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# ANNUAL FINANCIAL REPORT POLK COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2009



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**ANNUAL FINANCIAL REPORT**  
**POLK COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2009**

***DEPARTMENT OF AUDIT***  
***JUSTIN P. WILSON***  
***Comptroller of the Treasury***

***DIVISION OF COUNTY AUDIT***  
***RICHARD V. NORMENT***  
***Assistant to the Comptroller***

***JAMES R. ARNETTE***  
***Director***

***CARL LOWE, CGFM***  
***Audit Manager***

***MICHAEL FORD, CPA, CGFM***  
***Auditor 4***

***TIMOTHY SCOTTON, CGFM***  
***JENI PALADENI***  
***State Auditors***

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

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## POLK COUNTY, TENNESSEE TABLE OF CONTENTS

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|  | Exhibit | Page(s) |
|--|---------|---------|
| Audit Highlights   |         | 9-10    |
| <u>INTRODUCTORY SECTION</u>  |         | 11      |
| Polk County Officials  |         | 13      |
| <u>FINANCIAL SECTION</u>   |         | 15      |
| Independent Auditor's Report   |         | 17-19   |
| BASIC FINANCIAL STATEMENTS:  |         | 21      |
| Government-wide Financial Statements:  |         |         |
| Statement of Net Assets  | A       | 23      |
| Statement of Activities  | B       | 24-25   |
| Fund Financial Statements:   |         |         |
| Governmental Funds:  |         |         |
| Balance Sheet  | C-1     | 26-27   |
| Reconciliation of the Balance Sheet of Governmental Funds to<br>the Statement of Net Assets  | C-2     | 28      |
| Statement of Revenues, Expenditures, and Changes in<br>Fund Balances   | C-3     | 29      |
| Reconciliation of the Statement of Revenues, Expenditures,<br>and Changes in Fund Balances of Governmental Funds to the<br>Statement of Activities | C-4     | 30      |
| Fiduciary Funds:   |         |         |
| Statement of Fiduciary Assets and Liabilities  | D       | 31      |
| Notes to the Financial Statements  |         | 33-64   |
| REQUIRED SUPPLEMENTARY INFORMATION:  |         | 65      |
| Schedules of Revenues, Expenditures, and Changes in Fund<br>Balances – Actual (Budgetary Basis) and Budget:  |         |         |
| General Fund   | E-1     | 67-69   |
| Highway/Public Works Fund  | E-2     | 70      |
| Schedule of Funding Progress – Pension Plan – Primary<br>Government and Discretely Presented Polk County<br>School Department                      | E-3     | 71      |
| Schedule of Funding Progress – Other Postemployment<br>Benefits Plan – Discretely Presented Polk County<br>School Department                       | E-4     | 72      |
| Notes to the Required Supplementary Information  |         | 73      |

|  | Exhibit | Page(s) |
|--|---------|---------|
| COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:  |         | 75      |
| Nonmajor Governmental Funds:   |         | 77      |
| Combining Balance Sheet  | F-1     | 79      |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  | F-2     | 80-81   |
| Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:                                     |         |         |
| Solid Waste/Sanitation Fund  | F-3     | 82      |
| Drug Control Fund  | F-4     | 83      |
| Major Governmental Fund:   |         | 85      |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:   |         |         |
| General Debt Service Fund  | G       | 87      |
| Fiduciary Funds:   |         | 89      |
| Combining Statement of Fiduciary Assets and Liabilities  | H-1     | 91      |
| Combining Statement of Changes in Assets and Liabilities – All Agency Funds  | H-2     | 92      |
| Component Unit:  |         |         |
| Discretely Presented Polk County School Department:  |         | 93      |
| Statement of Activities  | I-1     | 95      |
| Balance Sheet – Governmental Funds   | I-2     | 96      |
| Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets   | I-3     | 97      |
| Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds   | I-4     | 98      |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | I-5     | 99      |
| Combining Balance Sheet – Nonmajor Governmental Funds  | I-6     | 100     |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds                                    | I-7     | 101     |
| Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:                                     |         |         |
| General Purpose School Fund  | I-8     | 102-103 |
| School Federal Projects Fund   | I-9     | 104     |
| Central Cafeteria Fund   | I-10    | 105     |
| Proprietary Fund:  |         |         |
| Statement of Net Assets  | I-11    | 106     |
| Statement of Revenues, Expenses, and Changes in Net Assets   | I-12    | 107     |
| Statement of Cash Flows  | I-13    | 108     |

|  | Exhibit | Page(s) |
|--|---------|---------|
| Miscellaneous Schedules:   |         | 109     |
| Schedule of Changes in Long-term Notes, Capital Leases,<br>and Bonds – Primary Government and Discretely<br>Presented Polk County School Department  | J-1     | 111     |
| Schedule of Long-term Debt Requirements by Year –<br>Primary Government and Discretely Presented Polk<br>County School Department  | J-2     | 112-113 |
| Schedule of Transfers  | J-3     | 114     |
| Schedule of Salaries and Official Bonds of Principal<br>Officials – Primary Government and Discretely Presented<br>Polk County School Department   | J-4     | 115     |
| Schedule of Detailed Revenues – All Governmental<br>Fund Types   | J-5     | 116-120 |
| Schedule of Detailed Revenues – All Governmental<br>Fund Types – Discretely Presented Polk County<br>School Department   | J-6     | 121-122 |
| Schedule of Detailed Expenditures – All Governmental<br>Fund Types   | J-7     | 123-137 |
| Schedule of Detailed Expenditures – All Governmental<br>Fund Types – Discretely Presented Polk County<br>School Department   | J-8     | 138-149 |
| Schedule of Detailed Receipts, Disbursements, and<br>Changes in Cash Balance – City Agency Fund  | J-9     | 150     |
| <br><u>SINGLE AUDIT SECTION</u>  |         | <br>151 |
| Report on Internal Control Over Financial Reporting and<br>on Compliance and Other Matters Based on an Audit of<br>Financial Statements Performed in Accordance With<br><u>Government Auditing Standards</u> |         | 153-155 |
| Report on Compliance With Requirements Applicable to<br>Each Major Program and Internal Control Over<br>Compliance in Accordance With <u>OMB Circular A-133</u>  |         | 157-159 |
| Schedule of Expenditures of Federal Awards and State Grants  |         | 161-162 |
| Schedule of Audit Findings Not Corrected   |         | 163     |
| Schedule of Findings and Questioned Costs  |         | 165-170 |
| Auditee Reporting Responsibilities   |         | 171     |

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# ***Audit Highlights***

Annual Financial Report  
Polk County, Tennessee  
For the Year Ended June 30, 2009

## ***Scope***

We have audited the financial statements of Polk County as of and for the year ended June 30, 2009.

## ***Results***

Our report on the aggregate discretely presented component units is qualified because the financial statements do not include two components units whose financial statements were not available from other auditors at the date of this report. Our report on the governmental activities, each major fund, and the aggregate remaining fund information is unqualified.

Our audit resulted in six findings and recommendations, which we have reviewed with Polk 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 COUNTY EXECUTIVE**

- ◆ Accrued vacation leave balances exceeded the maximum leave provided by the county's personnel policy.
- ◆ Deficiencies were noted in a proposed library construction project.

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### **OFFICE OF HIGHWAY SUPERINTENDENT**

- ◆ The office did not implement adequate controls to protect its information resources.

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### **OFFICES OF COUNTY CLERK AND SHERIFF**

- ◆ Some collections were not deposited to the office bank accounts within three days of receipt as required by state statute.
-

## **OTHER FINDINGS**

- ◆ The director of accounts and budgets did not maintain the accounting records for the Highway Department as required by the Fiscal Control Acts of 1957.
- ◆ Duties were not segregated adequately in the Offices of County Executive, Highway Superintendent, Director of Schools, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff.

