2013	\$ 40,595,000	\$ 3,062,719
Additions	0	300,000
Reductions	(1,230,000)	(411,091)
Balance, June 30, 2014	<u>\$ 39,365,000</u>	<u>\$ 2,951,628</u>
Balance Due Within One Year	<u>\$ 1,310,000</u>	<u>\$ 456,367</u>

	Other Loans	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2013	\$ 1,287,822	\$ 363,407	\$ 190,188
Additions	0	190,080	0
Reductions	(78,500)	(208,493)	0
Restatement	0	0	* (190,188)
Balance, June 30, 2014	<u>\$ 1,209,322</u>	<u>\$ 344,994</u>	<u>\$ 0</u>
Balance Due Within One Year	<u>\$ 103,404</u>	<u>\$ 127,918</u>	<u>\$ 0</u>

\* - See Notes I.D.9. and V.J. for details regarding the restatement of Other Postemployment Benefits.

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2014	\$ 43,870,944
Less: Balance Due Within One Year	(1,997,689)
Add: Unamortized Premium on Debt	<u>650,672</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 42,523,927</u>

Compensated absences and other postemployment benefits will be paid from the employing funds, primarily the General and Highway/Public Works funds.

**Discretely Presented Rhea County School Department**

Changes in Long-term Obligations

Long-term obligations activity for the discretely presented Rhea County School Department for the year ended June 30, 2014, was as follows:

	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2013	\$ 429,746	\$ 465,673
Additions	119,207	198,480
Reductions	(150,553)	(278,836)
Balance, June 30, 2014	<u>\$ 398,400</u>	<u>\$ 385,317</u>
Balance Due Within One Year	<u>\$ 76,090</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2014	\$ 783,717
Less: Balance Due Within One Year	<u>(76,090)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 707,627</u>

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

**F. 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, 2014, were \$65,771 and \$25,255, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

**G. Short-term Debt**

Rhea County issued tax anticipation notes of \$787,724 from the General Purpose School Fund in advance of property tax collections and deposited the proceeds in the General Fund (\$597,568) and the School Transportation Fund (\$190,156). 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, 2014, was as follows:

	Balance 7-1-13	Issued	Paid	Balance 6-30-14
Tax Anticipation Note	\$ 0	\$ 787,724	\$ (787,724)	\$ 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 participated in the Local Government Group Insurance Fund; however, beginning January 1, 2014, the county decided to provide commercial health insurance coverage to its employees. As of June 30, 2014, settled claims have not exceeded this commercial insurance.

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

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

## **B. Accounting Changes**

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans* and Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* became effective for the year ended June 30, 2014.

GASB Statement No. 67 replaces the requirements of Statements No. 25 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts or equivalent arrangements.

GASB Statement No. 70 relates to accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

**C. Subsequent Events**

On October 21, 2014, the School Department's General Purpose School Fund issued a \$578,836 tax anticipation note to the General (\$262,040) and School Transportation (\$316,796) funds for temporary operating funds.

On January 15, 2015, Rhea County entered into a \$27,997 lease-purchase agreement for Sheriff's Department radios.

On January 23, 2015, Rhea County issued a capital outlay note totaling \$390,000 for school buses (\$270,000) and solid waste equipment and repairs (\$120,000).

**D. Contingent Liabilities**

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

**E. Financial Guarantees**

Rhea County is contingently liable for a loan agreement of the Rhea Medical Center. The Public Building Authority of the County of Montgomery, Tennessee, issued its Adjustable Rate Pooled Financing Revenue Bonds, Series 2004 on July 1, 2004, and loaned \$24,100,000 of the proceeds to the medical center under a loan agreement with terms substantially identical to terms of the bonds. The bonds mature on various dates from May 25, 2010, through May 25, 2033. Principal payments will be made annually as they become due. Interest payments are due monthly. Interest is calculated daily as set forth in the loan agreement (.85 percent at June 30, 2014). The outstanding principal balance of this loan agreement at June 30, 2014, was \$20,422,000.

**F. Changes in Administration**

Bill Graham resigned as the finance director on July 24, 2013, and was succeeded by Linda Edington. Ms. Edington left on November 12, 2013, and was succeeded by Bonnie Daughtery, who then resigned on November 17, 2013. On November 18, 2013, William Watson was appointed as the finance director.

**G. 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 landfill. The old landfill has been closed and is in the postclosure maintenance and monitoring stage. The new landfill is currently in operation, and the county expects it to close in the year 2036. Santek will pay postclosure care costs of the old landfill and closure and postclosure care costs of the new landfill as long as the contract with Rhea County is in effect. In the event the contract with Santek is not renewed, the county must assume liability for closure and postclosure care costs of the landfills. The estimated closure and postclosure costs of the landfills totaling \$2,441,857 at June 30, 2014, 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 2014. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

## **H. Joint Ventures**

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

The Twelfth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Twelfth Judicial District; Bledsoe, Franklin, Grundy, Marion, Rhea, and Sequatchie counties; and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors comprised of the district attorney general, sheriffs, and police chiefs of the participating law enforcement agencies within the judicial district. Rhea County did not contribute to the DTF for the year ended June 30, 2014.

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

Administrative Offices:

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

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

**I. Retirement Commitments**

**Plan Description**

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

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

**Funding Policy**

Rhea County requires employees to contribute five percent of their earnable compensation to the plan. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2014,

was 8.82 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, 2014, Rhea County’s annual pension cost of \$1,231,490 to TCRS was equal to the county’s required and actual contributions. The required contribution was determined as part of the July 1, 2011, 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 postretirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. The county’s unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011, was three 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
6-30-14	\$1,231,490	100%	\$0
6-30-13	1, 291,561	100	0
6-30-12	1, 281,466	100	0

**Funded Status and Funding Progress**

As of July 1, 2011, the most recent actuarial valuation date, the plan was 88.29 percent funded. The actuarial accrued liability for benefits was \$47.75 million, and the actuarial value of assets was \$42.16 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$5.59 million. The covered payroll (annual payroll of active employees covered by the plan) was \$14.4 million, and the ratio of the UAAL to the covered payroll was 38.83 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](http://www.tn.gov/treasury/tcrs/Schools).

### **Funding Policy**

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2014, was 8.88 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, 2014, 2013, and 2012, were \$1,384,566, \$1,335,078, and \$1,360,780, respectively, equal to the required contributions for each year.

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

**Primary Government – Commercial Healthcare Plan**

Plan Description

Effective January 1, 2014, Rhea County changed its healthcare from the Local Government Group Plan to a commercial healthcare benefits plan administered by Blue Cross/Blue Shield. For accounting purposes, the plan is a single-employer defined benefit OPEB plan. Benefits are established and amended by an insurance committee established by the County Commission.

The commercial insurance plan allows county and Highway Department employees to continue insurance coverage after retirement, provided the employee has met certain employment requirements, until Medicare coverage begins and with the premium paid by the retired county employee. Rhea County did not obtain an actuarial valuation to determine the data necessary for the measurement and recognition of other postemployment benefits (OPEB). This data is necessary for the preparation of government-wide financial statements and note disclosures as required by Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB is the standard-setting body for accounting principles that state and local governments are required to follow. Statement No. 45 establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information. In our opinion, as of June 30, 2014, the effect on the government-wide financial statements and note disclosures are not material since only one retired employee is still on the county's insurance. However, in the future this will change as more employees retire.

**Discretely Presented Rhea County School Department**

Plan Description

The School Department participates in the state-administered Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, the plan is an agent multiple-employer defined benefit OPEB plan. Benefits are established and amended by an insurance committee created by Section 8-27-302, *Tennessee Code Annotated (TCA)* for local education employees. Prior to reaching the age of 65, all members have the option of choosing between the standard or partnership preferred provider organization (PPO) plan for 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 plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop a contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state does not provide a subsidy for local government participants; however, the state does provide a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. School Department retirees' contributions vary depending on the insurance options they select, ranging from \$512 to \$1,277 per month. The School Department recognized expenditures of \$278,836 for postemployment health care during the year ended June 30, 2014.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan	Local Government Group Plan
ARC	\$ 198,000	\$ 0
Interest on the NOPEBO	18,627	0
Adjustment to the ARC	(18,147)	0
Annual OPEB cost	\$ 198,480	\$ 0
Amount of contribution	(278,836)	0
Increase/decrease in NOPEBO	\$ (80,356)	\$ 0
Net OPEB obligation, 7-1-13	465,673	190,188
Restatement	0	(190,188)
Net OPEB obligation, 6-30-14	<u>\$ 385,317</u>	<u>\$ 0</u>

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-12	Local Education Group	\$ 324,115	80%	\$ 425,627
6-30-13	"	310,953	87	465,673
6-30-14	"	198,480	141	385,317

### Funded Status and Funding Progress

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

	<u>Local Education Group Plan</u>
Actuarial valuation date	7-1-13
Actuarial accrued liability (AAL)	\$ 1,687,000
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 1,687,000
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 15,454,595
UAAL as a % of covered payroll	10.92%

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

### Actuarial Methods and Assumptions

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

In the July 1, 2013, actuarial valuation for the Local Education Plan, the projected unit credit actuarial cost method was used, and the actuarial assumptions included a four percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 7.5 percent for fiscal year 2014. The trend rate will decrease to seven percent in fiscal year 2015 and then be reduced by decrements to an ultimate rate of 4.7 percent by fiscal year 2044. 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 July 1, 2007.

**K. 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.

**L. Purchasing Law**

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

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

**A. Summary of Significant Accounting Policies**

**1. Organization**

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

**2. Enterprise Fund Accounting**

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

**3. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the

reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**4. Net Patient Service Revenue**

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

Revenue from the Medicare and Medicaid programs accounted for approximately 22 and 13 percent, respectively, for the year ended June 30, 2014, of the medical center's net patient service revenue. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

**5. Charity Care**

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

**6. Operating Revenues and Expenses**

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

**7. Income Taxes**

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

**8. Inventories**

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

**9. Accounts Receivable**

Accounts receivable are stated at the amount the medical center expects to collect. The medical center maintains allowances for doubtful accounts for estimated losses resulting from the inability of its patients to make required payments. Management considers the following factors when determining the collectability of patient accounts: payor credit-worthiness, past transaction history with the payor, current economic industry trends, and changes in payor payment terms. If the financial condition of the medical center's payors or patients 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.

**10. Cash and Cash Equivalents**

The medical center considers currency on hand and demand deposits with financial institutions to be cash. The medical center considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents exclude amounts held by trustees under bond indenture agreements and amounts restricted by donors. There were no cash equivalents at June 30, 2014.

**11. Noncurrent Cash and Investments**

Noncurrent investments include the portion of the medical center's investments in certificates of deposit, annuities, and other investment vehicles that are not expected to mature within the coming year. There was no noncurrent cash in 2014.

**12. Capital Assets**

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

depreciation are removed from the books, and any resulting gain or loss is reflected in income for the period.

A summary of estimated useful lives follows:

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

**13. Cost of Borrowing**

Except for capital assets acquired through gifts, contributions, or capital grants, interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. No interest was capitalized during 2014.

**14. Bond Issuance Costs**

There are no bond issuance costs at June 30, 2014.

**15. 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.

**16. Net Position**

Net position of the medical center are classified into four components:

- a. *Net investment in capital assets* - consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets.
- b. *Restricted expendable net position* - are noncapital net assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the medical center.
- c. *Restricted nonexpendable net position* - equals the principal portion of permanent endowments.

- d. *Unrestricted net position* – is the remaining net position that does not meet the definition of net investment in capital assets or restricted.

There were no restricted assets at June 30, 2014.

Property and Equipment, Net	\$ 25,148,999
Less:	
Current Portion of Long-term Debt Related to the Acquisition of Property and Equipment	(805,000)
Long-term Debt, Excluding Current Portion Relating to the Acquisition of Property and Equipment	<u>(19,617,000)</u>
Net Investment in Capital Assets	<u>\$ 4,726,999</u>

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

#### 17. Deferred Outflows/Inflows of Resources

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* defines deferred outflows of resources and deferred inflows of resources as follows:

Deferred outflows of resources – a consumption of net assets by the government that is applicable to a future reporting period.

Deferred inflows of resources – an acquisition of net assets by the government that is applicable to a future reporting period.

As of June 30, 2014, the medical center did not have any deferred outflows or inflows of resources.

#### B. Deposits and Investments

**Deposits.** State statutes authorize the medical center to invest in obligations of the U.S. Treasury, bank certificates of deposit, state approved repurchase agreements and pooled investment funds, and state or local bonds rated A or higher by a nationally recognized rating service.

**Custodial credit risk - deposits.** Custodial risk is the risk that, in the event of a bank failure, the medical center's deposits may not be returned to it. The medical center's bank balance of deposits was \$7,655,148 at June 30, 2014. 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 risk - investments.** The medical center's investments are subject to custodial risk as follows:

Investments	Balance 6-30-14
Insured by FDIC	\$ 13,830,988
Uninsured	91,886
Total Investments	\$ 13,922,874

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

	Balance 6-30-14
Carrying Amount:	
Deposits	\$ 7,988,516
Certificates of Deposit	13,330,987
Cash on Hand	1,250
Total	\$ 21,320,753
Included in the Following Balance Sheet Captions:	
Cash	\$ 7,397,879
Current Investments	7,908,093
Noncurrent Investments	6,014,781
Total	\$ 21,320,753

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

**C. Net Patient Service Revenue**

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

Medicare – Inpatient acute care services, outpatient services, inpatient nonacute services, and medical education costs related to Medicare beneficiaries are paid based upon a cost reimbursement methodology. The medical center is reimbursed for 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.

The following table summarizes net patient service revenue:

Gross Revenues from Patients	\$ 43,371,985
Less: Allowances for Contractual Adjustments	(20,463,740)
Provisions for Bad Debts	<u>(4,075,093)</u>
Net Patient Service Revenue	<u>\$ 18,833,152</u>

**D. Electronic Health Records (EHR) Incentive Payments**

Medicare provides electronic health records (EHR) incentive payments, which are recored as net patient service revenue because the payments are directly linked to the payments they receive for providing care to Medicare beneficiaries. During 2014, the medical center recognized \$426,928 in EHR incentive payments.

**E. Inventories**

Inventories at June 30, 2014, consisted of the following:

	<u>Balance 6-30-14</u>
Pharmacy	\$ 130,085
General Supplies	83,312
Dietary	13,152
Laboratory	39,540
X-ray	16,113
Surgery	<u>137,309</u>
Total	<u>\$ 419,511</u>

**F. Cash and Investments Internally Designated for Capital Acquisitions**

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

**G. Capital Assets**

A summary of changes in capital assets follows:

	Balance 7-1-13	Additions	Retire- ments	Transfers	Balance 6-30-14
Land	\$ 2,362,513	\$ 100,735	\$ 0	\$ 0	\$ 2,463,248
Construction in Progress	0	60,102	0	(31,517)	28,585
Land Improvements	134,095	0	0	0	134,095
Buildings and Improvements	28,113,812	0	0	0	28,113,812
Major Movable Equipment	12,623,170	136,225	(11,997)	31,517	12,778,915
Fixed Equipment	941,525	0	0	0	941,525
Total at Historical Cost	<u>\$ 44,175,115</u>	<u>\$ 297,062</u>	<u>\$ (11,997)</u>	<u>\$ 0</u>	<u>\$ 44,460,180</u>
Less Accumulated Depreciation For:					
Land Improvements	\$ 70,835	\$ 3,986	\$ 0	\$ 0	\$ 74,821
Buildings and Improvements	7,460,171	694,039	0	0	8,154,210
Major Movable Equipment	9,762,196	523,802	(11,997)	0	10,274,001
Fixed Equipment	806,666	1,483	0	0	808,149
Total Accumulated Depreciation	<u>\$ 18,099,868</u>	<u>\$ 1,223,310</u>	<u>\$ (11,997)</u>	<u>\$ 0</u>	<u>\$ 19,311,181</u>

	Balance 7-1-13	Additions	Retire- ments	Transfers	Balance 6-30-14
Property and Equipment, Net	\$ 26,075,247	\$ (926,248)	\$ 0	\$ 0	\$ 25,148,999

The medical center capital assets above include idle property at June 30, 2014, as follows: buildings and improvement of \$740,000, capital equipment of \$126,000, and major moveable equipment of \$305,000. Idle property is not being depreciated. Management estimates the value of the idle property is not impaired below recorded value.

#### H. 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, 2014, the assets totaled \$408,455, net of accumulated amortization.

Other assets also included various lease deposits and prepayments totaling \$79,745 at June 30, 2014.

#### I. Long-term Debt

	Balance 6-30-14
Loan Agreement	\$ 20,422,000
Total Long-term Debt	\$ 20,422,000
Less: Current Maturities of Long-term Debt	(805,000)
Long-term Debt, Net of Current Maturities	\$ 19,617,000

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

Principal payments will be made annually as they become due. Interest payments are due monthly. Variable interest is calculated daily as set forth in the loan agreement (.85 percent at June 30, 2014).

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

Scheduled payments on long-term debt are as follows:

Year Ending June 30	Other Loans	
	Principal	Interest*
2015	\$ 805,000	\$ 170,166
2016	830,000	163,217
2017	856,000	156,052
2018	882,000	148,665
2019	910,000	141,049
2020-2024	4,990,000	582,463
2025-2029	5,815,000	353,281
2030-2033	5,334,000	92,404
Total	<u>\$ 20,422,000</u>	<u>\$ 1,807,297</u>

\* - Future interest payments are based on the loan amounts outstanding and interest rates in effect at June 30, 2014, and do not necessarily represent the payments that will be required.

Activity for long-term debt for 2014 follows:

	Balance		Amounts Due	
	7-1-13	Decreases	6-30-14	Within One Year
Bonds Payable	\$ 21,203,000	\$ (781,000)	\$ 20,422,000	\$ 805,000
Total Long-term Debt	<u>\$ 21,232,783</u>	<u>\$ (810,783)</u>	<u>\$ 20,422,000</u>	<u>\$ 805,000</u>

**J. 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 \$289,278 for 2014 and are included with accrued payroll in current liabilities.