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## INTRODUCTORY SECTION

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# Polk County Officials

## June 30, 2009

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### **Officials**

Mike Stinnett, County Executive  
Harold Hood, Highway Superintendent  
James Jones, Director of Schools  
Patsy Jenkins, Trustee  
Randy Yates, Assessor of Property  
Angie Sanford, County Clerk  
Connie Clark, Circuit and General Sessions Courts Clerk  
Kimberly Ingram, Clerk and Master  
Donna Bramlett, Register  
Bill Davis, Sheriff  
Rachel Rogers, Director of Accounts and Budgets

### **Board of County Commissioners**

Greg Brooks, Chairman  
Mark Bishop  
Wanda Cheek  
Daniel Deal  
Wendell Lewis  
John Pippenger  
Kevin Stephens  
Daren Waters  
Fred Wilcoxon

### **Board of Education**

Gary Silvers, Chairman  
David Bigham  
Carlton Deal  
Harman Harden  
David Hyatt  
Jason Lamb  
Tracy McAbee  
Grady Samples  
Mark Williams

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## FINANCIAL SECTION

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

**INDEPENDENT AUDITOR'S REPORT**

December 29, 2009

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

To the County Executive and Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Polk County, Tennessee, as of and for the year ended June 30, 2009, which collectively comprise Polk County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Polk County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The financial statements of the Copper Basin Utility District and the Polk County Emergency Communications District, component units requiring discrete presentation, had not been made available by other auditors as of the date of this report. Accordingly, the aggregate discretely presented component units financial statements referred to above do not include amounts for the Copper Basin Utility District and the Polk County Emergency

Communications District, which should be included to conform with accounting principles generally accepted in the United States of America. The effects on the financial statements of the aggregate discretely presented component units are not reasonably determinable.

In our opinion, except for the effects of not including the financial statements of the Copper Basin Utility District and the Polk County Emergency Communications District as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented components units of Polk County, Tennessee, at June 30, 2009, and the results of operations of the aggregate discretely presented components units for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Additionally, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Polk County, Tennessee, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 29, 2009, on our consideration of Polk County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

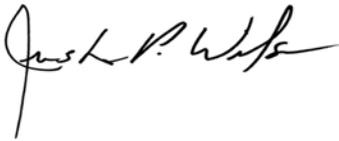
As described in Note V.B., Polk County has implemented the provisions of Governmental Accounting Standards Board Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations; and Statement No. 52, Land and Other Real Estate Held as Investments by Endowments.

The management of Polk County did not prepare a management's discussion and analysis. The management's discussion and analysis section is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America.

The budgetary comparison, pension, and other postemployment benefits information on pages 67 through 73 are not required parts of the basic financial statements but they do provide supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Polk 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 Polk 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 Polk County School Department (a discretely presented component unit), and the miscellaneous schedules have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,

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

Justin P. Wilson  
Comptroller of the Treasury

JPW/sb

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

Polk County, Tennessee  
Statement of Net Assets  
June 30, 2009

|   | <u>Primary<br/>Government<br/>Governmental<br/>Activities</u> | <u>Component Unit<br/>Polk<br/>County<br/>School<br/>Department</u> |
|---|---|---|
| <u>ASSETS</u>                                       |   |   |
| Cash  | \$ 0  | \$ 41,951   |
| Equity in Pooled Cash and Investments               | 3,918,539   | 1,120,180   |
| Accounts Receivable                                 | 25,383  | 1,013   |
| Due from Other Governments                          | 539,177   | 780,599   |
| Property Taxes Receivable                           | 5,385,067   | 2,394,942   |
| Allowance for Uncollectible Property Taxes          | (471,443)   | (211,495)   |
| Capital Assets:                                     |   |   |
| Assets Not Depreciated:                             |   |   |
| Land  | 0   | 1,500   |
| Construction in Progress                            | 52,306  | 0   |
| Assets Net of Accumulated Depreciation:             |   |   |
| Buildings and Improvements                          | 9,211,933   | 16,855,903  |
| Other Capital Assets                                | 1,027,808   | 880,289   |
| Infrastructure                                      | 6,984,618   | 0   |
| Total Assets  | <u>\$ 26,673,388</u>  | <u>\$ 21,864,882</u>  |
| <u>LIABILITIES</u>                                  |   |   |
| Accounts Payable                                    | \$ 55,111   | \$ 80,241   |
| Accrued Payroll                                     | 0   | 32,378  |
| Payroll Deductions Payable                          | 21,346  | 308,020   |
| Accrued Interest Payable                            | 162,540   | 8,026   |
| Current Liabilities Payable from Restricted Assets: |   |   |
| Customer Deposits Payable                           | 120,917   | 0   |
| Other Current Liabilities                           | 5,827   | 0   |
| Deferred Revenue - Current Property Taxes           | 4,577,632   | 2,031,130   |
| Noncurrent Liabilities:                             |   |   |
| Due Within One Year                                 | 1,153,363   | 130,677   |
| Due in More Than One Year                           | 19,634,565  | 608,296   |
| Total Liabilities                                   | <u>\$ 25,731,301</u>  | <u>\$ 3,198,768</u>   |
| <u>NET ASSETS</u>                                   |   |   |
| Invested in Capital Assets, Net of Related Debt     | \$ 8,861,772  | \$ 17,530,879   |
| Restricted for:                                     |   |   |
| General Purposes                                    | 233,128   | 233,180   |
| Drug Control  | 111,212   | 0   |
| Highway/Public Works                                | 891,243   | 0   |
| School Federal Projects                             | 0   | 43,429  |
| Central Cafeteria                                   | 0   | 468,780   |
| Debt Service  | 986,097   | 0   |
| Capital Projects                                    | 93,619  | 26,264  |
| Self-Insurance                                      | 0   | 39,859  |
| Unrestricted  | <u>(10,234,984)</u>   | <u>323,723</u>  |
| Total Net Assets                                    | <u>\$ 942,087</u>   | <u>\$ 18,666,114</u>  |

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

Exhibit B

Polk County, Tennessee  
Statement of Activities  
For the Year Ended June 30, 2009

| Functions/Programs                          | Program Revenues |                      |                                    | Net (Expense) Revenue and Changes in Net Assets |                               |                 |                               |
|---|------------------|----------------------|------------------------------------|---|-------------------------------|-----------------|-------------------------------|
|   | Expenses         | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions                | Primary Government            |                 | Polk County School Department |
|   |                  |                      |                                    |   | Total Governmental Activities | Component Unit  |                               |
| Primary Government:                         |                  |                      |                                    |   |                               |                 |                               |
| Governmental Activities:                    |                  |                      |                                    |   |                               |                 |                               |
| General Government                          | \$ 1,191,466     | \$ 171,027           | \$ 39,339                          | \$ 0  | \$ (981,100)                  | \$ 0            | 0                             |
| Finance                                     | 580,128          | 380,477              | 7,730                              | 0   | (191,921)                     | 0               | 0                             |
| Administration of Justice                   | 516,528          | 493,730              | 0                                  | 0   | (22,798)                      | 0               | 0                             |
| Public Safety                               | 3,210,135        | 1,258,631            | 107,521                            | 279,000   | (1,564,983)                   | 0               | 0                             |
| Public Health and Welfare                   | 1,414,110        | 0                    | 36,580                             | 389   | (1,377,141)                   | 0               | 0                             |
| Social, Cultural, and Recreational Services | 50,510           | 0                    | 87,970                             | 0   | 37,460                        | 0               | 0                             |
| Agriculture and Natural Resources           | 73,027           | 0                    | 14,779                             | 0   | (58,248)                      | 0               | 0                             |
| Other Operations                            | 418,384          | 0                    | 10,895                             | 284,934   | (122,555)                     | 0               | 0                             |
| Highways/Public Works                       | 2,385,395        | 277,634              | 1,730,363                          | 162,338   | (215,060)                     | 0               | 0                             |
| Interest on Long-term Debt                  | 965,347          | 0                    | 30,345                             | 0   | (935,002)                     | 0               | 0                             |
| Other Debt Service                          | 137,762          | 0                    | 850,340                            | 0   | 712,578                       | 0               | 0                             |
| Total Primary Government                    | \$ 10,942,792    | \$ 2,581,499         | \$ 2,915,862                       | \$ 726,661                                      | \$ (4,718,770)                | \$ 0            | 0                             |
| Component Unit:                             |                  |                      |                                    |   |                               |                 |                               |
| Polk County School Department               | \$ 21,442,388    | \$ 468,707           | \$ 3,185,906                       | \$ 0  | \$ 0                          | \$ (17,787,775) | 0                             |