**K. Charity Care**

The medical center estimates that the cost of providing care under the charity care policy was approximately \$316,000 during the year ended June 30, 2014. 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.

**L. 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. 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.

Effective July 1, 2012, the medical center established a deferred compensation 457(b) retirement plan for the benefit of its employees. Any employee who has been continuously employed by the medical center for three months before their entry date is eligible to participate. Employees elect to contribute a portion of their salary and the medical center makes contributions to the employees at its discretion. For any taxable year of the participant, employer contributions shall not exceed the lesser of 1) the applicable dollar amount, or 2) 100 percent of the participant's includible compensation for the taxable year.

Contributions to both plans by the medical center totaled \$426,176 in 2014. Contributions to both plans by medical center employees totaled \$322,708 in 2014.

**M. Working Capital**

Net working capital at June 30, 2014, was \$10,420,839.

**N. Commitments and Contingencies**

**1. Operating Leases**

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

The medical center leases equipment under operating lease agreements. Rental expenses included in operations totaled \$232,154 in 2014.

Future minimum lease payments under operating leases are as follows:

Year Ending June 30	Amount
2015	\$ 52,008
2016	52,008
2017	<u>47,674</u>
Total	<u>\$ 151,690</u>

The medical center leases space to physicians and others under leases with various terms. Total rental income for all operating leases was \$141,019 for 2014.

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>(3,401,385)</u>
Net Book Value	<u>\$ 583,805</u>

## **2. Professional Liability Insurance**

The medical center is insured for professional liability under a claims-made policy with an independent insurance carrier. The policy covers all claims reported to the carrier during the coverage period. The primary level of coverage is \$1,000,000. Coverage for workers' compensation insurance is provided on a claims-made basis. The primary level of coverage is \$500,000 per claim, \$500,000 per employee, and \$500,000 in the aggregate. Premiums are determined by a variety of factors related to the medical center.

## **3. Management Agreement**

A management agreement between the medical center and Quorum Health Resources, Inc., (Quorum) was signed on April 24, 2009, with effective dates of March 1, 2009, through February 28, 2016. The annual fee 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 \$312,441 in 2014.

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 administrative compensation and other services was \$431,460 for 2014.

**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, 2014, was as follows:

	<u>6-30-14</u>
Medicare	22%
Medicaid/TennCare	4
Blue Cross	7
Commercial	13
Private Pay	<u>54</u>
Total	<u>100%</u>

**P. Subsequent Events**

The medical center noted no transactions that would provide evidence about material conditions that did not exist at the balance sheet date but arose subsequently, through the date the medical center's financial statements were available to be issued.

**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 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 Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows.

The district is accounted for as an enterprise fund as prescribed by the state. Enterprise funds are a type of proprietary fund, and as such, are reported in accordance with generally accepted accounting principles for proprietary funds as defined by GASB. Proprietary funds types are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred. Enterprise funds are used to account for operations that are financed and operated in a manner similar to a private business and where the Board has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability.

Operating revenues in proprietary funds are those revenues generated from the primary operations of the fund. All other revenues are reported as nonoperating revenues. The state has defined grants and reimbursements from TECB to be nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expense are reported as nonoperating expenses.

**3. Recently Adopted New Accounting Pronouncements**

GASB Statement No. 61 amends Statements No. 14 and No. 34 and modifies certain requirements for inclusion of component units in the financial reporting entity to ensure that the reporting entity includes only organizations for which the elected official are financially accountable or that are determined by the government to be misleading to exclude. Statement No. 61 also clarifies the criteria for blending component units and presenting business-type component units. The adoption of GASB Statement No. 61 did not have any impact on the district's financial statements.

GASB Statement No. 62 incorporates into GASB's literature the provisions in Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' Committee on Accounting Procedures issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements. The option to use subsequent FASB guidance has been removed.

GASB Statement No. 63 amends the net asset reporting requirements in Statement No. 34 and other pronouncements. Under these new standards, financial statements include deferred outflows of resources and deferred inflows of resources, in addition to assets and liabilities, and will report net position instead of net assets. GASB Statement No. 63 requires the classification of net position into three components – invested in capital assets, net of related debt; restricted net position; and unrestricted net position. These classifications are defined as follows:

- a. Net investment 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. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in the component of net position. If there are significant unspent related debt proceeds at

year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

- b. Restricted net position – Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
- c. Unrestricted net position – Consists of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of invested in capital assets, net of related debt, or the restricted component of net position.

Implementation of GASB Statement No. 63 had no effect on the district’s net position or changes in net position for the fiscal year ended June 30, 2014.

**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	\$ 55,151	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.

**7. Budgets and Budgetary Accounting**

The Rhea County Emergency Communications District's Board approves an annual budget based upon anticipated revenues and estimated operating expenses. In accordance with the level of control established by the Tennessee Comptroller of the Treasury, operating expenses may not exceed the amount budgeted in each line item. Budgeted expenses may be amended, as needed, to meet changing needs.

**8. Subsequent Events**

In preparing these financial statements, the district has evaluated events and transactions for potential recognition or disclosure through the date the district's financial statements were available to be issued.

**B. Tax Status**

The district was incorporated as a political subdivision under the Tennessee Emergency Agency Communications District Law and is exempt from federal income taxes.

**C. 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 or by collateral held by the State of Tennessee Collateral Pool for Public Deposits.

**D. Deposits and Investments**

The district's investments include:

	Carrying Amount	Market Value
Community National Bank Growth Fund	\$ 23,176	\$ 23,176
Local Government Investment Pool	61,843	61,843
Total Investments	<u>\$ 85,019</u>	<u>\$ 85,019</u>

At year-end, all deposits of the 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 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.

**E. Capital and Intangible Assets**

The following is a schedule of changes to capital and intangible assets for the year ended June 30, 2014:

	Balance 7-1-13	Increases	Balance 6-30-14
Capital and Intangible Assets, Depreciated:			
Buildings and Improvements	\$ 367,463	\$ 7,263	\$ 374,726
Furniture and Fixtures	90,864	7,870	98,734
Office Equipment	5,089	0	5,089
Communications Equipment	432,797	190,498	623,295
Vehicles	44,498	0	44,498
Database Development	100,872	22,272	123,144
Total Capital and Intangible Assets, Depreciated	<u>\$ 1,041,583</u>	<u>\$ 227,903</u>	<u>\$ 1,269,486</u>

	Balance 7-1-13	Increases	Balance 6-30-14
Less Accumulated Depreciation/ Amortization For:			
Buildings and Improvements	\$ 98,734	\$ 13,760	\$ 112,494
Furniture and Fixtures	77,118	8,720	85,838
Office Equipment	4,499	416	4,915
Communications Equipment	423,998	40,726	464,724
Vehicles	32,985	4,605	37,590
Database Development	57,452	10,541	67,993
Total Accumulated Depreciation	<u>\$ 694,786</u>	<u>\$ 78,768</u>	<u>\$ 773,554</u>
Total Capital and Intangible Assets, Depreciated/ Amortized	<u>\$ 346,797</u>	<u>\$ 149,135</u>	<u>\$ 495,932</u>

There were no decreases to capital and intangible assets for the year ended June 30, 2014.

**F. Retirement Plan**

Plan Description

Certain employees of Rhea County Emergency Communications District are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). The participation in the Plan is through Rhea County 911 Emergency Agency's limited association with Rhea County government.

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 not 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, Annual Pension Cost, Trend Information, and Funded Status and Funding Progress**

Information for these areas is not specifically available for Rhea County 911 Emergency Agency but is included within the aggregated information for Rhea County Government as a whole. Please find this information for Rhea County within its comprehensive annual financial report for the year ended June 30, 2014.

**G. 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.

**H. 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.

**I. Use of Restricted/Unrestricted Net Position**

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the district's policy is to apply restricted net position first.

**J. Reclassifications**

For comparability purposes, certain prior-year accounts have been reclassified.

**K. Impact Payment**

Rhea County government currently pays all of the districts payroll liabilities and taxes associated with these salaries. The director and assistance director salaries and payroll taxes are being reimbursed to Rhea County government. All dispatcher salaries and related taxes are being covered by the county in their entirety. The agency is also reimbursing Rhea County for the agency's portion of radio maintenance and equipment upgrades. Impact payments for the years ended June 30, 2014, totaled \$183,000.

**L. Compensated Absences**

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the district. Employees may carry forward up to 20 days of vacation into the next calendar year. Employees are entitled to the accrued vacation leave upon termination of service. All payrolls are handled by Rhea County government for this agency; therefore, any vacation accruals are accumulated and reported at that level.

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

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The district does not have any items that qualify for reporting in this category as of June 30, 2014.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then. The district does not have any items that qualify for reporting in this category as of June 30, 2014.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit F-1

Rhea County, Tennessee  
Schedule of Funding Progress – Pension Plan  
Primary Government and Discretely Presented Rhea County School Department  
June 30, 2014

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Frozen 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)
7-1-13	\$ 42,161	\$ 47,752	\$ 5,591	88.29 %	\$ 14,400	38.83 %
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

Exhibit F-2

Rhea County, Tennessee  
Schedule of Funding Progress – Other Postemployment Benefits Plan  
Discretely Presented Rhea County School Department  
June 30, 2014

(Dollar amounts in thousands)

Plan	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Local Education Group	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
"	7-1-13	0	1,687	1,687	0	15,454	10.92

**RHEA COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2014**

**OTHER POSTEMPLOYMENT BENEFITS**

On January 1, 2014, the Rhea County Commission switched county and Highway Department employees from the state health insurance plan to a commercial insurance plan. The commercial insurance plan allows county and Highway Department employees to continue insurance coverage after retirement, provided the employee has met certain employment requirements, until Medicare coverage begins and with the premium paid by the retired county employee. Rhea County did not obtain an actuarial valuation to determine the data necessary for the measurement and recognition of other postemployment benefits (OPEB). This data is necessary for the preparation of government-wide financial statements and note disclosures as required by Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB is the standard-setting body for accounting principles that state and local governments are required to follow. Statement No. 45 establishes standards for the measurement, recognition, and display of OPEB expenses/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information. In our opinion, as of June 30, 2014, the effect on the government-wide financial statements and note disclosures are not material since only one retired employee is still on the county's insurance. However, in the future this will change as more employees retire.

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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

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

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

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

## Capital Projects Fund

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

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General Capital Projects Fund – The General Capital Projects Fund is used to account for general capital projects of the county. This fund was closed during the year.

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

Rhea County, Tennessee  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2014

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constituti- onal Officers - Fees		
Cash	0	0	91,816		91,816
Equity in Pooled Cash and Investments	51,569	46,279	0		97,848
Accounts Receivable	46,866	0	12		46,878
Due from Other Governments	21,331	0	0		21,331
<b>Total Assets</b>	<b>119,766</b>	<b>46,279</b>	<b>91,828</b>	<b>91,828</b>	<b>257,873</b>
<u>ASSETS</u>					
<u>LIABILITIES</u>					
Accounts Payable	5,438	0	0		5,438
Payroll Deductions Payable	2,826	0	0		2,826
Due to Other Funds	158	0	12		170
Due to Litigants, Heirs, and Others	0	6,320	0		6,320
<b>Total Liabilities</b>	<b>8,422</b>	<b>6,320</b>	<b>12</b>	<b>12</b>	<b>14,754</b>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Other Deferred/Unavailable Revenue	5,406	0	0		5,406
<b>Total Deferred Inflows of Resources</b>	<b>5,406</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,406</b>
<u>FUND BALANCES</u>					
Committed:					
Committed for Public Health and Welfare	100,170	0	0		100,170
Assigned:					
Assigned for Finance	0	0	91,816		91,816
Assigned for Public Safety	0	39,959	0		39,959
Assigned for Other Purposes	5,768	0	0		5,768
<b>Total Fund Balances</b>	<b>105,938</b>	<b>39,959</b>	<b>91,816</b>	<b>91,816</b>	<b>237,713</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>119,766</b>	<b>46,279</b>	<b>91,828</b>	<b>91,828</b>	<b>257,873</b>

Rhea County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2014

	Special Revenue Funds				Capital Projects Funds
	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	Total	
<u>Revenues</u>					
Local Taxes	\$ 301,956	\$ 0	\$ 0	\$ 301,956	\$ 0
Fines, Forfeitures, and Penalties	0	43,889	0	43,889	0
Charges for Current Services	159,623	0	350,769	510,392	0
Other Local Revenues	68,895	854	0	69,749	0
State of Tennessee	45,193	0	0	45,193	0
Federal Government	0	0	0	0	0
Other Governments and Citizens Groups	5,304	1,211	0	6,515	0
Total Revenues	\$ 580,971	\$ 45,954	\$ 350,769	\$ 977,694	\$ 0
<u>Expenditures</u>					
Current:					
Finance	\$ 0	\$ 0	\$ 350,460	\$ 350,460	\$ 0
Administration of Justice	0	0	734	734	0
Public Safety	0	21,247	160	21,407	0
Public Health and Welfare	552,072	0	0	552,072	0
Other Operations	10,685	0	0	10,685	0
Capital Projects	0	0	0	0	350,000
Total Expenditures	\$ 562,757	\$ 21,247	\$ 351,354	\$ 935,358	\$ 350,000
Excess (Deficiency) of Revenues Over Expenditures	\$ 18,214	\$ 24,707	\$ (585)	\$ 42,336	\$ (350,000)

(Continued)

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

	Special Revenue Funds				Capital
	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Total	Projects Funds
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 0 \$	0 \$	0 \$	0 \$	300,000
Insurance Recovery	0	3,402	0	3,402	0
Transfers In	19,453	0	0	19,453	50,000
Total Other Financing Sources (Uses)	\$ 19,453 \$	3,402 \$	0 \$	22,855 \$	350,000
Net Change in Fund Balances	\$ 37,667 \$	28,109 \$	(585) \$	65,191 \$	0
Fund Balance, July 1, 2013	68,271	11,850	92,401	172,522	0
Fund Balance, June 30, 2014	\$ 105,938 \$	39,959 \$	91,816 \$	237,713 \$	0

(Continued)

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

	<u>Capital Projects Funds (Cont.)</u>		Total Nonmajor Governmental Funds
	HUD Grant Projects	Total	
<u>Revenues</u>			
Local Taxes	\$ 0 \$	0 \$	301,956
Fines, Forfeitures, and Penalties	0	0	43,889
Charges for Current Services	0	0	510,392
Other Local Revenues	0	0	69,749
State of Tennessee	0	0	45,193
Federal Government	301,925	301,925	301,925
Other Governments and Citizens Groups	0	0	6,515
Total Revenues	\$ 301,925 \$	301,925 \$	1,279,619
<u>Expenditures</u>			
Current:			
Finance	0 \$	0 \$	350,460
Administration of Justice	0	0	734
Public Safety	0	0	21,407
Public Health and Welfare	0	0	552,072
Other Operations	301,925	301,925	312,610
Capital Projects	0	350,000	350,000
Total Expenditures	\$ 301,925 \$	651,925 \$	1,587,283
Excess (Deficiency) of Revenues Over Expenditures	\$ 0 \$	(350,000) \$	(307,664)

(Continued)

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

	<u>Capital Projects Funds (Cont.)</u>		Total Nonmajor Governmental Funds
	HUD Grant Projects	Total	
<u>Other Financing Sources (Uses)</u>			
Notes Issued	\$ 0 \$	300,000 \$	300,000
Insurance Recovery	0	0	3,402
Transfers In	0	50,000	69,453
Total Other Financing Sources (Uses)	\$ 0 \$	350,000 \$	372,855
Net Change in Fund Balances	\$ 0 \$	0 \$	65,191
Fund Balance, July 1, 2013	0	0	172,522
Fund Balance, June 30, 2014	\$ 0 \$	0 \$	237,713

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, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 301,956	\$ 267,000	\$ 267,000	\$ 34,956
Charges for Current Services	159,623	195,925	195,925	(36,302)
Other Local Revenues	68,895	60,110	60,110	8,785
State of Tennessee	45,193	0	59,832	(14,639)
Other Governments and Citizens Groups	5,304	0	10,000	(4,696)
Total Revenues	<u>\$ 580,971</u>	<u>\$ 523,035</u>	<u>\$ 592,867</u>	<u>\$ (11,896)</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Waste Pickup	\$ 552,072	\$ 515,892	\$ 595,333	\$ 43,261
<u>Other Operations</u>				
Other Charges	4,251	2,025	4,251	0
Employee Benefits	6,434	5,669	6,434	0
Total Expenditures	<u>\$ 562,757</u>	<u>\$ 523,586</u>	<u>\$ 606,018</u>	<u>\$ 43,261</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 18,214</u>	<u>\$ (551)</u>	<u>\$ (13,151)</u>	<u>\$ 31,365</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 19,453	\$ 0	\$ 19,453	\$ 0
Total Other Financing Sources	<u>\$ 19,453</u>	<u>\$ 0</u>	<u>\$ 19,453</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 37,667	\$ (551)	\$ 6,302	\$ 31,365
Fund Balance, July 1, 2013	<u>68,271</u>	<u>9,304</u>	<u>9,304</u>	<u>58,967</u>
Fund Balance, June 30, 2014	<u>\$ 105,938</u>	<u>\$ 8,753</u>	<u>\$ 15,606</u>	<u>\$ 90,332</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, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 43,889	\$ 21,800	\$ 21,800	\$ 22,089
Other Local Revenues	854	830	830	24
Other Governments and Citizens Groups	1,211	2,523	2,523	(1,312)
Total Revenues	<u>\$ 45,954</u>	<u>\$ 25,153</u>	<u>\$ 25,153</u>	<u>\$ 20,801</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 21,247	\$ 29,811	\$ 34,303	\$ 13,056
Total Expenditures	<u>\$ 21,247</u>	<u>\$ 29,811</u>	<u>\$ 34,303</u>	<u>\$ 13,056</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 24,707</u>	<u>\$ (4,658)</u>	<u>\$ (9,150)</u>	<u>\$ 33,857</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 3,402	\$ 0	\$ 3,402	\$ 0
Total Other Financing Sources	<u>\$ 3,402</u>	<u>\$ 0</u>	<u>\$ 3,402</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 28,109	\$ (4,658)	\$ (5,748)	\$ 33,857
Fund Balance, July 1, 2013	11,850	10,993	10,993	857
Fund Balance, June 30, 2014	<u>\$ 39,959</u>	<u>\$ 6,335</u>	<u>\$ 5,245</u>	<u>\$ 34,714</u>

# Major Governmental Fund

## Debt Service Fund

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

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Exhibit H

Rhea County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Debt Service Fund  
For the Year Ended June 30, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,791,063	\$ 1,735,468	\$ 1,735,468	\$ 55,595
Other Local Revenues	8,180	55,000	55,000	(46,820)
Other Governments and Citizens Groups	1,178,508	1,186,525	1,186,525	(8,017)
Total Revenues	<u>\$ 2,977,751</u>	<u>\$ 2,976,993</u>	<u>\$ 2,976,993</u>	<u>\$ 758</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 96,722	\$ 66,723	\$ 96,723	\$ 1
Highways and Streets	220,534	220,534	220,534	0
Education	1,402,335	1,402,335	1,402,335	0
<u>Interest on Debt</u>				
General Government	13,199	35,244	40,870	27,671
Highways and Streets	61,629	61,630	61,630	1
Education	1,578,076	1,578,080	1,578,080	4
<u>Other Debt Service</u>				
General Government	40,278	40,725	42,725	2,447
Education	593	550	593	0
Total Expenditures	<u>\$ 3,413,366</u>	<u>\$ 3,405,821</u>	<u>\$ 3,443,490</u>	<u>\$ 30,124</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (435,615)</u>	<u>\$ (428,828)</u>	<u>\$ (466,497)</u>	<u>\$ 30,882</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 317,789	\$ 282,164	\$ 317,790	\$ (1)
Total Other Financing Sources	<u>\$ 317,789</u>	<u>\$ 282,164</u>	<u>\$ 317,790</u>	<u>\$ (1)</u>
Net Change in Fund Balance	\$ (117,826)	\$ (146,664)	\$ (148,707)	\$ 30,881
Fund Balance, July 1, 2013	559,127	490,037	490,037	69,090
Fund Balance, June 30, 2014	<u>\$ 441,301</u>	<u>\$ 343,373</u>	<u>\$ 341,330</u>	<u>\$ 99,971</u>

# Fiduciary Funds

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

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

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

Community Development - Agency Fund – The Community Development - Agency Fund is used to account for a small community development project for the county. These revenues received were from a grant and funds were remitted as soon as they were received. This fund was opened and closed during the year.

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

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

Exhibit I-1

Rhea County, Tennessee  
Combining Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2014

	Agency Funds					Total
	Cities - Sales Tax	City School ADA - Dayton	Constitu- tional Officers - Agency	District Attorney General		
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 1,372,224	\$ 0	\$ 1,372,224	
Equity in Pooled Cash and Investments	0	49,447	0	29,853	79,300	
Due from Other Governments	569,053	99,398	0	225	668,676	
Taxes Receivable	0	369,768	0	0	369,768	
Allowance for Uncollectible Taxes	0	(26,182)	0	0	(26,182)	
Total Assets	<u>\$ 569,053</u>	<u>\$ 492,431</u>	<u>\$ 1,372,224</u>	<u>\$ 30,078</u>	<u>\$ 2,463,786</u>	
<u>LIABILITIES</u>						
Due to Other Taxing Units	\$ 569,053	\$ 492,431	\$ 0	\$ 0	\$ 1,061,484	
Due to Litigants, Heirs, and Others	0	0	1,372,224	30,078	1,402,302	
Total Liabilities	<u>\$ 569,053</u>	<u>\$ 492,431</u>	<u>\$ 1,372,224</u>	<u>\$ 30,078</u>	<u>\$ 2,463,786</u>	

Exhibit I-2

Rhea County, Tennessee  
Combining Statement of Changes in Assets and Liabilities - All Agency Funds  
For the Year Ended June 30, 2014

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 3,243,318	\$ 3,243,318	\$ 0
Due from Other Governments	547,236	569,053	547,236	569,053
<b>Total Assets</b>	<b>\$ 547,236</b>	<b>\$ 3,812,371</b>	<b>\$ 3,790,554</b>	<b>\$ 569,053</b>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 547,236	\$ 3,812,371	\$ 3,790,554	\$ 569,053
<b>Total Liabilities</b>	<b>\$ 547,236</b>	<b>\$ 3,812,371</b>	<b>\$ 3,790,554</b>	<b>\$ 569,053</b>
<u>City School ADA - Dayton Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 53,893	\$ 49,447	\$ 53,893	\$ 49,447
Due from Other Governments	96,263	99,398	96,263	99,398
Taxes Receivable	373,276	369,768	373,276	369,768
Allowance for Uncollectible Taxes	(20,754)	(26,182)	(20,754)	(26,182)
<b>Total Assets</b>	<b>\$ 502,678</b>	<b>\$ 492,431</b>	<b>\$ 502,678</b>	<b>\$ 492,431</b>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 502,678	\$ 492,431	\$ 502,678	\$ 492,431
<b>Total Liabilities</b>	<b>\$ 502,678</b>	<b>\$ 492,431</b>	<b>\$ 502,678</b>	<b>\$ 492,431</b>
<u>Community Development - Agency Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 450,222	\$ 450,222	\$ 0
<b>Total Assets</b>	<b>\$ 0</b>	<b>\$ 450,222</b>	<b>\$ 450,222</b>	<b>\$ 0</b>
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 0	\$ 450,222	\$ 450,222	\$ 0
<b>Total Liabilities</b>	<b>\$ 0</b>	<b>\$ 450,222</b>	<b>\$ 450,222</b>	<b>\$ 0</b>
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 1,551,340	\$ 4,834,661	\$ 5,013,777	\$ 1,372,224
<b>Total Assets</b>	<b>\$ 1,551,340</b>	<b>\$ 4,834,661</b>	<b>\$ 5,013,777</b>	<b>\$ 1,372,224</b>
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 1,551,340	\$ 4,834,661	\$ 5,013,777	\$ 1,372,224
<b>Total Liabilities</b>	<b>\$ 1,551,340</b>	<b>\$ 4,834,661</b>	<b>\$ 5,013,777</b>	<b>\$ 1,372,224</b>

(Continued)

Exhibit I-2

Rhea County, Tennessee

Combining Statement of Changes in Assets and Liabilities - All Agency Funds (Cont.)

	Beginning Balance	Additions	Deductions	Ending Balance
<u>District Attorney General</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 25,918	\$ 23,167	\$ 19,232	\$ 29,853
Due from Other Governments	194	225	194	225
<b>Total Assets</b>	<b>\$ 26,112</b>	<b>\$ 23,392</b>	<b>\$ 19,426</b>	<b>\$ 30,078</b>
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 26,112	\$ 23,392	\$ 19,426	\$ 30,078
<b>Total Liabilities</b>	<b>\$ 26,112</b>	<b>\$ 23,392</b>	<b>\$ 19,426</b>	<b>\$ 30,078</b>
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 1,551,340	\$ 4,834,661	\$ 5,013,777	\$ 1,372,224
Equity in Pooled Cash and Investments	79,811	3,766,154	3,766,665	79,300
Due from Other Governments	643,693	668,676	643,693	668,676
Taxes Receivable	373,276	369,768	373,276	369,768
Allowance for Uncollectible Taxes	(20,754)	(26,182)	(20,754)	(26,182)
<b>Total Assets</b>	<b>\$ 2,627,366</b>	<b>\$ 9,613,077</b>	<b>\$ 9,776,657</b>	<b>\$ 2,463,786</b>
<u>Totals - All Agency Funds</u>				
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 1,049,914	\$ 4,304,802	\$ 4,293,232	\$ 1,061,484
Due to Litigants, Heirs, and Others	1,577,452	5,308,275	5,483,425	1,402,302
<b>Total Liabilities</b>	<b>\$ 2,627,366</b>	<b>\$ 9,613,077</b>	<b>\$ 9,776,657</b>	<b>\$ 2,463,786</b>

# Rhea County School Department

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

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

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

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

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

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

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

Exhibit J-1

Rhea County, Tennessee  
Statement of Activities  
Discretely Presented Rhea County School Department  
For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 21,633,676	\$ 165,995	\$ 3,262,683	\$ (18,204,998)
Support Services	12,322,002	45,603	533,119	(11,743,280)
Operation of Non-instructional Services	2,838,458	636,477	1,766,796	(435,185)
Total Governmental Activities	\$ 36,794,136	\$ 848,075	\$ 5,562,598	\$ (30,383,463)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 3,577,401
Local Option Sales Taxes				3,311,769
Other Local Taxes				2,750
Grants and Contributions Not Restricted to Specific Programs				22,918,808
Unrestricted Investment Earnings				2,607
Miscellaneous				12,250
Total General Revenues				\$ 29,825,585
Change in Net Position				\$ (557,878)
Net Position, July 1, 2013				68,799,478
Net Position, June 30, 2014				\$ 68,241,600

Rhea County, Tennessee  
 Balance Sheet - Governmental Funds  
 Discretely Presented Rhea County School Department  
 June 30, 2014

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General Purpose School	School Transportation	Education Capital Projects	Other	Governmental Funds	
<b>ASSETS</b>						
Equity in Pooled Cash and Investments	\$ 3,876,134	\$ 132,586	\$ 1,614,546	\$ 1,009,082	\$ 6,632,348	
Inventories	0	0	0	72,285	72,285	
Accounts Receivable	9,674	158	0	0	9,832	
Due from Other Governments	669,999	1,193	113,253	295,326	1,079,771	
Property Taxes Receivable	2,460,032	1,657,847	0	0	4,117,879	
Allowance for Uncollectible Property Taxes	(174,183)	(117,384)	0	0	(291,567)	
<b>Total Assets</b>	<b>\$ 6,841,656</b>	<b>\$ 1,674,400</b>	<b>\$ 1,727,799</b>	<b>\$ 1,376,693</b>	<b>\$ 11,620,548</b>	
<b>LIABILITIES</b>						
Accounts Payable	\$ 852	\$ 3,455	\$ 0	\$ 0	\$ 4,307	
Accrued Payroll	1,355	0	0	0	1,355	
Payroll Deductions Payable	447,072	12,995	0	61,062	521,129	
Due to Primary Government	1,385	1,396	0	0	2,781	
Due to State of Tennessee	0	0	0	2,339	2,339	
<b>Total Liabilities</b>	<b>\$ 450,664</b>	<b>\$ 17,846</b>	<b>\$ 0</b>	<b>\$ 63,401</b>	<b>\$ 531,911</b>	
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred Current Property Taxes	\$ 2,194,005	\$ 1,478,569	\$ 0	\$ 0	\$ 3,672,574	
Deferred Delinquent Property Taxes	86,844	57,894	0	0	144,738	
Other Deferred/Unavailable Revenue	210,331	0	55,030	0	265,361	
<b>Total Deferred Inflows of Resources</b>	<b>\$ 2,491,180</b>	<b>\$ 1,536,463</b>	<b>\$ 55,030</b>	<b>\$ 0</b>	<b>\$ 4,082,673</b>	

(Continued)

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

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General Purpose School	School Transportation	Education Capital Projects	Other	Governmental Funds	
\$	0 \$	0 \$	0 \$	72,285 \$		72,285
Restricted for Education	195,275	111,584	1,672,769	941,007		2,920,635
Committed for Education	0	0	0	300,000		300,000
Assigned for Education	500,000	8,507	0	0	0	508,507
Unassigned	3,204,537	0	0	0	0	3,204,537
<b>Total Fund Balances</b>	<b>3,899,812 \$</b>	<b>120,091 \$</b>	<b>1,672,769 \$</b>	<b>1,313,292 \$</b>		<b>7,005,964</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>6,841,656 \$</b>	<b>1,674,400 \$</b>	<b>1,727,799 \$</b>	<b>1,376,693 \$</b>		<b>11,620,548</b>

FUND BALANCES

Nonspendable:  
 Inventory  
 Restricted:  
 Restricted for Education  
 Committed:  
 Committed for Education  
 Assigned:  
 Assigned for Education  
 Unassigned  
 Total Fund Balances

Total Liabilities, Deferred Inflows of Resources, and Fund Balances

Exhibit J-3

Rhea County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position  
Discretely Presented Rhea County School Department  
June 30, 2014

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

Total fund balances - balance sheet - governmental funds (Exhibit J-2)		\$ 7,005,964	
(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	31,803,312		
Add: buildings and improvements net of accumulated depreciation	27,022,719		
Add: other capital assets net of accumulated depreciation	<u>2,118,530</u>	61,884,076	
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: contributions due on primary government debt for other loans	\$ (274,822)		
Less: compensated absences payable	(398,400)		
Less: other postemployment benefits liability	<u>(385,317)</u>	(1,058,539)	
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>410,099</u>
Net position of governmental activities (Exhibit A)			<u>\$ 68,241,600</u>

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, 2014

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General Purpose School	School Transportation	Education Capital Projects	Other Governmental Funds	Governmental Funds	
<u>Revenues</u>						
Local Taxes	\$ 4,629,146	\$ 1,590,234	\$ 677,092	\$ 0	\$ 0	\$ 6,896,472
Licenses and Permits	2,116	0	0	0	0	2,116
Charges for Current Services	81,331	0	0	636,477	0	717,808
Other Local Revenues	114,971	46,244	917	8,992	0	171,124
State of Tennessee	23,591,220	0	0	21,917	0	23,613,137
Federal Government	122,286	0	0	4,692,940	0	4,815,226
<b>Total Revenues</b>	<b>\$ 28,541,070</b>	<b>\$ 1,636,478</b>	<b>\$ 678,009</b>	<b>\$ 5,360,326</b>	<b>\$ 0</b>	<b>\$ 36,215,883</b>
<u>Expenditures</u>						
Current:						
Instruction	\$ 18,017,024	\$ 0	\$ 0	\$ 2,461,691	\$ 0	\$ 20,478,715
Support Services	9,563,949	1,788,768	0	486,370	0	11,839,087
Operation of Non-instructional Services	399,625	0	0	2,424,177	0	2,823,802
Capital Outlay	0	0	65,868	0	0	65,868
Debt Service:						
Other Debt Service	506,545	51,963	620,000	0	0	1,178,508
Capital Projects	0	0	5,781,349	0	0	5,781,349
<b>Total Expenditures</b>	<b>\$ 28,487,143</b>	<b>\$ 1,840,731</b>	<b>\$ 6,467,217</b>	<b>\$ 5,372,238</b>	<b>\$ 0</b>	<b>\$ 42,167,329</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 53,927	\$ (204,253)	\$ (5,789,208)	\$ (11,912)	\$ (11,912)	\$ (5,951,446)
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 0	\$ 20,200	\$ 0	\$ 0	\$ 0	\$ 20,200
Transfers Out	(20,200)	0	0	0	0	(20,200)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (20,200)</b>	<b>\$ 20,200</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
Net Change in Fund Balances	\$ 33,727	\$ (184,053)	\$ (5,789,208)	\$ (11,912)	\$ (11,912)	\$ (5,951,446)
Fund Balance, July 1, 2013	3,866,085	304,144	7,461,977	1,325,204	0	12,957,410
Fund Balance, June 30, 2014	\$ 3,899,812	\$ 120,091	\$ 1,672,769	\$ 1,313,292	\$ 0	\$ 7,005,964

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, 2014

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)		\$ (5,951,446)
<p>(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:</p>		
Add: capital assets purchased in the current period	\$ 6,123,437	
Less: current-year depreciation expense	<u>(861,946)</u>	5,261,491
<p>(2) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.</p>		
Add: deferred delinquent property taxes and other deferred June 30, 2014	\$ 410,099	
Less: deferred delinquent property taxes and other deferred June 30, 2013	<u>(389,724)</u>	20,375
<p>(3) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.</p>		
Change in compensated absences payable	\$ 31,346	
Change in other postemployment benefits liability	<u>80,356</u>	<u>111,702</u>
Change in net position of governmental activities (Exhibit B)		<u><u>\$ (557,878)</u></u>

Exhibit J-6

Rhea County, Tennessee  
Combining Balance Sheet - Nonmajor Governmental Funds  
Discretely Presented Rhea County School Department  
June 30, 2014

	Special Revenue Funds		Total
	School	Central	Nonmajor
	Federal	Cafeteria	Governmental
	Projects		Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 55,596	\$ 953,486	\$ 1,009,082
Inventories	0	72,285	72,285
Due from Other Governments	295,326	0	295,326
Total Assets	\$ 350,922	\$ 1,025,771	\$ 1,376,693
<u>LIABILITIES</u>			
Payroll Deductions Payable	\$ 48,583	\$ 12,479	\$ 61,062
Due to State of Tennessee	2,339	0	2,339
Total Liabilities	\$ 50,922	\$ 12,479	\$ 63,401
<u>FUND BALANCES</u>			
Nonspendable:			
Inventory	\$ 0	\$ 72,285	\$ 72,285
Restricted:			
Restricted for Education	0	941,007	941,007
Committed:			
Committed for Education	300,000	0	300,000
Total Fund Balances	\$ 300,000	\$ 1,013,292	\$ 1,313,292
Total Liabilities and Fund Balances	\$ 350,922	\$ 1,025,771	\$ 1,376,693