(Continued)

Exhibit B

Polk County, Tennessee  
Statement of Activities (Cont.)

| Functions/Programs   | Program Revenues     |                                    |                                  | Net (Expense) Revenue and Changes in Net Assets |                |                   |
|--|----------------------|------------------------------------|----------------------------------|---|----------------|-------------------|
|  | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Governmental Activities                 | Component Unit |                   |
|  |                      |                                    |                                  |   | County         | School Department |
| General Revenues:  |                      |                                    |                                  |   |                |                   |
| Taxes:   |                      |                                    |                                  |   |                |                   |
| Property Taxes Levied for General Purposes                   |                      |                                    |                                  | \$ 3,860,715                                    | \$             | 2,251,141         |
| Property Taxes Levied for Debt Service                       |                      |                                    |                                  | 1,074,363                                       |                | 0                 |
| Local Option Sales Taxes                                     |                      |                                    |                                  | 0   |                | 1,415,596         |
| Hotel/Motel Tax  |                      |                                    |                                  | 73,603  |                | 0                 |
| Local Amusement Tax  |                      |                                    |                                  | 580   |                | 0                 |
| Litigation Tax - General                                     |                      |                                    |                                  | 83,210  |                | 0                 |
| Litigation Tax - Jail, Workhouse, or Courthouse              |                      |                                    |                                  | 26,489  |                | 0                 |
| Business Tax   |                      |                                    |                                  | 42,169  |                | 0                 |
| Wholesale Beer Tax   |                      |                                    |                                  | 207,679   |                | 0                 |
| Other Local Taxes  |                      |                                    |                                  | 4,798   |                | 22,455            |
| Grants and Contributions Not Restricted to Specific Programs |                      |                                    |                                  | 734,015   |                | 13,449,897        |
| Unrestricted Investment Earnings                             |                      |                                    |                                  | 88,686  |                | 653               |
| Miscellaneous  |                      |                                    |                                  | 41,590  |                | 79,356            |
| Total General Revenues                                       |                      |                                    |                                  | \$ 6,237,897                                    | \$             | 17,219,098        |
| Insurance Recovery   |                      |                                    |                                  | 0   |                | 121,583           |
| Change in Net Assets   |                      |                                    |                                  | \$ 1,519,127                                    | \$             | (447,094)         |
| Net Assets, July 1, 2008                                     |                      |                                    |                                  | (277,040)                                       |                | 18,813,208        |
| Prior-period Adjustment                                      |                      |                                    |                                  | (300,000)                                       |                | 300,000           |
| Net Assets, June 30, 2009                                    |                      |                                    |                                  | \$ 942,087                                      | \$             | 18,666,114        |

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

Exhibit C-1

Polk County, Tennessee  
 Balance Sheet  
 Governmental Funds  
 June 30, 2009

|              | Major Funds |                        |                      | Nonmajor Funds           |                    | Total Governmental Funds |
|--------------|-------------|------------------------|----------------------|--------------------------|--------------------|--------------------------|
|              | General     | Highway / Public Works | General Debt Service | Other Governmental Funds | Governmental Funds |                          |
| \$ 2,032,366 | \$ 616,122  | \$ 1,065,220           | \$ 204,831           | \$ 3,918,539             |                    |                          |
| 2,618        | 17,457      | 5,308                  | 0                    | 25,383                   |                    |                          |
| 246,222      | 282,937     | 10,018                 | 0                    | 539,177                  |                    |                          |
| 0            | 0           | 0                      | 36,863               | 36,863                   |                    |                          |
| 4,143,661    | 0           | 1,241,406              | 0                    | 5,385,067                |                    |                          |
| (364,999)    | 0           | (106,444)              | 0                    | (471,443)                |                    |                          |
| \$ 6,059,868 | \$ 916,516  | \$ 2,215,508           | \$ 241,694           | \$ 9,433,586             |                    |                          |

ASSETS

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

Total Assets

LIABILITIES AND FUND BALANCES

Liabilities

Accounts Payable  
 Payroll Deductions Payable  
 Due to Other Funds  
 Matured Interest on Bonds  
 Current Liabilities Payable from Restricted Assets:  
     Customer Deposits Payable  
     Deferred Revenue - Current Property Taxes  
     Deferred Revenue - Delinquent Property Taxes  
     Other Deferred Revenues  
 Total Liabilities

(Continued)

Exhibit C-1

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

|  | Major Funds  |                        |                      | Nonmajor Funds           |                    | Total Governmental Funds |
|--|--------------|------------------------|----------------------|--------------------------|--------------------|--------------------------|
|  | General      | Highway / Public Works | General Debt Service | Other Governmental Funds | Governmental Funds |                          |
| <u>Fund Balances</u>   |              |                        |                      |                          |                    |                          |
| Reserved for Encumbrances                                    | \$ 43,014    | \$ 0                   | \$ 0                 | \$ 1,129                 | \$ 0               | 44,143                   |
| Reserved for Alcohol and Drug Treatment                      | 47,768       | 0                      | 0                    | 0                        | 0                  | 47,768                   |
| Reserved for Litigation Tax - Jail, Workhouse, or Courthouse | 24,949       | 0                      | 0                    | 0                        | 0                  | 24,949                   |
| Reserved for Drug Court                                      | 46,236       | 0                      | 0                    | 0                        | 0                  | 46,236                   |
| Reserved for Courtroom Security                              | 7,829        | 0                      | 0                    | 0                        | 0                  | 7,829                    |
| Reserved for Computer System - Register                      | 65,602       | 0                      | 0                    | 0                        | 0                  | 65,602                   |
| Reserved for Automation Purposes - Circuit Court             | 3,008        | 0                      | 0                    | 0                        | 0                  | 3,008                    |
| Reserved for Automation Purposes - General Sessions Court    | 21,594       | 0                      | 0                    | 0                        | 0                  | 21,594                   |
| Reserved for Automation Purposes - Juvenile Court            | 502          | 0                      | 0                    | 0                        | 0                  | 502                      |
| Reserved for Automation Purposes - Chancery Court            | 10,199       | 0                      | 0                    | 0                        | 0                  | 10,199                   |
| Reserved for Automation Purposes - County Clerk              | 236          | 0                      | 0                    | 0                        | 0                  | 236                      |
| Reserved for Other General Purposes                          | 5,205        | 0                      | 0                    | 0                        | 0                  | 5,205                    |
| Unreserved, Reported In:                                     |              |                        |                      |                          |                    |                          |
| General Fund   | 1,812,282    | 0                      | 0                    | 0                        | 0                  | 1,812,282                |
| Special Revenue Funds  | 0            | 762,966                | 0                    | 110,362                  | 0                  | 873,328                  |
| Debt Service Funds   | 0            | 0                      | 1,073,980            | 0                        | 0                  | 1,073,980                |
| Capital Projects Funds                                       | 0            | 0                      | 0                    | 93,340                   | 0                  | 93,340                   |
| Total Fund Balances  | \$ 2,088,424 | \$ 762,966             | \$ 1,073,980         | \$ 204,831               | \$ 4,130,201       |                          |
| Total Liabilities and Fund Balances                          | \$ 6,059,868 | \$ 916,516             | \$ 2,215,508         | \$ 241,694               | \$ 9,433,586       |                          |

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

Exhibit C-2

Polk County, Tennessee  
Reconciliation of the Balance Sheet of Governmental  
Funds to the Statement of Net Assets  
June 30, 2009

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

|   |    |                  |                |
|---|----|------------------|----------------|
| Total fund balances - balance sheet - governmental funds (Exhibit C-1)  |    | \$               | 4,130,201      |
| (1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.  |    |                  |                |
| Add: construction in progress   | \$ | 52,306           |                |
| Add: buildings and improvements net of accumulated depreciation   |    | 9,211,933        |                |
| Add: infrastructure net of accumulated depreciation   |    | 6,984,618        |                |
| Add: other capital assets net of accumulated depreciation   |    | <u>1,027,808</u> | 17,276,665     |
| (2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.         |    |                  |                |
| Less: bonds payable   | \$ | (20,375,000)     |                |
| Less: notes payable   |    | (265,000)        |                |
| Less: capital leases payable  |    | (39,893)         |                |
| Less: compensated absences payable  |    | (108,035)        |                |
| Less: accrued interest on bonds, notes, and capital leases  |    | <u>(162,540)</u> | (20,950,468)   |
| (3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds. |    |                  | <u>485,689</u> |
| Net assets of governmental activities (Exhibit A)   |    | \$               | <u>942,087</u> |

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

Exhibit C-3

Polk County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2009

|  | Major Funds         |                              |                            | Nonmajor<br>Funds                   | Total<br>Governmental<br>Funds |
|--|---------------------|------------------------------|----------------------------|-------------------------------------|--------------------------------|
|  | General             | Highway /<br>Public<br>Works | General<br>Debt<br>Service | Other<br>Govern-<br>mental<br>Funds |                                |
| <u>Revenues</u>  |                     |                              |                            |                                     |                                |
| Local Taxes  | \$ 4,491,640        | \$ 0                         | \$ 1,171,903               | \$ 0                                | \$ 5,663,543                   |
| Licenses and Permits   | 71,057              | 0                            | 0                          | 0                                   | 71,057                         |
| Fines, Forfeitures, and Penalties                            | 208,521             | 0                            | 0                          | 60,664                              | 269,185                        |
| Charges for Current Services                                 | 38,330              | 0                            | 0                          | 1,480                               | 39,810                         |
| Other Local Revenues   | 60,610              | 308,247                      | 88,686                     | 3,072                               | 460,615                        |
| Fees Received from County Officials                          | 721,801             | 0                            | 0                          | 0                                   | 721,801                        |
| State of Tennessee   | 1,608,689           | 1,717,347                    | 83,011                     | 0                                   | 3,409,047                      |
| Federal Government   | 206,789             | 170,834                      | 0                          | 241,746                             | 619,369                        |
| Other Governments and Citizens Groups                        | 38,000              | 0                            | 880,685                    | 1,500                               | 920,185                        |
| <b>Total Revenues</b>  | <b>\$ 7,445,437</b> | <b>\$ 2,196,428</b>          | <b>\$ 2,224,285</b>        | <b>\$ 308,462</b>                   | <b>\$ 12,174,612</b>           |
| <u>Expenditures</u>  |                     |                              |                            |                                     |                                |
| Current:   |                     |                              |                            |                                     |                                |
| General Government   | \$ 858,507          | \$ 0                         | \$ 0                       | \$ 0                                | \$ 858,507                     |
| Finance  | 488,767             | 0                            | 0                          | 0                                   | 488,767                        |
| Administration of Justice                                    | 397,015             | 0                            | 0                          | 1,480                               | 398,495                        |
| Public Safety  | 2,656,929           | 0                            | 0                          | 83,022                              | 2,739,951                      |
| Public Health and Welfare                                    | 954,550             | 0                            | 0                          | 418,563                             | 1,373,113                      |
| Social, Cultural, and Recreational Services                  | 50,510              | 0                            | 0                          | 0                                   | 50,510                         |
| Agriculture and Natural Resources                            | 73,027              | 0                            | 0                          | 0                                   | 73,027                         |
| Other Operations   | 969,217             | 0                            | 0                          | 240,590                             | 1,209,807                      |
| Highways   | 0                   | 2,104,056                    | 0                          | 0                                   | 2,104,056                      |
| Debt Service:  |                     |                              |                            |                                     |                                |
| Principal on Debt  | 0                   | 0                            | 995,000                    | 0                                   | 995,000                        |
| Interest on Debt   | 0                   | 0                            | 962,622                    | 0                                   | 962,622                        |
| Other Debt Service   | 0                   | 0                            | 137,762                    | 0                                   | 137,762                        |
| Capital Projects   | 0                   | 0                            | 0                          | 6,145                               | 6,145                          |
| <b>Total Expenditures</b>                                    | <b>\$ 6,448,522</b> | <b>\$ 2,104,056</b>          | <b>\$ 2,095,384</b>        | <b>\$ 749,800</b>                   | <b>\$ 11,397,762</b>           |
| <b>Excess (Deficiency) of Revenues<br/>Over Expenditures</b> | <b>\$ 996,915</b>   | <b>\$ 92,372</b>             | <b>\$ 128,901</b>          | <b>\$ (441,338)</b>                 | <b>\$ 776,850</b>              |
| <u>Other Financing Sources (Uses)</u>                        |                     |                              |                            |                                     |                                |
| Capital Leases Issued  | \$ 47,259           | \$ 0                         | \$ 0                       | \$ 0                                | \$ 47,259                      |
| Transfers In   | 26,264              | 0                            | 0                          | 418,563                             | 444,827                        |
| Transfers Out  | (418,563)           | 0                            | 0                          | (26,264)                            | (444,827)                      |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>\$ (345,040)</b> | <b>\$ 0</b>                  | <b>\$ 0</b>                | <b>\$ 392,299</b>                   | <b>\$ 47,259</b>               |
| <b>Net Change in Fund Balances</b>                           | <b>\$ 651,875</b>   | <b>\$ 92,372</b>             | <b>\$ 128,901</b>          | <b>\$ (49,039)</b>                  | <b>\$ 824,109</b>              |
| <b>Fund Balance, July 1, 2008</b>                            | <b>1,436,549</b>    | <b>670,594</b>               | <b>945,079</b>             | <b>253,870</b>                      | <b>3,306,092</b>               |
| <b>Fund Balance, June 30, 2009</b>                           | <b>\$ 2,088,424</b> | <b>\$ 762,966</b>            | <b>\$ 1,073,980</b>        | <b>\$ 204,831</b>                   | <b>\$ 4,130,201</b>            |

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

Exhibit C-4

Polk 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, 2009

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)  |                  | \$ 824,109          |
|   |                  |                     |
| (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   | \$ 165,172       |                     |
| Less: current year depreciation expense   | <u>(691,393)</u> | (526,221)           |
|   |                  |                     |
| (2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to increase net assets.  |                  |                     |
| Add: assets donated and capitalized   |                  | 279,000             |
|   |                  |                     |
| (3) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.  |                  |                     |
| Add: deferred delinquent property taxes and other deferred June 30, 2009  | \$ 485,689       |                     |
| Less: deferred delinquent property taxes and other deferred June 30, 2008   | <u>(477,382)</u> | 8,307               |
|   |                  |                     |
| (4) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items: |                  |                     |
| Add: principal payments on bonds  | \$ 880,000       |                     |
| Add: principal payments on notes  | 115,000          |                     |
| Add: principal payments on capital leases   | 7,366            |                     |
| Less: capital lease proceeds  | <u>(47,259)</u>  | 955,107             |
|   |                  |                     |
| (5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.   |                  |                     |
| Change in accrued interest payable  | \$ (2,725)       |                     |
| Change in compensated absences payable  | <u>(18,450)</u>  | <u>(21,175)</u>     |
|   |                  |                     |
| Change in net assets of governmental activities (Exhibit B)   |                  | <u>\$ 1,519,127</u> |

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

Exhibit D

Polk County, Tennessee  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2009

|                                     | <u>Agency<br/>Funds</u> |
|-------------------------------------|-------------------------|
| <u>ASSETS</u>                       |                         |
| Cash                                | \$ 812,553              |
| Due from Other Governments          | <u>63,118</u>           |
| Total Assets                        | <u>\$ 875,671</u>       |
| <u>LIABILITIES</u>                  |                         |
| Due to Other Taxing Units           | \$ 63,118               |
| Due to Litigants, Heirs, and Others | <u>812,553</u>          |
| Total Liabilities                   | <u>\$ 875,671</u>       |

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

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**POLK COUNTY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2009**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Polk 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 Polk County:

**A. Reporting Entity**

Polk County is a public municipal corporation governed by an elected nine-member board. As required by GAAP, these financial statements present Polk 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 Polk County School Department operates the public school system in the county, and the voters of Polk County elect its board. The School Department is fiscally dependent on the county because it may not issue debt without county approval, and its budget and property tax levy are subject to the County Commission's approval. The School Department's taxes are levied under the taxing authority of the county and are included as part of the county's total tax levy.