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, 2014

	<u>Special Revenue Funds</u>		Total
	School	Central	Nonmajor
	Federal	Cafeteria	Governmental
	Projects		Funds
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 636,477	\$ 636,477
Other Local Revenues	0	8,992	8,992
State of Tennessee	0	21,917	21,917
Federal Government	2,948,061	1,744,879	4,692,940
Total Revenues	<u>\$ 2,948,061</u>	<u>\$ 2,412,265</u>	<u>\$ 5,360,326</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 2,461,691	\$ 0	\$ 2,461,691
Support Services	486,370	0	486,370
Operation of Non-instructional Services	0	2,424,177	2,424,177
Total Expenditures	<u>\$ 2,948,061</u>	<u>\$ 2,424,177</u>	<u>\$ 5,372,238</u>
Excess (Deficiency) of Revenues			
Over Expenditures	<u>\$ 0</u>	<u>\$ (11,912)</u>	<u>\$ (11,912)</u>
Net Change in Fund Balances	\$ 0	\$ (11,912)	\$ (11,912)
Fund Balance, July 1, 2013	300,000	1,025,204	1,325,204
Fund Balance, June 30, 2014	<u>\$ 300,000</u>	<u>\$ 1,013,292</u>	<u>\$ 1,313,292</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, 2014

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 4,629,146	\$ 0	\$ 4,629,146	\$ 4,434,888	\$ 4,434,888	\$ 194,258
Licenses and Permits	2,116	0	2,116	2,100	2,100	16
Charges for Current Services	81,331	0	81,331	10,000	10,000	71,331
Other Local Revenues	114,971	0	114,971	40,101	56,313	58,658
State of Tennessee	23,591,220	0	23,591,220	22,446,666	23,376,197	215,023
Federal Government	122,286	0	122,286	0	65,288	56,998
<b>Total Revenues</b>	<b>\$ 28,541,070</b>	<b>\$ 0</b>	<b>\$ 28,541,070</b>	<b>\$ 26,933,755</b>	<b>\$ 27,944,786</b>	<b>\$ 596,284</b>
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 14,985,509	\$ 0	\$ 14,985,509	\$ 15,199,846	\$ 15,340,757	\$ 355,248
Special Education Program	2,267,440	0	2,267,440	2,373,191	2,393,544	126,104
Vocational Education Program	751,076	0	751,076	758,637	758,637	7,561
Adult Education Program	12,999	0	12,999	0	14,986	1,987
<u>Support Services</u>						
Health Services	216,640	0	216,640	221,006	220,256	3,616
Other Student Support	2,043,030	0	2,043,030	1,742,858	2,129,179	86,149
Regular Instruction Program	448,907	0	448,907	465,996	470,572	21,665
Special Education Program	373,895	0	373,895	397,382	439,251	65,356
Adult Programs	37,086	0	37,086	34,321	43,408	6,322
Other Programs	299,979	0	299,979	229,249	320,275	20,296
Board of Education	390,490	0	390,490	364,211	403,762	13,272
Director of Schools	493,384	0	493,384	473,736	501,275	7,891
Office of the Principal	1,893,765	0	1,893,765	1,915,679	1,926,057	32,292
Operation of Plant	2,640,621	(3,356)	2,637,265	3,026,301	3,061,820	424,555
Maintenance of Plant	702,650	0	702,650	655,850	832,423	129,773

(Continued)

Exhibit J-8

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Support Services (Cont.)</u>						
Transportation	\$ 23,502	\$ 0	\$ 23,502	\$ 27,000	\$ 37,160	\$ 13,658
<u>Operation of Non-instructional Services</u>						
Early Childhood Education	399,625	0	399,625	18,083	406,645	7,020
<u>Other Debt Service</u>						
Education	506,545	0	506,545	519,360	519,360	12,815
Total Expenditures	\$ 28,487,143	\$ (3,356)	\$ 28,483,787	\$ 28,422,706	\$ 29,819,367	\$ 1,335,580
<u>Excess (Deficiency) of Revenues</u>						
Over Expenditures	\$ 53,927	\$ 3,356	\$ 57,283	\$ (1,488,951)	\$ (1,874,581)	\$ 1,931,864
<u>Other Financing Sources (Uses)</u>						
Transfers Out	\$ (20,200)	\$ 0	\$ (20,200)	\$ (20,200)	\$ (20,200)	\$ 0
Total Other Financing Sources	\$ (20,200)	\$ 0	\$ (20,200)	\$ (20,200)	\$ (20,200)	\$ 0
Net Change in Fund Balance	\$ 33,727	\$ 3,356	\$ 37,083	\$ (1,509,151)	\$ (1,894,781)	\$ 1,931,864
Fund Balance, July 1, 2013	3,866,085	(3,356)	3,862,729	2,753,131	2,753,131	1,109,598
Fund Balance, June 30, 2014	\$ 3,899,812	\$ 0	\$ 3,899,812	\$ 1,243,980	\$ 858,350	\$ 3,041,462

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, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 2,948,061	\$ 0	\$ 3,541,373	\$ (593,312)
Total Revenues	\$ 2,948,061	\$ 0	\$ 3,541,373	\$ (593,312)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 1,614,925	\$ 0	\$ 1,765,024	\$ 150,099
Special Education Program	780,791	0	936,463	155,672
Vocational Education Program	65,975	0	66,246	271
<u>Support Services</u>				
Other Student Support	28,028	0	182,092	154,064
Regular Instruction Program	433,964	0	548,520	114,556
Special Education Program	0	0	16,374	16,374
Vocational Education Program	1,951	0	1,968	17
Transportation	22,427	0	24,684	2,257
Total Expenditures	\$ 2,948,061	\$ 0	\$ 3,541,371	\$ 593,310
Excess (Deficiency) of Revenues Over Expenditures	\$ 0	\$ 0	\$ 2	\$ (2)
Net Change in Fund Balance	\$ 0	\$ 0	\$ 2	\$ (2)
Fund Balance, July 1, 2013	300,000	0	0	300,000
Fund Balance, June 30, 2014	\$ 300,000	\$ 0	\$ 2	\$ 299,998

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, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 636,477	\$ 739,870	\$ 739,870	\$ (103,393)
Other Local Revenues	8,992	10,000	10,000	(1,008)
State of Tennessee	21,917	20,000	20,000	1,917
Federal Government	1,744,879	1,823,699	1,968,765	(223,886)
Total Revenues	<u>\$ 2,412,265</u>	<u>\$ 2,593,569</u>	<u>\$ 2,738,635</u>	<u>\$ (326,370)</u>
<u>Expenditures</u>				
<u>Operation of Non-instructional Services</u>				
Food Service	\$ 2,424,177	\$ 2,586,945	\$ 2,733,407	\$ 309,230
Total Expenditures	<u>\$ 2,424,177</u>	<u>\$ 2,586,945</u>	<u>\$ 2,733,407</u>	<u>\$ 309,230</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (11,912)</u>	<u>\$ 6,624</u>	<u>\$ 5,228</u>	<u>\$ (17,140)</u>
Net Change in Fund Balance	\$ (11,912)	\$ 6,624	\$ 5,228	\$ (17,140)
Fund Balance, July 1, 2013	1,025,204	1,009,912	1,009,912	15,292
Fund Balance, June 30, 2014	<u>\$ 1,013,292</u>	<u>\$ 1,016,536</u>	<u>\$ 1,015,140</u>	<u>\$ (1,848)</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, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,590,234	\$ 1,537,843	\$ 1,537,843	\$ 52,391
Other Local Revenues	46,244	55,500	55,500	(9,256)
Total Revenues	<u>\$ 1,636,478</u>	<u>\$ 1,593,343</u>	<u>\$ 1,593,343</u>	<u>\$ 43,135</u>
<u>Expenditures</u>				
<u>Support Services</u>				
Other Programs	\$ 0	\$ 4,054	\$ 0	\$ 0
Board of Education	31,432	31,000	32,250	818
Operation of Plant	1,151	1,569	1,989	838
Transportation	1,756,185	1,791,504	1,831,322	75,137
<u>Other Debt Service</u>				
Education	51,963	51,798	51,964	1
Total Expenditures	<u>\$ 1,840,731</u>	<u>\$ 1,879,925</u>	<u>\$ 1,917,525</u>	<u>\$ 76,794</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (204,253)</u>	<u>\$ (286,582)</u>	<u>\$ (324,182)</u>	<u>\$ 119,929</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 20,200	\$ 20,200	\$ 20,200	\$ 0
Total Other Financing Sources	<u>\$ 20,200</u>	<u>\$ 20,200</u>	<u>\$ 20,200</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (184,053)	\$ (266,382)	\$ (303,982)	\$ 119,929
Fund Balance, July 1, 2013	304,144	273,784	273,784	30,360
Fund Balance, June 30, 2014	<u>\$ 120,091</u>	<u>\$ 7,402</u>	<u>\$ (30,198)</u>	<u>\$ 150,289</u>

Exhibit J-12

Rhea County, Tennessee  
Statement of Fiduciary Net Position  
Discretely Presented Rhea County School Department  
Fiduciary Fund  
June 30, 2014

	Private Purpose Trust Fund
	<u>Other Trust Fund</u>
<u>ASSETS</u>	
Current Assets:	
Equity in Pooled Cash and Investments	\$ 254,172
Total Assets	<u>\$ 254,172</u>
<u>NET POSITION</u>	
Funds Held in Trust for Scholarships	<u>\$ 254,172</u>
Total Net Position	<u><u>\$ 254,172</u></u>

Exhibit J-13

Rhea County, Tennessee  
Statement of Changes in Fiduciary Net Position  
Discretely Presented Rhea County School Department  
Fiduciary Fund  
For the Year Ended June 30, 2014

	Private Purpose Trust Fund
	<u>Other Trust Fund</u>
<u>ADDITIONS</u>	
Investment Income	\$ 3,962
Total Additions	<u>\$ 3,962</u>
<u>DEDUCTIONS</u>	
Awards	\$ 3,156
Total Deductions	<u>\$ 3,156</u>
Change in Net Position	\$ 806
Net Position, July 1, 2013	<u>253,366</u>
Net Position, June 30, 2014	<u><u>\$ 254,172</u></u>

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## MISCELLANEOUS SCHEDULES

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Exhibit K-1

Rhea County, Tennessee  
Schedule of Changes in Long-term Notes, Other Loans, and Bonds  
For the Year Ended June 30, 2014

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-13	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-14
<b>NOTES PAYABLE</b>								
<u>Payable through General Debt Service Fund</u>								
School Buses	\$ 380,000	4.17 %	1-22-07	1-22-16	\$ 143,000	\$ 0	\$ 46,000	\$ 97,000
Highway Paving	2,000,000	3.54	4-21-11	4-1-21	1,661,000	0	183,000	1,478,000
Track, Football Field, and Multi Sports Facility	1,000,000	2.37	6-20-12	6-20-22	910,314	0	91,835	818,479
Fire Department	250,000	2.65	6-20-12	6-20-22	227,871	0	22,722	205,149
Dump Trucks	120,534	2.82	10-10-12	9-1-15	120,534	0	37,534	83,000
Land for Jail	300,000	3.68	7-30-13	7-30-18	0	300,000	30,000	270,000
Total Notes Payable					\$ 3,062,719	\$ 300,000	\$ 411,091	\$ 2,951,628
<b>OTHER LOANS PAYABLE</b>								
<u>Payable through General Debt Service Fund</u>								
School Renovation, Repair, and Equipment	517,500	0	12-28-05	12-28-20	\$ 276,000	\$ 0	\$ 34,500	\$ 241,500
Sewer Project	1,000,000	Various	5-15-06	5-25-26	737,000	0	44,000	693,000
Total Payable through General Debt Service Fund					\$ 1,013,000	\$ 0	\$ 78,500	\$ 934,500
<u>Contributions Due by the School Department from the General Purpose School Fund to the General Debt Service Fund</u>								
Energy Efficiency Loan Program	274,822	0	Various	11-1-21	\$ 274,822	\$ 0	\$ 0	\$ 274,822
Total Contributions Due by the School Department from the General Purpose School Fund to the General Debt Service Fund					\$ 274,822	\$ 0	\$ 0	\$ 274,822
Total Other Loans Payable					\$ 1,287,822	\$ 0	\$ 78,500	\$ 1,209,322
<b>BONDS PAYABLE</b>								
<u>Payable through General Debt Service Fund</u>								
School Refunding Bonds, Series 2006	6,180,000	3.375 to 3.75	2-1-06	4-1-18	\$ 4,555,000	\$ 0	\$ 855,000	\$ 3,700,000
County District School Refunding Bonds, Series 2006	3,615,000	3.375 to 4	2-1-06	4-1-23	3,040,000	0	250,000	2,790,000
General Obligation School Bonds, Series 2014	33,000,000	2 to 4.25	1-15-12	2-1-34	33,000,000	0	125,000	32,875,000
Total Bonds Payable					\$ 40,595,000	\$ 0	\$ 1,230,000	\$ 39,365,000

Exhibit K-2

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

Year Ending June 30	Notes		Total
	Principal	Interest	
2015	\$ 456,367	\$ 91,018	\$ 547,385
2016	467,245	76,050	543,295
2017	386,195	61,343	447,538
2018	397,217	48,910	446,127
2019	377,314	36,136	413,450
2020	358,486	24,700	383,186
2021	369,737	13,449	383,186
2022	139,067	1,835	140,902
Total	\$ 2,951,628	\$ 353,441	\$ 3,305,069

Year Ending June 30	Other Loans			Total
	Principal	Interest	Other Fees	
2015	\$ 103,404	\$ 1,940	\$ 2,614	\$ 107,958
2016	121,764	1,812	2,508	126,084
2017	123,764	1,677	2,398	127,839
2018	125,764	1,537	2,284	129,585
2019	127,764	1,392	2,165	131,321
2020	129,764	1,240	2,041	133,045
2021	131,764	1,084	1,911	134,759
2022	77,334	921	1,778	80,033
2023	63,000	750	1,637	65,387
2024	66,000	574	1,493	68,067
2025	68,000	389	1,341	69,730
2026	71,000	199	1,264	72,463
Total	\$ 1,209,322	\$ 13,515	\$ 23,434	\$ 1,246,271

(Continued)

Exhibit K-2

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

Year Ending June 30	Bonds		Total
	Principal	Interest	
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	\$ 39,365,000	\$ 18,641,785	\$ 58,006,785

Exhibit K-3

Rhea County, Tennessee  
Schedule of Transfers  
Primary Government and Discretely Presented Rhea County School Department  
For the Year Ended June 30, 2014

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
General	Solid Waste/Sanitation	Operations	\$ 19,453
"	General Debt Service	Debt Reimbursement	35,626
"	General Capital Projects	Land Purchase	50,000
Highway/Public Works	General Debt Service	Debt Reimbursement	282,163
Total Transfers Primary Government			<u>\$ 387,242</u>
<u>DISCRETELY PRESENTED RHEA</u> <u>COUNTY SCHOOL DEPARTMENT</u>			
General Purpose School	School Transportation	Salary Reimbursement	\$ 20,200
Total Transfers Discretely Presented Rhea County School Department			<u>\$ 20,200</u>

Rhea County, Tennessee  
 Schedule of Salaries and Official Bonds of Principal Officials  
 Primary Government and Discretely Presented Rhea County School Department  
 For the Year Ended June 30, 2014

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Executive	Section 8-24-102, TCA	\$ 75,804	\$ 50,000	Travelers Casualty and Surety Company of America
Highway Supervisor	Section 8-24-102, TCA	72,195	100,000	"
Director of Schools	State Board of Education and Rhea County Board of Education	98,635 (1)	(2)	"
Trustee	Section 8-24-102, TCA	65,632	1,480,000	"
Assessor of Property	Section 8-24-102, TCA	65,632	50,000	"
Finance Director:				
Bill Graham (7-1-13 through 7-24-13)	County Commission	10,939	50,000	"
Linda Edington (7-25-13 through 11-12-13)	County Commission	29,021 (3)	(4)	"
Bonnie Daughtery (11-13-13 through 11-17-13)	County Commission	757	(4)	"
William Watson (11-18-13 through 6-30-14)	County Commission	41,020	50,000	"
County Clerk	Section 8-24-102, TCA	65,632	50,000	"
Circuit and General Sessions Courts Clerk	Section 8-24-102, TCA	65,632	50,000	"
Clerk and Master	Section 8-24-102, TCA, and Chancery Court Judge	65,632 (5)	50,000	"
Register of Deeds	Section 8-24-102, TCA	65,632	25,000	"
Sheriff	Section 8-24-102, TCA	72,195 (6)	25,000	"
Employee Blanket Bond Coverage: All County Departments			150,000	Tennessee Risk Management Trust

(1) Does not include a chief executive officer training supplement of \$1,000 or a bonus of \$400.

(2) Director of schools was covered by the \$150,000 employee blanket bond.

(3) Includes unused vacation pay of \$10,089.

(4) Interim finance directors were covered by the \$150,000 employee blanket bond.

(5) Does not include special commissioner fees of \$725.

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

Exhibit K-5

Rhea County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types  
 For the Year Ended June 30, 2014

	Special Revenue Funds					Debt Service Fund
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 5,175,582	\$ 0	\$ 0	\$ 0	\$ 174,318	\$ 1,126,829
Trustee's Collections - Prior Year	174,585	0	0	0	5,571	144,911
Trustee's Collections - Bankruptcy	2,581	0	0	0	71	584
Circuit/Clerk and Master Collections - Prior Years	213,396	0	0	0	7,179	50,722
Interest and Penalty	34,962	0	0	0	1,266	8,306
Payments in-Lieu-of Taxes - T.V.A.	0	0	0	0	0	6,349
Payments in-Lieu-of Taxes - Local Utilities	76,010	0	0	0	2,557	18,067
Payments in-Lieu-of Taxes - Other	5,191	0	0	0	99	700
<u>County Local Option Taxes</u>						
Local Option Sales Tax	0	0	0	0	0	423,005
Hotel/Motel Tax	157,105	0	0	0	0	0
Litigation Tax - General	111,054	0	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	63,271	0	0	0	0	0
Business Tax	112,088	208,212	0	0	0	0
Mineral Severance Tax	0	0	0	0	54,875	0
<u>Statutory Local Taxes</u>						
Bank Excise Tax	39,698	0	0	0	1,335	9,436
Wholesale Beer Tax	44,222	93,744	0	0	0	0
Interstate Telecommunications Tax	0	0	0	0	0	2,154
<b>Total Local Taxes</b>	<b>\$ 6,209,745</b>	<b>\$ 301,956</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 247,271</b>	<b>\$ 1,791,063</b>
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Cable TV Franchise	\$ 79,715	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

(Continued)

Exhibit K-5

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

	Special Revenue Funds					Debt Service Fund
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	
<u>Licenses and Permits (Cont.)</u>						
<u>Permits</u>						
Beer Permits	2,747	0	0	0	0	0
Building Permits	37,355	0	0	0	0	0
Other Permits	6,828	0	0	0	0	0
Total Licenses and Permits	\$ 126,645	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Fines, Forfeitures, and Penalties</u>						
<u>Circuit Court</u>						
Fines	2,274	0	0	0	0	0
Officers Costs	5,110	0	0	0	0	0
Drug Control Fines	6,804	0	2,052	0	0	0
Drug Court Fees	1,163	0	0	0	0	0
Jail Fees	5,133	0	0	0	0	0
DUI Treatment Fines	978	0	0	0	0	0
Data Entry Fee - Circuit Court	1,610	0	0	0	0	0
Courtroom Security Fee	5,694	0	0	0	0	0
<u>General Sessions Court</u>						
Fines	15,874	0	0	0	0	0
Fines for Littering	238	0	0	0	0	0
Officers Costs	52,453	0	0	0	0	0
Game and Fish Fines	508	0	0	0	0	0
Drug Control Fines	9,608	0	11,030	0	0	0
Drug Court Fees	7,101	0	0	0	0	0
Jail Fees	23,466	0	0	0	0	0
DUI Treatment Fines	5,220	0	0	0	0	0
Data Entry Fee - General Sessions Court	9,372	0	0	0	0	0
Courtroom Security Fee	49,462	0	0	0	0	0

(Continued)

Exhibit K-5

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

	Special Revenue Funds					Debt Service Fund
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>						
Juvenile Court						
Jail Fees	\$ 4,633	0 \$	0 \$	0 \$	0 \$	0
Chancery Court						
Officers Costs	3,949	0	0	0	0	0
Data Entry Fee - Chancery Court	3,244	0	0	0	0	0
Courtroom Security Fee	4,399	0	0	0	0	0
<u>Other Fines, Forfeitures, and Penalties</u>						
Proceeds from Confiscated Property	14,900	0	30,807	0	0	0
Total Fines, Forfeitures, and Penalties	\$ 233,193	0 \$	43,889 \$	0 \$	0 \$	0
<u>Charges for Current Services</u>						
<u>General Service Charges</u>						
Commercial and Industrial Waste Collection Charge	\$ 0	18,008 \$	0 \$	0 \$	0 \$	0
Surcharge - Host Agency	0	141,615	0	0	0	0
Work Release Charges for Board Fees	14,512	0	0	0	0	0
Copy Fees	3,390	0	0	0	0	0
Telephone Commissions	12,946	0	0	0	0	0
Vending Machine Collections	311	0	0	0	0	0
Constitutional Officers' Fees and Commissions	0	0	0	350,044	0	0
Special Commissioner Fees/Special Master Fees	0	0	0	725	0	0
Data Processing Fee - Register	8,684	0	0	0	0	0
Data Processing Fee - Sheriff	5,178	0	0	0	0	0
Sexual Offender Registration Fee - Sheriff	6,205	0	0	0	0	0
Data Processing Fee - County Clerk	5,643	0	0	0	0	0
Total Charges for Current Services	\$ 56,869	159,623 \$	0 \$	350,769 \$	0 \$	0

(Continued)

Exhibit K-5

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

	Special Revenue Funds					Debt Service Fund
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	26	0	0	0	0	8,180
Lease/Rentals	96,025	0	0	0	0	0
Sale of Materials and Supplies	30	0	0	0	2,875	0
Commissary Sales	14,684	0	0	0	0	0
Sale of Recycled Materials	0	8,106	0	0	0	0
Sale of Animals/Livestock	7,332	0	0	0	0	0
Miscellaneous Refunds	155	118	0	0	0	0
<u>Nonrecurring Items</u>						
Damages Recovered from Individuals	743	0	0	0	198	0
Contributions and Gifts	1,687	0	0	0	0	0
<u>Other Local Revenues</u>						
Other Local Revenues	217,258	60,671	854	0	0	0
Total Other Local Revenues	\$ 337,940	\$ 68,895	\$ 854	\$ 0	\$ 3,073	\$ 8,180
<u>Fees Received from County Officials</u>						
<u>Excess Fees</u>						
County Clerk	94,737	0	0	0	0	0
Trustee	233,851	0	0	0	0	0
<u>Fees in-Lieu-of Salary</u>						
Circuit Court Clerk	100,855	0	0	0	0	0
General Sessions Court Clerk	173,120	0	0	0	0	0
Clerk and Master	118,707	0	0	0	0	0
Register	98,772	0	0	0	0	0
Sheriff	5,915	0	0	0	0	0
Total Fees Received from County Officials	\$ 825,957	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

(Continued)

Exhibit K-5

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

	Special Revenue Funds					Debt Service Fund
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Juvenile Services Program	9,000 \$	0 \$	0 \$	0 \$	0 \$	0
Child Restraint Program	8,257	0	0	0	0	0
<u>Public Safety Grants</u>						
Law Enforcement Training Programs	18,000	0	0	0	0	0
Health and Welfare Grants	151,412	0	0	0	0	0
Public Health Nurses						
<u>Public Works Grants</u>						
Bridge Program	0	0	0	0	365,171	0
Litter Program	0	34,773	0	0	0	0
<u>Other State Revenues</u>						
Income Tax	30,743	0	0	0	0	0
Beer Tax	29,083	0	0	0	0	0
Alcoholic Beverage Tax	40,466	0	0	0	0	0
State Revenue Sharing - T.V.A.	622,481	0	0	0	0	0
Contracted Prisoner Boarding	89,325	0	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	1,566,526	0
Petroleum Special Tax	0	0	0	0	22,952	0
Registrar's Salary Supplement	16,998	0	0	0	0	0
Other State Grants	74,760	10,420	0	0	0	0
Other State Revenues	56,418	0	0	0	0	0
Total State of Tennessee	1,146,943 \$	45,193 \$	0 \$	0 \$	1,954,649 \$	0
<u>Federal Government</u>						
<u>Federal Through State</u>						
Homeland Security Grants	14,036 \$	0 \$	0 \$	0 \$	0 \$	0

(Continued)

Exhibit K-5

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

	Special Revenue Funds					Debt Service Fund
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	
<u>Federal Government (Cont.)</u>						
<u>Federal Through State (Cont.)</u>						
Law Enforcement Grants	\$ 23,119	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Federal through State	7,398	0	0	0	0	0
Total Federal Government	\$ 44,553	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Contributions	\$ 218,014	\$ 0	\$ 1,211	\$ 0	\$ 0	\$ 1,178,508
Other	0	5,304	0	0	0	0
Total Other Governments and Citizens Groups	\$ 218,014	\$ 5,304	\$ 1,211	\$ 0	\$ 0	\$ 1,178,508
Total	\$ 9,199,859	\$ 580,971	\$ 45,954	\$ 350,769	\$ 2,204,993	\$ 2,977,751

(Continued)

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

	Capital Projects Fund	Total
	HUD Grant Projects	
<u>Local Taxes</u>		
County Property Taxes		
Current Property Tax	0 \$	6,476,729
Trustee's Collections - Prior Year	0	325,067
Trustee's Collections - Bankruptcy	0	3,236
Circuit/Clerk and Master Collections - Prior Years	0	271,297
Interest and Penalty	0	44,534
Payments in-Lieu-of Taxes - T.V.A.	0	6,349
Payments in-Lieu-of Taxes - Local Utilities	0	96,634
Payments in-Lieu-of Taxes - Other	0	5,990
County Local Option Taxes		
Local Option Sales Tax	0	423,005
Hotel/Motel Tax	0	157,105
Litigation Tax - General	0	111,054
Litigation Tax - Jail, Workhouse, or Courthouse	0	63,271
Business Tax	0	320,300
Mineral Severance Tax	0	54,875
Statutory Local Taxes		
Bank Excise Tax	0	50,469
Wholesale Beer Tax	0	137,966
Interstate Telecommunications Tax	0	2,154
Total Local Taxes	0 \$	8,550,035
<u>Licenses and Permits</u>		
Licenses		
Cable TV Franchise	0 \$	79,715

(Continued)

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

	Capital Projects Fund		
	HUD	Grant	Total
	Projects		
<u>Licenses and Permits (Cont.)</u>			
<u>Permits</u>			
Beer Permits	0 \$		2,747
Building Permits	0		37,355
Other Permits	0		6,828
Total Licenses and Permits	0 \$		<u>126,645</u>
<u>Fines, Forfeitures, and Penalties</u>			
<u>Circuit Court</u>			
Fines	0 \$		2,274
Officers Costs	0		5,110
Drug Control Fines	0		8,856
Drug Court Fees	0		1,163
Jail Fees	0		5,133
DUI Treatment Fines	0		978
Data Entry Fee - Circuit Court	0		1,610
Courtroom Security Fee	0		5,694
<u>General Sessions Court</u>			
Fines	0		15,874
Fines for Littering	0		238
Officers Costs	0		52,453
Game and Fish Fines	0		508
Drug Control Fines	0		20,638
Drug Court Fees	0		7,101
Jail Fees	0		23,466
DUI Treatment Fines	0		5,220
Data Entry Fee - General Sessions Court	0		9,372
Courtroom Security Fee	0		49,462

(Continued)

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

	Capital Projects Fund	Total
	HUD Grant Projects	Total
<u>Fines, Forfeitures, and Penalties (Cont.)</u>		
<u>Juvenile Court</u>		
Jail Fees	0 \$	4,633
<u>Chancery Court</u>		
Officers Costs	0	3,949
Data Entry Fee - Chancery Court	0	3,244
Courtroom Security Fee	0	4,399
Other Fines, Forfeitures, and Penalties Proceeds from Confiscated Property	0	45,707
<b>Total Fines, Forfeitures, and Penalties</b>	<b>0 \$</b>	<b>277,082</b>
<u>Charges for Current Services</u>		
<u>General Service Charges</u>		
Commercial and Industrial Waste Collection Charge	0 \$	18,008
Surcharge - Host Agency	0	141,615
Work Release Charges for Board Fees	0	14,512
Copy Fees	0	3,390
Telephone Commissions	0	12,946
Vending Machine Collections	0	311
Constitutional Officers' Fees and Commissions	0	350,044
Special Commissioner Fees/Special Master Fees	0	725
Data Processing Fee - Register	0	8,684
Data Processing Fee - Sheriff	0	5,178
Sexual Offender Registration Fee - Sheriff	0	6,205
Data Processing Fee - County Clerk	0	5,643
<b>Total Charges for Current Services</b>	<b>0 \$</b>	<b>567,261</b>

(Continued)

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

	Capital Projects Fund	Total
	HUD Grant Projects	Total
<u>Other Local Revenues</u>		
<u>Recurring Items</u>		
Investment Income	0 \$	8,206
Lease/Rentals	0	96,025
Sale of Materials and Supplies	0	2,905
Commissary Sales	0	14,684
Sale of Recycled Materials	0	8,106
Sale of Animals/Livestock	0	7,332
Miscellaneous Refunds	0	273
<u>Nonrecurring Items</u>		
Damages Recovered from Individuals	0	941
Contributions and Gifts	0	1,687
<u>Other Local Revenues</u>		
Other Local Revenues	0	278,783
<u>Total Other Local Revenues</u>	0 \$	418,942
<u>Fees Received from County Officials</u>		
<u>Excess Fees</u>		
County Clerk	0 \$	94,737
Trustee	0	233,851
<u>Fees in-Lieu-of Salary</u>		
Circuit Court Clerk	0	100,855
General Sessions Court Clerk	0	173,120
Clerk and Master	0	118,707
Register	0	98,772
Sheriff	0	5,915
<u>Total Fees Received from County Officials</u>	0 \$	825,957

(Continued)

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

	Capital Projects Fund	Total
	HUD Grant Projects	
<u>State of Tennessee</u>		
<u>General Government Grants</u>		
Juvenile Services Program	0 \$	9,000
Child Restraint Program	0	8,257
<u>Public Safety Grants</u>		
Law Enforcement Training Programs	0	18,000
Health and Welfare Grants		
<u>Public Health Nurses</u>		
Public Works Grants	0	151,412
Bridge Program	0	365,171
Litter Program	0	34,773
<u>Other State Revenues</u>		
Income Tax	0	30,743
Beer Tax	0	29,083
Alcoholic Beverage Tax	0	40,466
State Revenue Sharing - T.V.A.	0	622,481
Contracted Prisoner Boarding	0	89,325
Gasoline and Motor Fuel Tax	0	1,566,526
Petroleum Special Tax	0	22,952
Registrar's Salary Supplement	0	16,998
Other State Grants	0	85,180
Other State Revenues	0	56,418
Total State of Tennessee	0 \$	3,146,785
<u>Federal Government</u>		
<u>Federal Through State</u>		
Homeland Security Grants	0 \$	14,036

(Continued)

Exhibit K-5

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

	Capital Projects Fund	
	HUD Grant	Projects
		Total
<u>Federal Government (Cont.)</u>		
<u>Federal Through State (Cont.)</u>		
Law Enforcement Grants	0 \$	23,119
Other Federal through State	301,925	309,323
Total Federal Government	<u>301,925 \$</u>	<u>346,478</u>
<u>Other Governments and Citizens Groups</u>		
Other Governments	0 \$	1,397,733
Contributions		
Other	0	5,304
Total Other Governments and Citizens Groups	<u>0 \$</u>	<u>1,403,037</u>
Total	<u>301,925 \$</u>	<u>15,662,222</u>

Exhibit K-6

Rhea County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types  
 Discretely Presented Rhea County School Department  
 For the Year Ended June 30, 2014

	General Purpose School	Special Revenue Funds			Capital Projects Fund		Total
		School Federal Projects	Central Cafeteria	School Transportation	Education Capital Projects		
<u>Local Taxes</u>							
<u>County Property Taxes</u>							
Current Property Tax	\$ 1,807,278	\$ 0	\$ 0	\$ 1,438,749	\$ 0	\$ 0	\$ 3,246,027
Trustee's Collections - Prior Year	63,454	0	0	49,211	0	0	112,665
Trustee's Collections - Bankruptcy	923	0	0	724	0	0	1,647
Circuit/Clerk and Master Collections - Prior Years	74,647	0	0	59,329	0	0	133,976
Interest and Penalty	11,539	0	0	9,232	0	0	20,771
Payments in-Lieu-of Taxes - Local Utilities	26,508	0	0	21,133	0	0	47,641
Payments in-Lieu-of Taxes - Other	1,030	0	0	819	0	0	1,849
<u>County Local Option Taxes</u>							
Local Option Sales Tax	2,627,127	0	0	0	677,092	0	3,304,219
Statutory Local Taxes	13,890	0	0	11,037	0	0	24,927
Bank Excise Tax	2,750	0	0	0	0	0	2,750
Interstate Telecommunications Tax							
<u>Total Local Taxes</u>	\$ 4,629,146	\$ 0	\$ 0	\$ 1,590,234	\$ 677,092	\$ 0	\$ 6,896,472
<u>Licenses and Permits</u>							
<u>Licenses</u>							
Marriage Licenses	2,116	0	0	0	0	0	2,116
<u>Total Licenses and Permits</u>	\$ 2,116	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,116
<u>Charges for Current Services</u>							
<u>Education Charges</u>							
Tuition - Other	81,331	0	0	0	0	0	81,331
Lunch Payments - Children	0	0	442,122	0	0	0	442,122
Lunch Payments - Adults	0	0	60,135	0	0	0	60,135

(Continued)

Exhibit K-6

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

	General Purpose School	Special Revenue Funds			Capital Projects Fund		Total
		School Federal Projects	Central Cafeteria	School Transportation	Education Capital Projects		
<u>Charges for Current Services (Cont.)</u>							
<u>Education Charges (Cont.)</u>							
Income from Breakfast	0 \$	0 \$	1,822 \$	0 \$	0 \$	0 \$	1,822
A la carte Sales	0	0	132,398	0	0	0	132,398
Total Charges for Current Services	\$ 81,331	\$ 0	\$ 636,477	\$ 0	\$ 0	\$ 0	\$ 717,808
<u>Other Local Revenues</u>							
<u>Recurring Items</u>							
Investment Income	0	0	1,690	0	0	917	2,607
Lease/Rentals	60	0	0	45,543	0	0	45,603
E-Rate Funding	47,472	0	0	0	0	0	47,472
Miscellaneous Refunds	2,253	0	6,302	700	0	0	9,255
<u>Nonrecurring Items</u>							
Contributions and Gifts	26,000	0	0	0	0	0	26,000
<u>Other Local Revenues</u>							
Other Local Revenues	39,186	0	1,000	1	0	0	40,187
Total Other Local Revenues	\$ 114,971	\$ 0	\$ 8,992	\$ 46,244	\$ 917	\$ 171,124	
<u>State of Tennessee</u>							
<u>General Government Grants</u>							
On-behalf Contributions for OPEB	91,026	0	0	0	0	0	91,026
<u>State Education Funds</u>							
Basic Education Program	21,350,001	0	0	0	0	0	21,350,001
Early Childhood Education	394,966	0	0	0	0	0	394,966
School Food Service	0	0	21,917	0	0	0	21,917
Driver Education	19,990	0	0	0	0	0	19,990

(Continued)