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

The Copper Basin Utility District provides water service for a portion of Polk County, and the Polk County Commission appoints its governing body. The issuance of debt by the utility district is subject to the County Commission's approval. The financial statements of the Copper Basin Utility District were not available from other auditors in time for inclusion in this report.

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

Administrative Offices:

Polk County Emergency Communications District  
P.O. Box 911  
Ocoee, Tennessee 37361

Copper Basin Utility District  
2597 Highway 68  
Turtletown, Tennessee 37391

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

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. However, when applicable, interfund services provided and used between functions are not eliminated in the process of consolidation in the statement of activities. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities, which rely to a significant extent on fees and charges, are required to be reported separately from governmental activities in government-wide financial statements. However, the primary government of Polk 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 Polk 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.

Polk County issues all debt for the discretely presented Polk County School Department. There were no debt issues contributed by the county to the School Department during the year ended June 30, 2009.

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

Separate financial statements are provided for governmental funds 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. Polk 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 appropriate fund for payments to be made early in the following year.

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

Proprietary fund and fiduciary funds financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except for agency funds, which have no measurement focus. 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 regarded as revenue as soon as all eligibility requirements imposed by the provider have been met.

Polk 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 fund accounts for transactions of the county’s Highway Department.

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

Additionally, Polk County reports the following fund types:

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

**Agency Funds** – These funds account for amounts collected in an agency capacity by the constitutional officers and local sales taxes received by the state to be forwarded to the various cities in Polk County. 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 Polk 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.

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

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

**Capital Projects Fund** – The Education Capital Projects Fund is used to account for various capital projects of the School Department.

**Internal Service Fund** – The Self-Insurance Fund is used to account for the School Department employees' self-insurance dental program. In the past, school funds were placed into this fund for the payment of dental claims for employees who chose to participate in the program. However, due to the increased costs of the plan, operations ceased in October 2002, but a balance remains in the fund for future use.

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. The discretely presented Polk County School Department has one proprietary fund, an internal service fund used to account for the employees' dental insurance program. As previously noted, the employees' dental insurance plan was discontinued in October 2002, due to the increased cost of the plan. The balance of \$39,859, at June 30, 2009, is being maintained in the Self-Insurance Fund for future use. The primary revenue received by the fund is interest earned on the balance. There were no expenses for the fund during the year.

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

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

**1. Deposits and Investments**

For purposes of the statement of cash flows for the discretely presented Polk County School Department's internal service fund, cash includes demand deposits.

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 Polk County School Department (excluding the School Department's Self-Insurance Fund). Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Debt Service Fund. Polk County and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

## **2. Receivables and Payables**

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

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 4.81 percent of the total taxes levied.

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

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

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

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

## **3. Capital Assets**

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are

reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of more than two 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 | 40           |
| Other Capital Assets       | 5 - 30       |
| Infrastructure:            |              |
| Roads and Bridges          | 20 - 50      |

**4. Compensated Absences**

It is the county's policy, with the exception of the Highway Department, to permit employees to accumulate earned but unused vacation and sick leave benefits. The general policy of the Highway Department does not allow for the accumulation of vacation or sick leave beyond the end of the calendar year. The county's policy allows employees to accumulate up to 15 days of vacation leave. There is no liability for unpaid accumulated sick leave since Polk County does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide financial statements for the county. 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.

The general policy of the discretely presented Polk County School Department does not allow for the accumulation of vacation days beyond calendar year-end. Employees who work 11 months are granted one week of vacation a year, and 12-month employees are granted two weeks of vacation a year. All vacation pay is accrued when incurred in the government-wide financial statements for the

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. All professional personnel (teachers) of the School Department are allowed to accumulate unlimited sick leave days. The granting of sick leave has no guaranteed payment attached and therefore is not required to be accrued or recorded.

**5. Customer Deposits Payable**

Customer Deposits Payable represents bonds paid by developers for new subdivision construction that is occurring in the county.

**6. Long-term Obligations**

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

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

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

**7. Net Assets and Fund Equity**

In the government-wide financial statements and the proprietary fund type (School Department's internal service fund) in the fund financial

statements, equity is classified as net assets and displayed in three components:

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

As of June 30, 2009, Polk County had \$12,265,000 in outstanding debt for capital purposes for the discretely presented Polk County School Department. This debt is a liability of Polk County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Polk County has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the county's capital assets.

#### **8. Prior-period Adjustments**

During the year, the Polk County Debt Service Fund assumed the liability for a \$300,000 note, which in previous years was being retired from the discretely presented Polk County School Department's General Purpose Fund. The effect of this change decreased net assets for the primary government and increased net assets for the School Department by \$300,000.

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

### **A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets**

#### **Primary Government**

Exhibit C-2 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide statement of net assets.

### **Discretely Presented Polk County School Department**

Exhibit I-3 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide statement of net assets.

#### **B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

##### **Primary Government**

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

### **Discretely Presented Polk County School Department**

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

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

### **A. Budgetary Information**

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

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

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

The county's budgetary basis of accounting is consistent with 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. Cash Shortages – Prior Years**

In the prior-year audit report, we reported a cash shortage of \$12,499.19 at June 30, 2008, in the School Department. On September 3, 2009, the defendant in the case, Sharon Laycock, was found not guilty. Management has taken no action to liquidate this cash shortage as of the date of this report.

In the prior-year audit report, we reported a cash shortage of \$1,047.45 at June 30, 2008, in the School Maintenance Department. As a result of an investigation by the Tennessee Bureau of Investigation, a plea agreement was entered into by an employee of the Maintenance Department on March 23, 2009, which required the defendant to pay restitution of \$1,047.45 for personal use of the School Department's equipment and materials. However, as of the date of this report, no restitution has been paid.

**IV. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

Polk County and the Polk County School Department (excluding the internal service fund) participate in an internal cash and investment pool through the Office of Trustee. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, depositing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Cash reflected on the balance sheets or statement of net assets 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 the 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; deposit accounts 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 director of Local Finance 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 market value of the securities on the day of purchase.

The county had no pooled or nonpooled investments as of June 30, 2009.

### **B. Capital Assets**

Capital assets activity for the year ended June 30, 2009, was as follows:

**Primary Government**

**Governmental Activities:**

|                             | Balance<br>7-1-08 | Increases    | Decreases  | Balance<br>6-30-09 |
|-----------------------------|-------------------|--------------|------------|--------------------|
| Capital Assets              |                   |              |            |                    |
| Not Depreciated:            |                   |              |            |                    |
| Construction in Progress    | \$ 0              | \$ 52,306    | \$ 0       | \$ 52,306          |
| Total Capital Assets        |                   |              |            |                    |
| Not Depreciated             | \$ 0              | \$ 52,306    | \$ 0       | \$ 52,306          |
| Capital Assets Depreciated: |                   |              |            |                    |
| Buildings and               |                   |              |            |                    |
| Improvements                | \$ 11,017,680     | \$ 0         | \$ 0       | \$ 11,017,680      |
| Infrastructure              | 10,586,601        | 0            | 0          | 10,586,601         |
| Other Capital Assets        | 3,046,934         | 391,866      | (8,900)    | 3,429,900          |
| Total Capital Assets        |                   |              |            |                    |
| Depreciated                 | \$ 24,651,215     | \$ 391,866   | \$ (8,900) | \$ 25,034,181      |
| Less Accumulated            |                   |              |            |                    |
| Depreciation For:           |                   |              |            |                    |
| Buildings and               |                   |              |            |                    |
| Improvements                | \$ 1,582,766      | \$ 222,981   | \$ 0       | \$ 1,805,747       |
| Infrastructure              | 3,327,371         | 274,612      | 0          | 3,601,983          |
| Other Capital Assets        | 2,217,192         | 193,800      | (8,900)    | 2,402,092          |
| Total Accumulated           |                   |              |            |                    |
| Depreciation                | \$ 7,127,329      | \$ 691,393   | \$ (8,900) | \$ 7,809,822       |
| Total Capital Assets        |                   |              |            |                    |
| Depreciated, Net            | \$ 17,523,886     | \$ (299,527) | \$ 0       | \$ 17,224,359      |
| Governmental Activities     |                   |              |            |                    |
| Capital Assets, Net         | \$ 17,523,886     | \$ (247,221) | \$ 0       | \$ 17,276,665      |