Exhibit K-6

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

	General Purpose School	Special Revenue Funds			Capital Projects Fund		Total
		School Federal Projects	Central Cafeteria	School Transportation	Education Capital Projects		
<u>State of Tennessee (Cont.)</u>							
<u>State Education Funds (Cont.)</u>							
Other State Education Funds							
Career Ladder Program	433,676 \$	0 \$	0 \$	0 \$	0 \$	0 \$	433,676
Career Ladder - Extended Contract	151,893	0	0	0	0	0	151,893
Other State Revenues	28,870	0	0	0	0	0	28,870
State Revenue Sharing - T.V.A.	1,117,108	0	0	0	0	0	1,117,108
Other State Grants	3,690	0	0	0	0	0	3,690
Total State of Tennessee	\$ 23,591,220	\$ 0	\$ 21,917	\$ 0	\$ 0	\$ 0	\$ 23,613,137
<u>Federal Government</u>							
<u>Federal Through State</u>							
USDA School Lunch Program							
USDA - Commodities	0 \$	0 \$	1,160,338 \$	0 \$	0 \$	0 \$	1,160,338
Breakfast	0	0	145,066	0	0	0	145,066
Vocational Education - Basic Grants to States	0	79,562	0	0	0	0	79,562
Title I Grants to Local Education Agencies	0	1,666,650	0	0	0	0	1,666,650
Special Education - Grants to States	65,288	783,581	0	0	0	0	848,869
Special Education Preschool Grants	0	13,797	0	0	0	0	13,797
English Language Acquisition Grants	0	18,226	0	0	0	0	18,226
Rural Education	0	68,459	0	0	0	0	68,459
Education for Homeless Children and Youth	0	19,000	0	0	0	0	19,000
Eisenhower Professional Development State Grants	0	141,793	0	0	0	0	141,793
Race-to-the-Top - ARRA	0	156,993	0	0	0	0	156,993
<u>Direct Federal Revenue</u>							
ROTC Reimbursement	56,998	0	0	0	0	0	56,998
Total Federal Government	\$ 122,286	\$ 2,948,061	\$ 1,744,879	\$ 0	\$ 0	\$ 0	\$ 4,815,226
Total	\$ 28,541,070	\$ 2,948,061	\$ 2,412,265	\$ 1,636,478	\$ 678,009	\$ 36,215,883	

Exhibit K-7

Rhea County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2014

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		89,000	
Dues and Memberships		6,508	
Travel		2,163	
Other Contracted Services		6,287	
Other Supplies and Materials		8,536	
Other Charges		300	
Total County Commission			\$ 168,841

Board of Equalization

Board and Committee Members Fees	\$	2,100	
Social Security		130	
Employer Medicare		30	
Total Board of Equalization			2,260

Other Boards and Committees

Secretary(ies)	\$	150	
Board and Committee Members Fees		2,280	
Social Security		151	
State Retirement		13	
Employer Medicare		35	
Printing, Stationery, and Forms		1,080	
Total Other Boards and Committees			3,709

County Mayor/Executive

County Official/Administrative Officer	\$	75,804	
Accountants/Bookkeepers		20,947	
Part-time Personnel		1,334	
Social Security		5,761	
State Retirement		8,543	
Life Insurance		96	
Medical Insurance		14,712	
Employer Medicare		1,347	
Communication		804	
Dues and Memberships		2,165	
Operating Lease Payments		1,786	
Travel		633	
Gasoline		4,829	
Office Supplies		635	
Vehicle and Equipment Insurance		338	
Liability Claims		500	
Total County Mayor/Executive			140,234

(Continued)

Exhibit K-7

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

General Fund (Cont.)

General Government (Cont.)

County Attorney

Legal Services	\$ 17,450	
Total County Attorney		\$ 17,450

Election Commission

County Official/Administrative Officer	\$ 54,534	
Assistant(s)	34,682	
Part-time Personnel	7,325	
Overtime Pay	685	
Other Salaries and Wages	7,938	
Election Commission	4,540	
Election Workers	5,735	
Social Security	7,058	
State Retirement	7,159	
Life Insurance	92	
Medical Insurance	14,156	
Employer Medicare	1,651	
Other Fringe Benefits	1,650	
Communication	963	
Dues and Memberships	175	
Operating Lease Payments	8,009	
Legal Notices, Recording, and Court Costs	3,826	
Maintenance Agreements	12,980	
Maintenance and Repair Services - Equipment	859	
Rentals	625	
Travel	6,647	
Other Contracted Services	9,822	
Office Supplies	1,168	
Other Supplies and Materials	2,372	
Other Capital Outlay	1,540	
Total Election Commission		196,191

Register of Deeds

County Official/Administrative Officer	\$ 65,632	
Assistant(s)	30,720	
Clerical Personnel	26,713	
Social Security	7,592	
State Retirement	5,065	
Life Insurance	144	
Medical Insurance	21,415	
Employer Medicare	1,776	
Data Processing Services	6,976	
Dues and Memberships	478	
Operating Lease Payments	1,859	
Other Contracted Services	2,836	
Office Supplies	3,550	
Total Register of Deeds		174,756

(Continued)

Exhibit K-7

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

General Fund (Cont.)

General Government (Cont.)

Planning

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

Building

Other Contracted Services	\$ 20,214	
Total Building		20,214

County Buildings

Custodial Personnel	\$ 7,185	
Maintenance Personnel	154,820	
Social Security	10,051	
State Retirement	13,440	
Life Insurance	48	
Medical Insurance	7,138	
Employer Medicare	2,351	
Communication	42,219	
Dues and Memberships	10,179	
Licenses	500	
Postal Charges	38,306	
Other Contracted Services	184,712	
Custodial Supplies	29,455	
Electricity	179,945	
Natural Gas	22,589	
Water and Sewer	39,440	
Other Supplies and Materials	30,329	
Building and Contents Insurance	18,381	
Total County Buildings		791,088

Finance

Accounting and Budgeting

Assistant(s)	\$ 32,905	
Supervisor/Director	81,737	
Accountants/Bookkeepers	140,887	
Purchasing Personnel	110,267	
Social Security	21,435	
State Retirement	30,445	
Life Insurance	532	
Medical Insurance	78,313	
Employer Medicare	5,013	
Other Fringe Benefits	1,701	
Data Processing Services	16,404	
Operating Lease Payments	5,266	
Legal Notices, Recording, and Court Costs	2,893	
Travel	668	
Office Supplies	12,184	
In Service/Staff Development	309	
Data Processing Equipment	3,895	
Office Equipment	400	
Total Accounting and Budgeting		545,254

(Continued)

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office

County Official/Administrative Officer	\$	65,632	
Assistant(s)		33,289	
Accountants/Bookkeepers		24,782	
Mechanic(s)		46	
Clerical Personnel		59,250	
Social Security		10,368	
State Retirement		16,141	
Life Insurance		288	
Medical Insurance		42,995	
Employer Medicare		2,425	
Data Processing Services		4,555	
Dues and Memberships		1,650	
Operating Lease Payments		2,274	
Printing, Stationery, and Forms		96	
Travel		1,442	
Other Contracted Services		20,705	
Gasoline		2,095	
Office Supplies		4,747	
Vehicle Parts		118	
Vehicle and Equipment Insurance		338	
In Service/Staff Development		360	
Data Processing Equipment		1,667	
Furniture and Fixtures		2,360	
Total Property Assessor's Office			\$ 297,623

County Trustee's Office

Part-time Personnel	\$	107	
Social Security		8	
Life Insurance		144	
Medical Insurance		17,462	
Employer Medicare		74	
Data Processing Services		21,761	
Dues and Memberships		478	
Operating Lease Payments		1,500	
Legal Notices, Recording, and Court Costs		92	
Other Contracted Services		9,506	
Office Supplies		3,026	
Building Improvements		4,442	
Data Processing Equipment		1,084	
Total County Trustee's Office			59,684

County Clerk's Office

Assistant(s)	\$	4,416	
Part-time Personnel		1,202	
Social Security		272	
State Retirement		389	
Life Insurance		240	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

Medical Insurance	\$	35,571	
Unemployment Compensation		6,514	
Employer Medicare		82	
Other Fringe Benefits		1,650	
Communication		1,055	
Data Processing Services		17,784	
Dues and Memberships		628	
Operating Lease Payments		2,011	
Licenses		385	
Office Supplies		3,401	
Data Processing Equipment		8,985	
Total County Clerk's Office			\$ 84,585

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	65,632	
Assistant(s)		28,499	
Clerical Personnel		65,147	
Part-time Personnel		6,474	
Social Security		9,843	
State Retirement		13,633	
Life Insurance		240	
Medical Insurance		33,451	
Employer Medicare		2,302	
Data Processing Services		17,420	
Dues and Memberships		478	
Operating Lease Payments		2,730	
Other Contracted Services		11,396	
Office Supplies		5,995	
Total Circuit Court			263,240

General Sessions Court

Assistant(s)	\$	30,720	
Clerical Personnel		95,671	
Social Security		7,693	
State Retirement		11,058	
Life Insurance		240	
Medical Insurance		31,972	
Employer Medicare		1,799	
Operating Lease Payments		1,859	
Other Contracted Services		1,320	
Office Supplies		4,025	
Total General Sessions Court			186,357

General Sessions Judge

Judge(s)	\$	129,853	
Probation Officer(s)		46,901	

(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.)

Youth Service Officer(s)	\$	22,504	
Secretary(ies)		26,713	
Social Security		13,085	
State Retirement		19,676	
Life Insurance		240	
Medical Insurance		33,350	
Unemployment Compensation		6,656	
Employer Medicare		3,136	
Other Fringe Benefits		1,974	
Communication		343	
Operating Lease Payments		1,370	
Travel		5,941	
Office Supplies		1,324	
Other Supplies and Materials		1,422	
Data Processing Equipment		400	
Total General Sessions Judge			\$ 314,888

Drug Court

Drug Treatment	\$	1,729	
Total Drug Court			1,729

Chancery Court

County Official/Administrative Officer	\$	65,632	
Assistant(s)		33,289	
Clerical Personnel		80,138	
Social Security		10,698	
State Retirement		15,793	
Life Insurance		240	
Medical Insurance		36,127	
Employer Medicare		2,502	
Other Fringe Benefits		122	
Data Processing Services		7,081	
Dues and Memberships		478	
Operating Lease Payments		1,979	
Office Supplies		3,335	
Data Processing Equipment		2,198	
Total Chancery Court			259,612

Courtroom Security

Deputy(ies)	\$	36,000	
Social Security		1,458	
Employer Medicare		522	
Total Courtroom Security			37,980

Public SafetySheriff's Department

County Official/Administrative Officer	\$	72,195	
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(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.)

Assistant(s)	\$	47,115	
Deputy(ies)		569,741	
Investigator(s)		115,369	
Lieutenant(s)		48,661	
Sergeant(s)		140,365	
Mechanic(s)		14,629	
School Resource Officer		132,131	
Educational Incentive - Other County Employees		16,721	
Social Security		71,054	
State Retirement		92,221	
Life Insurance		1,432	
Medical Insurance		219,927	
Employer Medicare		16,617	
Other Fringe Benefits		2,384	
Communication		1,373	
Dues and Memberships		2,610	
Operating Lease Payments		5,796	
Legal Notices, Recording, and Court Costs		84	
Rentals		960	
Towing Services		2,725	
Travel		1,345	
Remittance of Revenue Collected		11,210	
Other Contracted Services		14,274	
Diesel Fuel		767	
Gasoline		161,102	
Lubricants		1,983	
Office Supplies		1,965	
Tires and Tubes		15,545	
Uniforms		10,705	
Vehicle Parts		30,283	
Other Supplies and Materials		8,187	
Liability Insurance		23,455	
Vehicle and Equipment Insurance		28,868	
Liability Claims		6,000	
In Service/Staff Development		5,974	
Other Charges		800	
Data Processing Equipment		9,944	
Motor Vehicles		94,013	
Total Sheriff's Department			\$ 2,000,530

Administration of the Sexual Offender Registry

Other Contracted Services	\$	1,360	
Other Charges		1,090	
Total Administration of the Sexual Offender Registry			2,450

Jail

Lieutenant(s)	\$	36,852	
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(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Sergeant(s)	\$	130,729	
Accountants/Bookkeepers		31,214	
Guards		186,807	
Clerical Personnel		54,659	
Social Security		27,291	
State Retirement		37,148	
Life Insurance		796	
Medical Insurance		110,564	
Employer Medicare		6,383	
Other Fringe Benefits		221	
Communication		1,286	
Operating Lease Payments		1,518	
Medical and Dental Services		81,365	
Travel		1,069	
Other Contracted Services		7,367	
Drugs and Medical Supplies		42,999	
Food Preparation Supplies		9,065	
Food Supplies		158,177	
Office Supplies		1,153	
Prisoners Clothing		2,474	
Uniforms		5,580	
Other Supplies and Materials		4,943	
In Service/Staff Development		1,034	
Other Charges		100	
Total Jail			\$ 940,794

Juvenile Services

Sergeant(s)	\$	56,422	
Guards		77,054	
Social Security		8,258	
State Retirement		11,773	
Life Insurance		216	
Medical Insurance		35,310	
Employer Medicare		1,931	
Other Fringe Benefits		1,231	
Operating Lease Payments		1,059	
Office Supplies		398	
Prisoners Clothing		1,000	
Uniforms		1,800	
Other Supplies and Materials		51	
Total Juvenile Services			196,503

Fire Prevention and Control

Supervisor/Director	\$	39,927	
Mechanic(s)		596	
Other Salaries and Wages		6,000	
Social Security		2,845	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Fire Prevention and Control (Cont.)

State Retirement	\$	3,574	
Life Insurance		48	
Medical Insurance		7,138	
Employer Medicare		665	
Communication		269	
Contracts with Government Agencies		2,000	
Dues and Memberships		375	
Other Contracted Services		13,091	
Diesel Fuel		9,953	
Electricity		21,125	
Gasoline		8,421	
Lubricants		54	
Natural Gas		22,443	
Office Supplies		189	
Vehicle Parts		879	
Water and Sewer		2,227	
Other Supplies and Materials		49,577	
Liability Insurance		903	
Vehicle and Equipment Insurance		17,816	
Liability Claims		500	
In Service/Staff Development		3,691	
Other Charges		7,986	
Land		16,265	
Motor Vehicles		8,000	
Other Capital Outlay		7,244	
Total Fire Prevention and Control			\$ 253,801

Civil Defense

Other Equipment	\$	54,661	
Total Civil Defense			54,661

Rescue Squad

Contributions	\$	29,814	
Total Rescue Squad			29,814

County Coroner/Medical Examiner

Contracts with Private Agencies	\$	25,625	
Total County Coroner/Medical Examiner			25,625

Public Safety Grants Programs

Overtime Pay	\$	5,799	
Social Security		350	
State Retirement		498	
Employer Medicare		82	
Other Capital Outlay		16,334	
Total Public Safety Grants Programs			23,063

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Other Public Safety

Assistant(s)	\$	35,000	
Supervisor/Director		50,000	
Dispatchers/Radio Operators		391,376	
Maintenance Personnel		254	
Part-time Personnel		9,679	
Social Security		29,680	
State Retirement		41,310	
Life Insurance		748	
Medical Insurance		112,060	
Employer Medicare		6,941	
Other Fringe Benefits		7,893	
Maintenance Agreements		39,114	
Custodial Supplies		499	
Electricity		9,820	
Gasoline		3,907	
Natural Gas		485	
Office Supplies		880	
Water and Sewer		365	
Building and Contents Insurance		5,413	
Liability Insurance		1,052	
Vehicle and Equipment Insurance		1,053	
Total Other Public Safety			\$ 747,529

Public Health and Welfare

Local Health Center

Custodial Personnel	\$	7,352	
Other Salaries and Wages		111,099	
Social Security		7,246	
State Retirement		8,175	
Life Insurance		208	
Medical Insurance		31,825	
Employer Medicare		1,695	
Other Fringe Benefits		294	
Contributions		69,751	
Travel		4,499	
Other Contracted Services		3,260	
Other Supplies and Materials		2,857	
Other Charges		4,370	
Total Local Health Center			252,631

Rabies and Animal Control

Other Salaries and Wages	\$	39,144	
Social Security		2,429	
State Retirement		2,333	
Life Insurance		48	
Medical Insurance		7,138	
Employer Medicare		568	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Rabies and Animal Control (Cont.)

Operating Lease Payments	\$	708	
Licenses		720	
Other Contracted Services		1,189	
Animal Food and Supplies		1,520	
Gasoline		4,213	
Office Supplies		8	
Uniforms		360	
Other Supplies and Materials		3,862	
Total Rabies and Animal Control			\$ 64,240

Crippled Children Services

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

Other Waste Disposal

Access Fees	\$	38,202	
Total Other Waste Disposal			38,202

Other Public Health and Welfare

Other Supplies and Materials	\$	1,571	
Total Other Public Health and Welfare			1,571

Agriculture and Natural Resources

Agricultural Extension Service

Contributions	\$	102,733	
Dues and Memberships		245	
Other Contracted Services		6,741	
Electricity		2,291	
Water and Sewer		404	
Other Supplies and Materials		8,703	
Total Agricultural Extension Service			121,117

Soil Conservation

Other Salaries and Wages	\$	24,384	
Social Security		1,480	
State Retirement		2,151	
Life Insurance		48	
Medical Insurance		7,138	
Employer Medicare		346	
Dues and Memberships		1,075	
Travel		693	
Office Supplies		736	
Other Charges		600	
Total Soil Conservation			38,651

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Other Operations

Other Economic and Community Development

Contributions	\$	94,263	
Other Charges		14,277	
Total Other Economic and Community Development			\$ 108,540

Veterans' Services

Supervisor/Director	\$	40,000	
Accountants/Bookkeepers		28,947	
Part-time Personnel		296	
Social Security		4,260	
State Retirement		6,081	
Life Insurance		96	
Medical Insurance		14,276	
Employer Medicare		996	
Other Fringe Benefits		182	
Data Processing Services		1,863	
Operating Lease Payments		897	
Travel		821	
Office Supplies		875	
Total Veterans' Services			99,590

Other Charges

Liability Insurance	\$	5,155	
Premiums on Corporate Surety Bonds		534	
Trustee's Commission		135,379	
Total Other Charges			141,068

Contributions to Other Agencies

Contributions	\$	72,950	
Total Contributions to Other Agencies			72,950

Employee Benefits

Workers' Compensation Insurance	\$	47,863	
Total Employee Benefits			47,863

Total General Fund \$ 8,838,210

Solid Waste/Sanitation Fund

Public Health and Welfare

Waste Pickup

Supervisor/Director	\$	28,604	
Deputy(ies)		26,061	
Mechanic(s)		4,301	
Truck Drivers		70,462	
Maintenance Personnel		5,113	
Other Salaries and Wages		147,095	
Social Security		17,406	
State Retirement		11,444	

(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.)

Life Insurance	\$	240	
Medical Insurance		36,021	
Employer Medicare		4,071	
Other Fringe Benefits		2,222	
Communication		4,060	
Operating Lease Payments		11,300	
Rentals		900	
Towing Services		250	
Travel		203	
Disposal Fees		30,995	
Other Contracted Services		19,743	
Custodial Supplies		2,341	
Diesel Fuel		58,239	
Electricity		11,652	
Gasoline		6,424	
Lubricants		990	
Natural Gas		478	
Tires and Tubes		11,916	
Uniforms		360	
Vehicle Parts		6,302	
Water and Sewer		4,048	
Other Supplies and Materials		5,343	
Building and Contents Insurance		5,112	
Liability Insurance		1,654	
Vehicle and Equipment Insurance		8,269	
Liability Claims		500	
Other Charges		7,953	
Total Waste Pickup			\$ 552,072

Other Operations

Other Charges

Trustee's Commission	\$	4,251	
Total Other Charges			4,251

Employee Benefits

Workers' Compensation Insurance	\$	6,434	
Total Employee Benefits			6,434

Total Solid Waste/Sanitation Fund \$ 562,757

Drug Control Fund

Public Safety

Drug Enforcement

Communication	\$	4,308	
Confidential Drug Enforcement Payments		4,000	
Legal Notices, Recording, and Court Costs		96	
Maintenance and Repair Services - Equipment		3,634	

(Continued)

Exhibit K-7

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

Drug Control Fund (Cont.)

Public Safety (Cont.)

Drug Enforcement (Cont.)

Towing Services	\$	675	
Other Contracted Services		1,543	
Other Supplies and Materials		5,719	
Trustee's Commission		272	
Law Enforcement Equipment		1,000	
Total Drug Enforcement			\$ 21,247

Total Drug Control Fund \$ 21,247

Constitutional Officers - Fees Fund

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$	147,936	
Total County Trustee's Office			\$ 147,936

County Clerk's Office

Constitutional Officers' Operating Expenses	\$	202,524	
Total County Clerk's Office			202,524

Administration of Justice

General Sessions Court Clerk

Constitutional Officers' Operating Expenses	\$	9	
Total General Sessions Court Clerk			9

Chancery Court

Special Commissioner Fees/Special Master Fees	\$	725	
Total Chancery Court			725

Public Safety

Sheriff's Department

Constitutional Officers' Operating Expenses	\$	160	
Total Sheriff's Department			160

Total Constitutional Officers - Fees Fund 351,354

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	72,195	
Assistant(s)		51,113	
Secretary(ies)		40,124	
Social Security		9,564	
State Retirement		14,167	
Medical Insurance		21,700	
Employer Medicare		2,237	
Communication		4,061	
Dues and Memberships		2,605	

(Continued)

Exhibit K-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Maintenance Agreements	\$	400	
Postal Charges		18	
Travel		391	
Other Contracted Services		214	
Custodial Supplies		15	
Drugs and Medical Supplies		157	
Electricity		3,477	
Gasoline		4,904	
Natural Gas		2,862	
Office Supplies		497	
Water and Sewer		350	
Other Supplies and Materials		823	
Premiums on Corporate Surety Bonds		350	
Office Equipment		175	
Total Administration			\$ 232,399

Highway and Bridge Maintenance

Equipment Operators	\$	64,465	
Equipment Operators - Light		185,729	
Truck Drivers		178,516	
Social Security		26,157	
State Retirement		36,113	
Medical Insurance		87,776	
Employer Medicare		6,117	
Other Fringe Benefits		2,061	
Asphalt		149,142	
Crushed Stone		103,222	
Fertilizer, Lime, and Seed		6,192	
Pipe		3,164	
Road Signs		5,054	
Other Supplies and Materials		802	
Total Highway and Bridge Maintenance			854,510

Operation and Maintenance of Equipment

Foremen	\$	34,382	
Social Security		2,140	
State Retirement		2,907	
Medical Insurance		7,138	
Employer Medicare		501	
Other Fringe Benefits		1,468	
Diesel Fuel		82,563	
Gasoline		31,886	
Lubricants		6,338	
Tires and Tubes		16,483	
Vehicle Parts		53,842	
Total Operation and Maintenance of Equipment			239,648

(Continued)

Exhibit K-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Other Charges

Building and Contents Insurance	\$	5,638	
Liability Insurance		16,915	
Trustee's Commission		20,210	
Vehicle and Equipment Insurance		24,433	
Liability Claims		2,000	
Other Charges		388	
Total Other Charges			\$ 69,584

Employee Benefits

Life Insurance	\$	908	
Unemployment Compensation		3,300	
Uniforms		4,258	
Workers' Compensation Insurance		30,769	
Total Employee Benefits			39,235

Capital Outlay

Engineering Services	\$	42,741	
Other Contracted Services		1,254	
Bridge Construction		397,723	
Total Capital Outlay			441,718

Total Highway/Public Works Fund \$ 1,877,094

General Debt Service Fund

Principal on Debt

General Government

Principal on Notes	\$	52,722	
Principal on Other Loans		44,000	
Total General Government			\$ 96,722

Highways and Streets

Principal on Notes	\$	220,534	
Total Highways and Streets			220,534

Education

Principal on Bonds	\$	1,230,000	
Principal on Notes		137,835	
Principal on Other Loans		34,500	
Total Education			1,402,335

Interest on Debt

General Government

Interest on Notes	\$	11,390	
Interest on Other Loans		1,809	
Total General Government			13,199

(Continued)

Exhibit K-7

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

<u>General Debt Service Fund (Cont.)</u>		
<u>Interest on Debt (Cont.)</u>		
<u>Highways and Streets</u>		
Interest on Notes	\$ 61,629	
Total Highways and Streets		\$ 61,629
<u>Education</u>		
Interest on Bonds	\$ 1,551,532	
Interest on Notes	26,544	
Total Education		1,578,076
<u>Other Debt Service</u>		
<u>General Government</u>		
Trustee's Commission	\$ 30,789	
Other Charges	3,394	
Other Debt Service	6,095	
Total General Government		40,278
<u>Education</u>		
Other Debt Service	\$ 593	
Total Education		593
Total General Debt Service Fund		\$ 3,413,366
<u>General Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>General Administration Projects</u>		
Other Capital Outlay	\$ 350,000	
Total General Administration Projects		\$ 350,000
Total General Capital Projects Fund		350,000
<u>HUD Grant Projects Fund</u>		
<u>Other Operations</u>		
<u>Housing and Urban Development</u>		
Contracts with Other Public Agencies	\$ 17,072	
Other Charges	284,853	
Total Housing and Urban Development		\$ 301,925
Total HUD Grant Projects Fund		301,925
Total Governmental Funds - Primary Government		<u>\$ 15,715,953</u>

Exhibit K-8

Rhea County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Discretely Presented Rhea County School Department  
For the Year Ended June 30, 2014

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	9,880,654	
Career Ladder Program		93,500	
Career Ladder Extended Contracts		25,000	
Homebound Teachers		19,745	
Paraprofessionals		24,425	
Salary Supplements		4,340	
Educational Assistants		364,846	
Other Salaries and Wages		140,263	
Certified Substitute Teachers		7,178	
Non-certified Substitute Teachers		134,310	
Social Security		633,679	
State Retirement		928,247	
Life Insurance		12,194	
Medical Insurance		1,866,090	
Unemployment Compensation		4,490	
Employer Medicare		148,345	
Other Contracted Services		21,802	
Instructional Supplies and Materials		122,235	
Textbooks		467,138	
Other Supplies and Materials		7,990	
Other Charges		19,990	
Data Processing Equipment		58,198	
Regular Instruction Equipment		850	
Total Regular Instruction Program			\$ 14,985,509

Special Education Program

Teachers	\$	1,199,729
Career Ladder Program		13,000
Career Ladder Extended Contracts		2,600
Homebound Teachers		4,008
Educational Assistants		240,811
Speech Pathologist		97,755
Other Salaries and Wages		15,071
Certified Substitute Teachers		110
Non-certified Substitute Teachers		21,670
Social Security		92,953
State Retirement		132,756
Life Insurance		1,927
Medical Insurance		289,230
Unemployment Compensation		4,277
Employer Medicare		21,741
Contracts with Private Agencies		81,168
Evaluation and Testing		10,940
Maintenance and Repair Services - Equipment		803
Other Contracted Services		2,752
Instructional Supplies and Materials		12,728

(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.)

Other Supplies and Materials	\$	3,898	
Other Charges		3,080	
Special Education Equipment		14,433	
Total Special Education Program			\$ 2,267,440

Vocational Education Program

Teachers	\$	525,537	
Career Ladder Program		2,000	
Certified Substitute Teachers		138	
Non-certified Substitute Teachers		7,508	
Social Security		31,657	
State Retirement		46,845	
Life Insurance		624	
Medical Insurance		100,904	
Employer Medicare		7,404	
Instructional Supplies and Materials		28,459	
Total Vocational Education Program			751,076

Adult Education Program

Teachers	\$	9,700	
Social Security		544	
State Retirement		424	
Employer Medicare		141	
Communication		2,190	
Total Adult Education Program			12,999

Support Services

Health Services

Medical Personnel	\$	146,799	
Social Security		8,970	
State Retirement		10,771	
Life Insurance		328	
Medical Insurance		38,285	
Employer Medicare		2,099	
Travel		1,504	
Other Supplies and Materials		7,379	
Other Equipment		505	
Total Health Services			216,640

Other Student Support

Supervisor/Director	\$	58,000	
Career Ladder Program		1,000	
Computer Programmer(s)		219,736	
Guidance Personnel		402,972	
Instructional Computer Personnel		64,935	
Mechanic(s)		137	

(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.)

Secretary(ies)	\$	19,180	
Clerical Personnel		22,822	
Educational Assistants		49,707	
School Resource Officer		4,400	
Other Salaries and Wages		89,988	
Certified Substitute Teachers		220	
Non-certified Substitute Teachers		3,410	
Social Security		55,912	
State Retirement		81,044	
Life Insurance		1,120	
Medical Insurance		179,271	
Employer Medicare		13,078	
Communication		3,210	
Evaluation and Testing		50,931	
Maintenance and Repair Services - Equipment		7,932	
Travel		16,993	
Other Contracted Services		156,754	
Gasoline		905	
Instructional Supplies and Materials		109,304	
Lubricants		48	
Vehicle Parts		37	
Other Supplies and Materials		57,870	
In Service/Staff Development		7,211	
Other Charges		1,924	
Data Processing Equipment		57,934	
Furniture and Fixtures		3,370	
Regular Instruction Equipment		2,675	
Other Equipment		299,000	
Total Other Student Support			\$ 2,043,030

Regular Instruction Program

Supervisor/Director	\$	1,356	
Career Ladder Program		3,000	
Librarians		279,765	
Secretary(ies)		838	
Social Security		17,159	
State Retirement		25,304	
Life Insurance		283	
Medical Insurance		44,120	
Employer Medicare		4,013	
Dues and Memberships		90	
Travel		1,808	
Library Books/Media		58,048	
Periodicals		4,173	
Other Supplies and Materials		2,465	
In Service/Staff Development		2,760	
Other Charges		3,725	
Total Regular Instruction Program			448,907

(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

Supervisor/Director	\$	59,056	
Career Ladder Program		5,000	
Psychological Personnel		104,853	
Career Ladder Extended Contracts		800	
Secretary(ies)		31,875	
Social Security		11,106	
State Retirement		17,412	
Life Insurance		189	
Medical Insurance		33,279	
Employer Medicare		2,675	
Consultants		12,285	
Travel		12,828	
Other Contracted Services		78,636	
Other Supplies and Materials		966	
In Service/Staff Development		2,065	
Other Equipment		870	
Total Special Education Program			\$ 373,895

Adult Programs

Other Salaries and Wages	\$	20,356	
Social Security		1,262	
State Retirement		56	
Medical Insurance		760	
Employer Medicare		295	
Communication		119	
Contributions		14,026	
Refunds		212	
Total Adult Programs			37,086

Other Programs

Salary Supplements	\$	157,739	
Social Security		9,174	
State Retirement		12,602	
Medical Insurance		22,265	
Employer Medicare		2,177	
On-behalf Payments to OPEB		91,026	
Other Charges		4,996	
Total Other Programs			299,979

Board of Education

Board and Committee Members Fees	\$	43,200	
Social Security		2,678	
Employer Medicare		626	
Audit Services		7,700	
Dues and Memberships		8,869	
Legal Services		2,724	

(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	\$	13,814	
Other Contracted Services		362	
Liability Insurance		65,428	
Trustee's Commission		119,080	
Workers' Compensation Insurance		125,896	
Liability Claims		113	
Total Board of Education	\$		390,490

Director of Schools

County Official/Administrative Officer	\$	98,635	
Assistant(s)		78,546	
Supervisor/Director		64,709	
Career Ladder Program		5,000	
Career Ladder Extended Contracts		600	
Materials Supervisor		27,386	
Paraprofessionals		9,634	
Mechanic(s)		244	
Secretary(ies)		54,773	
Social Security		20,195	
State Retirement		29,247	
Life Insurance		288	
Medical Insurance		51,725	
Employer Medicare		4,723	
Dues and Memberships		3,231	
Legal Notices, Recording, and Court Costs		910	
Maintenance and Repair Services - Equipment		98	
Postal Charges		3,470	
Travel		13,875	
Other Contracted Services		8,833	
Gasoline		3,510	
Lubricants		22	
Office Supplies		9,061	
Vehicle Parts		186	
Other Charges		221	
Furniture and Fixtures		4,262	
Total Director of Schools			493,384

Office of the Principal

Principals	\$	500,917	
Career Ladder Program		8,000	
Accountants/Bookkeepers		174,616	
Career Ladder Extended Contracts		1,200	
Assistant Principals		441,345	
Secretary(ies)		264,330	
Social Security		81,374	
State Retirement		121,859	

(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.)

Life Insurance	\$	1,552	
Medical Insurance		215,005	
Employer Medicare		19,031	
Communication		56,764	
Maintenance and Repair Services - Equipment		2,314	
Other Contracted Services		1,768	
Other Charges		3,690	
Total Office of the Principal			\$ 1,893,765

Operation of Plant

Custodial Personnel	\$	770,595	
Social Security		44,959	
State Retirement		46,694	
Life Insurance		1,508	
Medical Insurance		219,436	
Employer Medicare		10,845	
Operating Lease Payments		15,168	
Maintenance and Repair Services - Equipment		2,331	
Rentals		7,868	
Other Contracted Services		12,868	
Custodial Supplies		65,314	
Electricity		1,137,141	
Natural Gas		181,865	
Water and Sewer		91,904	
Other Supplies and Materials		16,262	
Plant Operation Equipment		15,863	
Total Operation of Plant			2,640,621

Maintenance of Plant

Maintenance Personnel	\$	165,731	
Social Security		10,275	
State Retirement		14,617	
Employer Medicare		2,403	
Other Contracted Services		273,511	
Other Supplies and Materials		96,586	
Building and Contents Insurance		127,396	
Other Equipment		12,131	
Total Maintenance of Plant			702,650

Transportation

Bus Drivers	\$	414	
Social Security		26	
State Retirement		37	
Employer Medicare		6	
Contracts with Parents		23,019	
Total Transportation			23,502

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Operation of Non-instructional Services

Early Childhood Education

Teachers	\$	162,304	
Salary Supplements		4,000	
Bus Drivers		28,271	
Educational Assistants		73,718	
Other Salaries and Wages		11,558	
Non-certified Substitute Teachers		3,988	
Social Security		16,262	
State Retirement		22,336	
Life Insurance		384	
Medical Insurance		56,769	
Employer Medicare		3,803	
Other Fringe Benefits		2,160	
Other Contracted Services		3,153	
Instructional Supplies and Materials		10,919	
Total Early Childhood Education			\$ 399,625

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$	506,545	
Total Education			506,545

Total General Purpose School Fund \$ 28,487,143

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	733,890	
Educational Assistants		165,789	
Other Salaries and Wages		81,905	
Certified Substitute Teachers		385	
Non-certified Substitute Teachers		11,302	
Social Security		54,785	
State Retirement		75,569	
Life Insurance		1,016	
Medical Insurance		159,420	
Unemployment Compensation		4,169	
Employer Medicare		13,866	
Other Fringe Benefits		2,707	
Instructional Supplies and Materials		156,857	
Other Supplies and Materials		11,479	
Other Charges		12,131	
Regular Instruction Equipment		129,655	
Total Regular Instruction Program			\$ 1,614,925

Special Education Program

Teachers	\$	50,308	
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(Continued)

Exhibit K-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Educational Assistants	\$	482,588	
Non-certified Substitute Teachers		165	
Social Security		32,167	
State Retirement		43,876	
Life Insurance		1,312	
Medical Insurance		158,338	
Unemployment Compensation		2,939	
Employer Medicare		7,527	
Other Fringe Benefits		1,571	
Total Special Education Program			\$ 780,791

Vocational Education Program

Other Supplies and Materials	\$	5,077	
Vocational Instruction Equipment		60,898	
Total Vocational Education Program			65,975

Support Services

Other Student Support

Other Salaries and Wages	\$	8,337	
Social Security		517	
Unemployment Compensation		83	
Employer Medicare		121	
Travel		11,142	
Other Supplies and Materials		163	
In Service/Staff Development		7,170	
Other Charges		495	
Total Other Student Support			28,028

Regular Instruction Program

Supervisor/Director	\$	69,598	
Secretary(ies)		22,832	
Other Salaries and Wages		193,264	
Non-certified Substitute Teachers		4,950	
Social Security		17,555	
State Retirement		25,335	
Life Insurance		264	
Medical Insurance		32,931	
Unemployment Compensation		688	
Employer Medicare		4,107	
Other Fringe Benefits		751	
Travel		54,271	
Other Supplies and Materials		697	
In Service/Staff Development		6,498	
Other Equipment		223	
Total Regular Instruction Program			433,964

(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.)