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

**Governmental Activities:**

|                              |                   |
|------------------------------|-------------------|
| General Government           | \$ 225,691        |
| Public Safety                | 131,996           |
| Highways                     | 333,706           |
| Total Depreciation Expense - |                   |
| Governmental Activities      | <u>\$ 691,393</u> |

**Discretely Presented Polk County School Department**

**Governmental Activities:**

|                             | Balance<br>7-1-08 | Increases    | Balance<br>6-30-09 |
|-----------------------------|-------------------|--------------|--------------------|
|                             | <hr/>             |              | <hr/>              |
| Capital Assets              |                   |              |                    |
| Not Depreciated:            |                   |              |                    |
| Land                        | \$ 1,500          | \$ 0         | \$ 1,500           |
| Total Capital Assets        | <hr/>             |              | <hr/>              |
| Not Depreciated             | \$ 1,500          | \$ 0         | \$ 1,500           |
|                             | <hr/>             |              | <hr/>              |
| Capital Assets Depreciated: |                   |              |                    |
| Buildings and               |                   |              |                    |
| Improvements                | \$ 24,700,458     | \$ 0         | \$ 24,700,458      |
| Other Capital Assets        | 1,991,038         | 59,801       | 2,050,839          |
| Total Capital Assets        | <hr/>             |              | <hr/>              |
| Depreciated                 | \$ 26,691,496     | \$ 59,801    | \$ 26,751,297      |
|                             | <hr/>             |              | <hr/>              |
| Less Accumulated            |                   |              |                    |
| Depreciation For:           |                   |              |                    |
| Buildings and               |                   |              |                    |
| Improvements                | \$ 7,365,955      | \$ 478,600   | \$ 7,844,555       |
| Other Capital Assets        | 1,033,962         | 136,588      | 1,170,550          |
| Total Accumulated           | <hr/>             |              | <hr/>              |
| Depreciation                | \$ 8,399,917      | \$ 615,188   | \$ 9,015,105       |
|                             | <hr/>             |              | <hr/>              |
| Total Capital Assets        |                   |              |                    |
| Depreciated, Net            | \$ 18,291,579     | \$ (555,387) | \$ 17,736,192      |
|                             | <hr/>             |              | <hr/>              |
| Governmental Activities     |                   |              |                    |
| Capital Assets, Net         | \$ 18,293,079     | \$ (555,387) | \$ 17,737,692      |
|                             | <hr/>             |              | <hr/>              |

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

**Governmental Activities:**

|   |                        |
|---|------------------------|
| Support Services                        | \$ 603,832             |
| Operation of Non-Instructional Services | <hr/> 11,356           |
| Total Depreciation Expense -            |                        |
| Governmental Activities                 | <hr/> <hr/> \$ 615,188 |

**C. Insurance Recoveries**

**Discretely Presented Polk County School Department**

During the year, the Polk County School Department incurred damages to a school gym floor and to a baseball field. Insurance recoveries of \$121,583 were used to repair the damages.

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

The composition of interfund balances as of June 30, 2009, is as follows:

**Due to/from Other Funds:**

| Receivable Fund                         | Payable Fund           | Amount    |
|---|------------------------|-----------|
| Primary Government:                     |                        |           |
| Nonmajor governmental                   | General                | \$ 36,863 |
| Discretely Presented School Department: |                        |           |
| General Purpose School                  | Nonmajor governmental  | 78,149    |
| Nonmajor governmental                   | General Purpose School | 1,370     |

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

**Interfund Transfers:**

Interfund transfers for the year ended June 30, 2009, consisted of the following amounts:

**Primary Government**

| Transfers Out               | Transfers In     |                             |
|-----------------------------|------------------|-----------------------------|
|                             | General Fund     | Nonmajor Governmental Funds |
| General Fund                | \$ 0             | \$ 418,563                  |
| Nonmajor governmental funds | 26,264           | 0                           |
| <b>Total</b>                | <b>\$ 26,264</b> | <b>\$ 418,563</b>           |

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 and to use unrestricted revenues collected in the General Fund to

finance various programs accounted for in other funds in accordance with budgetary authorizations.

**E. Capital Leases**

**Primary Government**

On November 15, 2008, Polk County entered into a three-year lease-purchase agreement for patrol cars. The terms of the agreement require total lease payments of \$47,259 plus interest of three percent. Title to the patrol cars transfers to the county at the end of the lease period. The lease payments are made by the General Fund.

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2009, were as follows:

| Year Ending June 30                     | Governmental<br>Funds   |
|---|-------------------------|
| 2009                                    | \$ 17,148               |
| 2010                                    | 17,148                  |
| 2011                                    | <u>8,573</u>            |
| Total Minimum Lease Payments            | \$ 42,869               |
| Less: Amount Representing Interest      | <u>(2,976)</u>          |
| Present Value of Minimum Lease Payments | <u><u>\$ 39,893</u></u> |

**Discretely Presented Polk County School Department**

On August 15, 2005, the School Department entered into a five-year lease-purchase agreement for school buses. The terms of the agreement require total lease payments of \$543,332 plus interest of 4.64 percent. Title to the buses transfers to the School Department at the end of the lease period. The lease payments are made by the General Purpose School Fund.

On September 8, 2008, the School Department entered into a three-year lease-purchase agreement for computers. The terms of the agreement require total lease payments of \$27,277 plus interest of 5.93 percent. Ownership of the computers transfers to the School Department at the end of the lease period. The lease payments are made by the School Federal Projects Fund.

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2009, were as follows:

| <u>Year Ending June 30</u>              | <u>Governmental<br/>Funds</u> |
|---|-------------------------------|
| 2010                                    | \$ 110,854                    |
| 2011                                    | 110,856                       |
| Total Minimum Lease Payments            | \$ 221,710                    |
| Less: Amount Representing Interest      | (14,897)                      |
| Present Value of Minimum Lease Payments | <u>\$ 206,813</u>             |

**F. Long-term Debt**

**Primary Government**

**General Obligation Bonds and Notes**

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

General obligation bonds and capital outlay notes are direct obligations and pledge the full faith and credit of the government. A general obligation bond and capital notes were issued for original terms of up to 18 years for the bond and up to six years for notes. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. The bond and the notes included in long-term debt as of June 30, 2009, will be retired from the General Debt Service Fund.

The general obligation bond, capital outlay notes, and the capital lease outstanding as of June 30, 2009, are as follows:

| <u>Type</u>                | <u>Interest<br/>Rate</u> | <u>Original<br/>Amount<br/>of Issue</u> | <u>Balance<br/>6-30-09</u> |
|----------------------------|--------------------------|---|----------------------------|
| General Obligation Bonds - |                          |   |                            |
| Refunding                  | 4 to 5 %                 | \$ 22,100,000                           | \$ 20,375,000              |
| Capital Outlay Notes       | 3.5                      | 650,000                                 | 265,000                    |
| Capital Lease              | 3                        | 47,259                                  | 39,893                     |

The annual requirements to amortize the bond and notes outstanding as of June 30, 2009, including interest payments, are presented in the following tables:

| Year Ending<br>June 30 | Bond                 |                     |                      |
|------------------------|----------------------|---------------------|----------------------|
|                        | Principal            | Interest            | Total                |
| 2010                   | \$ 915,000           | \$ 916,700          | \$ 1,831,700         |
| 2011                   | 950,000              | 880,100             | 1,830,100            |
| 2012                   | 990,000              | 842,100             | 1,832,100            |
| 2013                   | 1,030,000            | 802,500             | 1,832,500            |
| 2014                   | 1,070,000            | 761,300             | 1,831,300            |
| 2015-2019              | 6,045,000            | 3,093,300           | 9,138,300            |
| 2020-2024              | 7,625,000            | 1,539,850           | 9,164,850            |
| 2025                   | 1,750,000            | 87,500              | 1,837,500            |
| Total                  | <u>\$ 20,375,000</u> | <u>\$ 8,923,350</u> | <u>\$ 29,298,350</u> |

| Year Ending<br>June 30 | Notes             |                  |                   |
|------------------------|-------------------|------------------|-------------------|
|                        | Principal         | Interest         | Total             |
| 2010                   | \$ 115,000        | \$ 11,900        | \$ 126,900        |
| 2011                   | 75,000            | 13,125           | 88,125            |
| 2012                   | 75,000            | 15,750           | 90,750            |
| Total                  | <u>\$ 265,000</u> | <u>\$ 40,775</u> | <u>\$ 305,775</u> |

There is \$1,073,980 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$1,269, based on the 2000 federal census. Debt per capita, including the bond, notes, and capital lease totaled \$1,288, based on the 2000 federal census.

#### Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2009, was as follows:

##### Governmental Activities:

|                             | Bonds                | Notes             |
|-----------------------------|----------------------|-------------------|
| Balance, July 1, 2008       | \$ 21,255,000        | \$ 80,000         |
| Prior-period Adjustment (1) | 0                    | 300,000           |
| Deductions                  | (880,000)            | (115,000)         |
| Balance, June 30, 2009      | <u>\$ 20,375,000</u> | <u>\$ 265,000</u> |
| Balance Due Within One Year | <u>\$ 915,000</u>    | <u>\$ 115,000</u> |

Governmental Activities: (Cont.)

|                             | Capital<br>Lease | Compensated<br>Absences |
|-----------------------------|------------------|-------------------------|
| Balance, July 1, 2008       | \$ 0             | \$ 89,585               |
| Additions                   | 47,259           | 127,701                 |
| Deductions                  | (7,366)          | (109,251)               |
| Balance, June 30, 2009      | <u>\$ 39,893</u> | <u>\$ 108,035</u>       |
| Balance Due Within One Year | <u>\$ 15,328</u> | <u>\$ 108,035</u>       |

(1) This note was shown in prior years as a liability of the discretely presented Polk County School Department's General Purpose School Fund.

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

Analysis of Noncurrent Liabilities Presented on Exhibit A:

|   |                      |
|---|----------------------|
| Total Noncurrent Liabilities, June 30, 2009                       | \$ 20,787,928        |
| Less: Balance Due Within One Year                                 | <u>(1,153,363)</u>   |
| Noncurrent Liabilities - Due in<br>More Than One Year - Exhibit A | <u>\$ 19,634,565</u> |

**Discretely Presented Polk County School Department**

The capital leases outstanding as of June 30, 2009, are as follows:

| Type           | Interest<br>Rate | Original<br>Amount<br>of Issue | Balance<br>6-30-09 |
|----------------|------------------|--------------------------------|--------------------|
| Capital Leases | 4.64 to 5.93 %   | \$ 570,609                     | \$ 206,813         |

Debt per capita, including all capital leases totaled \$13, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the discretely presented Polk County School Department for the year ended June 30, 2009, was as follows:

Governmental Activities:

|                             | Capital<br>Leases | Note       |
|-----------------------------|-------------------|------------|
| Balance, July 1, 2008       | \$ 277,256        | \$ 300,000 |
| Prior-period Adjustment (2) | 0                 | (300,000)  |
| Additions                   | 27,277            | 0          |
| Deductions                  | (97,720)          | 0          |
|                             | <hr/>             | <hr/>      |
| Balance, June 30, 2009      | \$ 206,813        | \$ 0       |
|                             | <hr/>             | <hr/>      |
| Balance Due Within One Year | \$ 101,000        | \$ 0       |
|                             | <hr/>             | <hr/>      |

|                             | Compensated<br>Absences | Other<br>Postemployment<br>Benefits |
|-----------------------------|-------------------------|-------------------------------------|
| Balance, July 1, 2008       | \$ 33,837               | \$ 236,232                          |
| Additions                   | 46,169                  | 433,283                             |
| Deductions                  | (50,329)                | (167,032)                           |
|                             | <hr/>                   | <hr/>                               |
| Balance, June 30, 2009      | \$ 29,677               | \$ 502,483                          |
|                             | <hr/>                   | <hr/>                               |
| Balance Due Within One Year | \$ 29,677               | \$ 0                                |
|                             | <hr/>                   | <hr/>                               |

(2) The primary government's General Debt Service Fund assumed the liability for this note.

Analysis of Noncurrent Liabilities Presented on Exhibit A:

|   |                   |
|---|-------------------|
| Total Noncurrent Liabilities, June 30, 2009                       | \$ 738,973        |
| Less: Balance Due Within One Year                                 | <u>(130,677)</u>  |
| Noncurrent Liabilities - Due in<br>More Than One Year - Exhibit A | <u>\$ 608,296</u> |

**G. On-Behalf Payments – Discretely Presented Polk County School Department**

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Polk 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, 2009, were \$110,550 and \$19,230, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

## V. OTHER INFORMATION

### A. Risk Management

Polk County and the discretely presented Polk County 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. Polk County and the School Department pay an annual premium to the TN-RMT for its general liability, property, workers' compensation, and casualty insurance coverage. The creation of the TN-RMT provides for it to be self-sustaining through member premiums.

Polk County provides active employees health insurance coverage through a commercial insurance company. Retirees are not allowed to participate in the commercial insurance plan. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The 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.

The School Department maintains the Self-Insurance Fund for risks associated with the employees' dental insurance plan. The Self-Insurance Fund is accounted for as an internal service fund where assets are set aside for claims settlements. The employees' dental insurance plan was discontinued in October 2002 due to increased costs of the plan. The balance of \$39,859 at June 30, 2009, is being maintained in the Self-Insurance Fund for future use.

### B. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations; and Statement No. 52, Land and Other Real Estate Held as Investments by Endowments became effective for the year ended June 30, 2009.

GASB Statement No. 49 requires county governments to measure and report their pollution remediation liabilities. A county has a pollution remediation problem if one of five obligating events occurs. The statement requires governments to restate beginning net assets in government-wide and proprietary fund financial statements for pollution remediation liabilities that existed as of July 1, 2008. Previous to Statement No. 49, counties were not required to measure and record pollution remediation liabilities. GASB Statement No. 49 had no effect on the financial statements of Polk County for the year ended June 30, 2009, since the county had none of the obligating events. However, it is reasonably expected that Polk County could have pollution remediation liabilities in subsequent years.

GASB Statement No. 52 requires endowments to report land and other real estate investments at fair value. Previous to Statement No. 52, land and other real estate held by endowments were reported at historical cost. Changes in fair value between years will be reported as investment income (loss). GASB Statement No. 52 had no effect on the financial statements of Polk County for the year ended June 30, 2009, since the county had no endowment real estate investments. However, it is reasonably expected that Polk County could have endowment real estate investments in subsequent years.

**C. Subsequent Events**

On September 17, 2009, the Polk County Commission resolved to make the Copper Basin Utility District a separate public entity and not a part or an agency of Polk County. Therefore, subsequent to June 30, 2009, the Copper Basin Utility District will no longer be a component unit in the financial statements of Polk County.

On October 8, 2008, county officials filed suit in Chancery Court of Polk County formally requesting that the Friends of the Library return \$50,000 to the county. A summary judgment was granted in favor of the county. Presently, the county is pursuing its claim for the \$50,000 refund. As of the date of this report, these funds have not been returned to the county.

**D. Contingent Liabilities**

A case (High Country Adventures, Inc., v. Polk County, Tennessee) was filed in Chancery Court of Polk County on behalf of commercial rafting outfitters/operators questioning the constitutionality of the amusement tax Polk County applies to participate in whitewater rafting on the Ocoee River. Various outfitters in Polk County, Tennessee, have sued the county for a refund of a \$2.50 per rafter privilege/amusement tax. The case has proceeded through the trial court and the Tennessee Court of Appeals. On November 10, 2008, the court of appeals found the Ocoee River to be navigable waters and that the imposition of the privilege/amusement tax was preempted by the Maritime Transportation Security Act of 2002, which prohibits a non-federal interest from levying taxes or fees on water crafts or passengers of water

crafts on navigable waters of the United States. In addition, the court of appeals ordered Polk County to refund any taxes at issue in the case to customers of the outfitters. Further, any amounts unclaimed after one year were to be treated as abandoned property and paid to the state Treasurer pursuant to Sections 66-29-110, 66-29-115, and 66-29-121, Tennessee Code Annotated (TCA).