Vocational Education Program

Travel	\$	1,060	
Other Charges		891	
Total Vocational Education Program			\$ 1,951

Transportation

Bus Drivers	\$	17,325	
Social Security		1,075	
State Retirement		1,216	
Unemployment Compensation		127	
Employer Medicare		252	
Other Fringe Benefits		441	
Diesel Fuel		1,991	
Total Transportation			<u>22,427</u>

Total School Federal Projects Fund \$ 2,948,061

Central Cafeteria Fund

Operation of Non-instructional Services

Food Service

Supervisor/Director	\$	59,957	
Clerical Personnel		52,491	
Cafeteria Personnel		693,976	
Social Security		48,871	
State Retirement		57,280	
Life Insurance		1,740	
Medical Insurance		233,491	
Unemployment Compensation		916	
Employer Medicare		11,535	
Communication		1,656	
Dues and Memberships		831	
Licenses		874	
Maintenance and Repair Services - Equipment		29,754	
Travel		10,849	
Other Contracted Services		15,756	
Food Preparation Supplies		81,952	
Food Supplies		904,512	
USDA - Commodities		145,066	
Other Supplies and Materials		18,221	
Workers' Compensation Insurance		18,082	
Food Service Equipment		36,367	
Total Food Service			<u>\$ 2,424,177</u>

Total Central Cafeteria Fund 2,424,177

(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

Support Services

Board of Education

Trustee's Commission	\$ 31,432	
Total Board of Education		\$ 31,432

Operation of Plant

Communication	\$ 1,151	
Total Operation of Plant		1,151

Transportation

Supervisor/Director	\$ 43,392	
Mechanic(s)	46,825	
Bus Drivers	773,233	
Secretary(ies)	28,239	
Other Salaries and Wages	49,323	
Social Security	55,721	
State Retirement	46,993	
Life Insurance	96	
Medical Insurance	13,413	
Unemployment Compensation	1,480	
Employer Medicare	13,637	
Medical and Dental Services	7,602	
Towing Services	2,100	
Travel	1,693	
Other Contracted Services	166,868	
Diesel Fuel	305,104	
Gasoline	2,560	
Lubricants	12,361	
Tires and Tubes	25,194	
Vehicle Parts	74,554	
Other Supplies and Materials	630	
Vehicle and Equipment Insurance	65,428	
Other Charges	15,954	
Transportation Equipment	3,785	
Total Transportation		1,756,185

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$ 51,963	
Total Education		51,963

Total School Transportation Fund		\$ 1,840,731
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Education Capital Projects Fund

Capital Outlay

Regular Capital Outlay

Transportation Equipment	\$ 65,868	
Total Regular Capital Outlay		\$ 65,868

(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.)

Other Debt Service

Education

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

Capital Projects

Education Capital Projects

Accounting Services	\$ 700	
Architects	41,345	
Other Contracted Services	511,191	
Building Construction	3,425,986	
Data Processing Equipment	382,669	
Furniture and Fixtures	1,226,050	
Other Equipment	193,408	
Total Education Capital Projects	<u>5,781,349</u>	

Total Education Capital Projects Fund		<u>\$ 6,467,217</u>
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Total Governmental Funds - Rhea County School Department		<u>\$ 42,167,329</u>
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Exhibit K-9

Rhea County, Tennessee  
Schedule of Detailed Receipts, Disbursements,  
and Changes in Cash Balances - City Agency Funds  
For the Year Ended June 30, 2014

	Cities - Sales Tax Fund	City School ADA - Dayton City Fund	Total
<u>Cash Receipts</u>			
Current Property Taxes	\$ 0	\$ 323,217	\$ 323,217
Trustee's Collections - Prior Years	0	12,051	12,051
Trustee's Collections - Bankruptcy Circuit/Clerk and Master Collections - Prior Years	0	161	161
Interest and Penalty	0	13,390	13,390
Payments in-Lieu-of Taxes - Local Utilities	0	2,186	2,186
Payments in-Lieu-of Taxes - Other	0	4,453	4,453
Local Option Sales Tax	0	185	185
Bank Excise Tax	3,243,318	561,993	3,805,311
Interstate Telecommunications Tax	0	2,487	2,487
Marriage Licenses	0	487	487
Total Cash Receipts	<u>\$ 3,243,318</u>	<u>\$ 920,983</u>	<u>\$ 4,164,301</u>
<u>Cash Disbursements</u>			
Remittance of Revenues Collected	\$ 3,210,885	\$ 912,753	\$ 4,123,638
Trustee's Commission	32,433	12,676	45,109
Total Cash Disbursements	<u>\$ 3,243,318</u>	<u>\$ 925,429</u>	<u>\$ 4,168,747</u>
Excess of Cash Receipts Over (Under)			
Cash Disbursements	\$ 0	\$ (4,446)	\$ (4,446)
Cash Balance, July 1, 2013	0	53,893	53,893
Cash Balance, June 30, 2014	<u>\$ 0</u>	<u>\$ 49,447</u>	<u>\$ 49,447</u>

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## **SINGLE AUDIT SECTION**

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

**Report on Internal Control Over Financial Reporting and on Compliance and Other  
Matters Based on an Audit of Financial Statements Performed in  
Accordance With *Government Auditing Standards***

Independent Auditor's Report

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

To the County Executive and Board of County Commissioners:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Rhea County, Tennessee, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Rhea County's basic financial statements, and have issued our report thereon dated January 27, 2015. Our report includes a reference to other auditors who audited the financial statements of the Rhea Medical Center and the Rhea County Emergency Communications District, as described in our report on Rhea County's financial statements. This report does not include the results of the other auditors testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Rhea County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Rhea County's internal control. Accordingly, we do not express an opinion on the effectiveness of Rhea County's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be

prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies: 2014-003, 2014-004, 2014-006, 2014-008, and 2014-010.

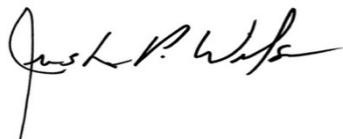
### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Rhea County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying Schedule of Findings and Questioned Costs as items: 2014-001, 2014-002, 2014-005, 2014-007, and 2014-009.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rhea County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Very truly yours,



Justin P. Wilson  
Comptroller of the Treasury  
Nashville, Tennessee

January 27, 2015

JPW/yu



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

**Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

Independent Auditor's Report

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

To the County Executive and Board of County Commissioners:

**Report on Compliance for Each Major Federal Program**

We have audited Rhea County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Rhea County's major federal programs for the year ended

June 30, 2014. Rhea County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Rhea County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and*

*Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Rhea County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Rhea County's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Rhea County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

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

Management of Rhea County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Rhea County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Rhea County's internal control over compliance.

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

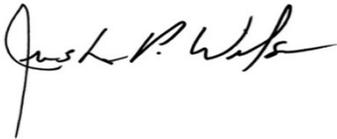
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Rhea County, Tennessee, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Rhea County's basic financial statements. We issued our report thereon dated January 27, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Very truly yours,



Justin P. Wilson  
Comptroller of the Treasury  
Nashville, Tennessee

January 27, 2015

JPW/yu

Rhea County, Tennessee  
Schedule of Expenditures of Federal Awards and State Grants (1)  
For the Year Ended June 30, 2014

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	\$ 145,066 (3)
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	439,475
National School Lunch Program	10.555	N/A	1,160,338 (3)
Total U.S. Department of Agriculture			<u>\$ 1,744,879</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	GG-13-33684	\$ 450,222
Passed-through Tennessee Housing Development Agency:			
Home Investment Partnerships Program	14.239	(2)	301,925
Total U.S. Department of Housing and Urban Development			<u>\$ 752,147</u>
U.S. Department of Interior:			
Passed-through State Department of Environment and Conservation:			
Historic Preservation Fund Grants-in-Aid	15.904	N/A	\$ 5,858
Total U.S. Department of Interior			<u>\$ 5,858</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Alcohol Open Container Requirements	20.607	(4)	\$ 23,119
Total U.S. Department of Transportation			<u>\$ 23,119</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 1,666,650
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	848,869
Special Education - Preschool Grants	84.173	N/A	13,797
Career and Technical Education - Basic Grants to States	84.048	N/A	79,562
Education for Homeless Children and Youth	84.196	N/A	19,000
Rural Education	84.358	(2)	68,459
English Language Acquisition Grants	84.365	(2)	18,226
Improving Teacher Quality State Grants	84.367	(2)	141,793
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	(2)	156,993
Total U.S. Department of Education			<u>\$ 3,013,349</u>
U.S. Election Assistance Commission:			
Passed-through Tennessee Secretary of State:			
Help America Vote Act Requirements Payments	90.401	(2)	\$ 1,540
Total U.S. Election Assistance Commission			<u>\$ 1,540</u>

(Continued)

Rhea County, Tennessee

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Passed-through Entity Identifying Number	Expenditures
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Homeland Security Grant Program	97.067	(2)	\$ 14,036
Total U.S. Department of Homeland Security			<u>\$ 14,036</u>
Total Expenditures of Federal Awards			<u><u>\$ 5,554,928</u></u>
<u>State Grants</u>			
Local Health Services - State Department of Health	N/A	GG-1437373	\$ 151,412
Juvenile Services Program - State Commission on Children and Youth	N/A	(2)	9,000
Emergency Preparedness - State Department of Military	N/A	GG-1030613	74,760
Child Safety Seat Grant - State Department of Health	N/A	(2)	1,571
Litter Program - State Department of Environment and Conservation	N/A	(2)	34,773
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	10,420
ConnecTenn - State Department of Education	N/A	(2)	12,368
Student Ticket Subsidy - Tennessee Arts Commission	N/A	(2)	3,690
Coordinated School Health Initiative - State Department of Education	N/A	(2)	88,951
Safe Schools Act - State Department of Education	N/A	(2)	<u>8,420</u>
Total State Grants			<u><u>\$ 395,365</u></u>

CFDA - Catalog of Federal Domestic Assistance

N/A - Not Applicable

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Information not available.
- (3) Total for CFDA No. 10.555 is \$1,305,404.
- (4) Z-13-GHS258: \$4,784; Z-14-GHS285: \$18,335.

Rhea County, Tennessee  
Schedule of Audit Findings Not Corrected  
June 30, 2014

*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, 2013, which have not been corrected.

**OFFICE OF FINANCE DIRECTOR**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2013-003	175	Some sheriff employees' time records were not signed by a supervisor

**OFFICE OF REGISTER OF DEEDS**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2013-005(A,C)	177	Deficiencies were noted in the maintenance of accounting records

**OFFICE OF SHERIFF**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2013-006	177	Some collections were not deposited within three days of receipt

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

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2013-008	178	Duties were not segregated adequately

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**RHEA COUNTY, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2014**

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

1. Our report on the financial statements of Rhea County is unmodified.
2. The audit of the financial statements of Rhea County disclosed significant deficiencies in internal control. None of these deficiencies was considered to be a material weakness.
3. The audit disclosed one instance of noncompliance that was material to the financial statements of Rhea County.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unmodified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555), the Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii (CFDA No. 14.228), the Home Investment Partnerships Program (CFDA No. 14.239), the Improving Teacher Quality State Grants (CFDA No. 84.367), and the State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grant, Recovery Act (CFDA No. 84.395) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Rhea County did not qualify as a low-risk auditee.

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

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response; however, management did not provide responses for inclusion in this report.

**OFFICE OF FINANCE DIRECTOR**

**FINDING 2014-001**                      **THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS**  
 (A. – Material Noncompliance Under *Government Auditing Standards*; B. – Noncompliance Under *Government Auditing Standards*)

Our examination revealed the following deficiencies in budget operations:

- A. The following funds’ actual beginning fund balances at July 1, 2013, exceeded the estimated actual fund balances presented to the County Commission. Sound business practices dictate that realistic estimates of beginning fund balances should be presented to the County Commission during the budget process. This deficiency is due to management’s failure to properly estimate the actual ending fund balance for June 30, 2013. This deficiency resulted in materially understating the estimated beginning fund balance.

<u>Fund</u>	<u>Actual Beginning Fund Balance</u>	<u>Estimated Beginning Fund Balance</u>	<u>Difference</u>
Primary Government:			
General	\$ 2,032,594	\$ 1,463,411	\$ (569,183)
Highway/Public Works	442,388	293,543	(148,845)
Discretely Presented School Department:			
General Purpose School	3,866,085	2,753,131	(1,112,954)

- B. The budget and subsequent amendments approved by the County Commission for the School Transportation Fund resulted in appropriations exceeding estimated available funding by \$30,198. Sound budgetary principles dictate that appropriations be held within estimated available funding.

**RECOMMENDATION**

Estimates of the beginning fund balance should be made on a more realistic basis to provide county officials with accurate information to base funding decisions. The estimated

beginning fund balance should be amended during the year when it becomes apparent that the original estimate varies from the actual by a material amount. Appropriations that exceed estimated available funding should not be submitted to the County Commission, and the County Commission should not approve such appropriations.

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FINDING 2014-002

**GOVERNMENT-WIDE FINANCIAL STATEMENTS DO NOT INCLUDE OTHER POSTEMPLOYMENT BENEFITS AS REQUIRED BY GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**

(Noncompliance Under *Government Auditing Standards*)

On January 1, 2014, the Rhea County Commission changed employees from the state health insurance plan to a commercial insurance plan. The commercial insurance plan allows county and Highway Department employees to continue insurance coverage after retirement, provided the employee has met certain employment requirements, until Medicare coverage begins and with the premium paid by the retired county employee. Rhea County did not obtain an actuarial valuation to determine the data necessary for the measurement and recognition of other postemployment benefits (OPEB). This data is necessary for the preparation of government-wide financial statements and note disclosures as required by Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB is the standard-setting body for accounting principles that state and local governments are required to follow. Statement No. 45 establishes standards for the measurement, recognition, and display of OPEB expenses/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information. This deficiency exists because management failed to comply with GASB requirements. In our opinion, as of June 30, 2014, the effect on the government-wide financial statements and note disclosures are not material since only one retired employee is still on the county's insurance. However, in the future this will change as more employees retire.

RECOMMENDATION

The county should contract for a biennial actuarial valuation of the plan and provide the necessary information for the measurement, recognition, and display of OPEB. Rhea County should present government-wide financial statements and note disclosures in conformity with generally accepted accounting principles.

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FINDING 2014-003

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

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

In some instances, supervisors in the Office of Sheriff did not sign employees' time records as evidence of review and approval. Also, no time records could be found for some

employees in the Sheriff's Office. Sound business practices dictate that payroll time records should be on hand for all employees, and these records should be properly reviewed and approved. This deficiency is due to the failure of management to correct the finding noted in the prior-year audit report. 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, and time records should be available on all employees for audit inspection.

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#### OFFICE OF TRUSTEE

##### FINDING 2014-004

##### **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, a shared username and password also existed. If inappropriate activity were to occur, the employee responsible for this activity would not be easily identified because of the shared username and password. Sound business practices dictate that each transaction be identified to the individual creating the transaction. This weakness was corrected in March 2014 when brought to the attention of the official.

#### RECOMMENDATION

Each employee should access the application using his or her unique username and password to ensure transactions are properly identified to that employee.

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

##### FINDING 2014-005

##### **THE OFFICE DID NOT DEPOSIT SOME FUNDS WITHIN THREE DAYS OF COLLECTION** (Noncompliance Under *Government Auditing Standards*)

As part of our audit procedures for obtaining reasonable assurance that funds were deposited to the bank account within three days of collection as required by Section 5-8-207, *Tennessee Code Annotated*, we judgmentally selected the months of September 2013 and March 2014, for the Circuit Court's checking account, and the months of November 2013 and April 2014 for the General Sessions Court's checking account, to examine receipts and deposits. The office did not deposit some funds to the bank accounts within three days of collection in ten of 110 deposits made during these months. This deficiency was the result of a lack of management oversight. The delay in depositing funds weakens internal controls over collections and increases the risks of fraud and misappropriation.

## RECOMMENDATION

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

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## OFFICE OF REGISTER OF DEEDS

### FINDING 2014-006

### **THE OFFICE HAD DEFICIENCIES 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 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 finding 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. Instead, the official only reviewed the monthly bank statements.
- B. The detailed listing of accounts receivable did not reconcile with 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 detailed listing of accounts receivable should agree with the accounts receivable balance presented on the general ledger.

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### FINDING 2014-007

### **THE ANNUAL FINANCIAL REPORT WAS NOT FILED WITH THE COUNTY EXECUTIVE AND COUNTY CLERK**

(Noncompliance Under *Government Auditing Standards*)

The office prepared an annual financial report; however, the report was not filed with the county executive and with the county clerk. 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 register should file her annual financial report with the county executive and with the county clerk as required by state statute.

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FINDING 2014-008

**THE OFFICE DID NOT REVIEW ITS SOFTWARE AUDIT LOGS**

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

The software application used by the office generated a log that displayed changes made by users. This log provided the only audit trail of these changes and should be reviewed for inappropriate activity. Although the official was aware of the importance of this log, it was not reviewed.

RECOMMENDATION

Management should review the audit log on a routine basis. Any unusual transactions should be investigated.

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OFFICE OF SHERIFF

FINDING 2014-009

**THE OFFICE DID NOT DEPOSIT SOME FUNDS WITHIN THREE DAYS OF COLLECTION**

(Noncompliance Under *Government Auditing Standards*)

As part of our audit procedures for obtaining reasonable assurance that funds were deposited to the bank account within three days of collection as required by Section 5-8-207, *Tennessee Code Annotated*, we judgmentally selected the month of January 2014 to examine receipts and deposits. The office did not deposit 80 of 92 receipts issued during the month to the bank account within three days of collection. This deficiency exists because management failed to correct the finding noted in the prior-year audit report. The delay in depositing funds weakens internal controls over collections and increases the risks of fraud and misappropriation.

RECOMMENDATION

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

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

**FINDING 2014-010**

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

**RECOMMENDATION**

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

**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, 2014**

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