The Maritime Transportation Security Act was passed in November 2002 and all the taxes specifically at issue in the High Country Adventures, Inc., v. Polk County, Tennessee, case were for periods prior to 2002. It has been the position of Polk County, Tennessee, not to refund taxes in such cases, as all the taxes at issue were for the 2000 and 2001 periods, which is prior to the enactment of the Maritime Transportation Security Act of 2002. Furthermore, no outfitters/operators have filed suit (as required by Section 67-1-901 et seq., TCA) to recover taxes paid in protest after the date of the operator of the enactment of the Maritime Transportation Security Act of 2002. Section 67-1-901, et seq., TCA, requires payment of taxes under protest and a suit within six months of the payment as a condition precedent to the recovery of such taxes. Specifically, Section 67-1-901, TCA, requires that a person who conceives a tax to be unjust, illegal, or against a statute or constitution to pay the tax under protest. Section 67-1-912, TCA, provides that a suit must be brought within six months after payment under protest. Finally, Section 67-1-908, TCA, provides that this process is the exclusive remedy. Since the outfitters/operators have not followed this statutory procedure for a refund, Polk County's position is that it should not be required to refund any of these taxes paid after the enactment of the Maritime Transportation Security Act of 2002. However, this issue has not been resolved by any court as of the date of this report.

In the event that Polk County is required to refund the privilege/amusement taxes paid under protest after the enactment of the Maritime Transportation Security Act of 2002, the following amounts are the amounts paid by outfitters/operators to Polk County based on records from the office of the Polk County Trustee:

| Year  | Amount            |
|-------|-------------------|
| 2003  | \$ 388,125        |
| 2004  | 308,577           |
| 2005  | 176,540           |
| 2006  | 172               |
| 2007  | 1,582             |
| 2008  | 786               |
| Total | <u>\$ 875,782</u> |

In addition to the \$875,782, the court has the discretion to add interest, in an amount determined by the court, in the event a refund is ordered. In the event Polk County is ordered to refund these amounts set forth hereinabove, any funds not refunded within one year are to be paid over to the state Treasurer. The county can request the state Treasurer to return the balances of the funds unclaimed after 18 months. Upon return, the county would place the balance in the General Fund.

The county is involved in other pending lawsuits. The county attorney estimates that the potential claims against the county not covered by insurance resulting from such litigation would not materially affect the county's financial statements.

Polk County is contingently liable for a hospital revenue-refunding bond of the Copper Basin Medical Center. Polk County would become liable for this bond and the interest thereon in the event of default by the medical center. The medical center missed a scheduled payment in a prior year. The bond holders now require Polk County to make the annual principal, interest, and fee payments. During the year, the county made payments of \$66,107 in principal, interest, and fees on this bond. However, the county was reimbursed by the medical center for this payment prior to June 30, 2009. The outstanding balance for this bond as of June 30, 2009, was \$285,000 with interest ranging from 4.8 percent to 5.2 percent.

Polk County is contingently liable for a water revenue-refunding bond of the Copper Basin Utility District. In the event of default by the utility district, Polk County would become liable for this bond and the interest thereon. The bond holders require Polk County to make the annual principal, interest, and fee payments on the Copper Basin Utility District debt. During the year, the county made payments of \$46,731 in principal, interest, and fees on this bond. However, the county was reimbursed by the utility district for this payment prior to June 30, 2009. The outstanding balance for this bond as of June 30, 2009, was \$205,000 with interest ranging from 4.9 percent to 5.3 percent.

In November 2008, the County Commission approved a line-of-credit to cover debt of the Copper Basin Medical Center in the event the hospital defaults on its loan payments. The line-of-credit is not to exceed \$1,400,000. The county is to guarantee 50 percent of the line-of-credit (\$700,000). The City of Copperhill and the City of Ducktown are to guarantee \$350,000 each.

#### **E. Joint Venture**

The Tenth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Tenth Judicial District and participating municipalities in the district. The Tenth Judicial District includes Bradley, McMinn, Monroe, and Polk 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 that includes the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within the judicial district. Polk County did not contribute to the DTF for the year ended June 30, 2009, and does not have any equity interest in this joint venture. Complete financial statements for the DTF can be obtained from its administrative office at the following address:

Administrative Office:

District Attorney General  
Tenth Judicial District  
130 Washington Avenue N.E., Suite 1  
Athens, Tennessee 37371

**F. Jointly Governed Organization**

Polk County, in conjunction with Bradley, McMinn, and Monroe counties, participates in the Southeast Tennessee Community Corrections Program. The program's 20-member board comprises the county mayor/executive and sheriff of each of the four counties, the district attorney general, and one member from a nonprofit organization. The program provides alternative sentencing for selected nonviolent offenders and receives funding from the Tennessee Department of Correction. The counties that participate in the program do not have any ongoing financial interest or responsibility for the program.

The Tennessee Copper Company built the Copper Basin Medical Center before 1953 for its employees and the citizens of the community. The Tennessee Copper Company gave the medical center to the county. Private Act, 1953, Chapter 225, established the Copper Basin General Hospital District. The private act set up a seven-member board to manage the medical center. Polk County appoints three members; the cities of Ducktown and Copperhill each appoint two members. The district does not have the expertise to manage a hospital. Over time, they have signed several "Lease and Management" agreements with various private companies to manage the Copper Basin Medical Center. The district receives no revenue or pays any expenses; therefore it has no financial statements.

**G. Retirement Commitments**

**Employees**

**Plan Description**

Employees of Polk 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 Polk County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

### **Funding Policy**

Polk County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2009, was 6.38 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Polk County is established and may be amended by the TCRS Board of Trustees.

### **Annual Pension Cost**

For the year ended June 30, 2009, Polk County's annual pension cost of \$291,117 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2007, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), and (c) projected 3.5 percent annual increase in the Social Security wage base. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Polk County's unfunded actuarial accrued liability is being amortized

as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2007, was 11 years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

**Trend Information**

| Fiscal<br>Year<br>Ended | Annual<br>Pension<br>Cost (APC) | Percentage<br>of APC<br>Contributed | Net<br>Pension<br>Obligation |
|-------------------------|---------------------------------|-------------------------------------|------------------------------|
| 6-30-09                 | \$291,117                       | 100%                                | \$0                          |
| 6-30-08                 | 281,264                         | 100                                 | 0                            |
| 6-30-07                 | 259,629                         | 100                                 | 0                            |

**Funded Status and Funding Progress**

As of July 1, 2007, the most recent actuarial valuation date, the plan was 84.38 percent funded. The actuarial accrued liability for benefits was \$4.94 million, and the actuarial value of assets was \$4.17 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.77 million. The covered payroll (annual payroll of active employees covered by the plan) was \$4 million, and the ratio of the UAAL to the covered payroll was 20.9 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The annual required contribution was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

**School Teachers**

**Plan Description**

The Polk County School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member’s high five-year average salary and years of service. Members

become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979, are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. A cost of living adjustment (COLA) is provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

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

### **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 Polk County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2009, was 6.42 percent of annual covered payroll. The employer contribution requirement for the Polk County 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, 2009, 2008, and 2007, were \$681,400, \$497,088, and \$521,891, respectively, equal to the required contributions for each year.

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

The Polk County 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 teachers. Prior to reaching the age of 65, all members have the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare Supplement Plan that does not include pharmacy. The plans are reported in the State of Tennessee

Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tn.gov/finance/act/cafr.html>.

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employer develops its own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. 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. During the year, expenditures totaling \$167,032 were recognized by the Polk County School Department for postemployment health care premiums.

Annual OPEB Cost and Net OPEB Obligation

|                              |                                     |
|------------------------------|-------------------------------------|
|                              | Local<br>Education<br>Group<br>Plan |
|                              | <hr/>                               |
| ARC                          | \$ 433,000                          |
| Interest on the NPO          | 10,630                              |
| Adjustment to the ARC        | (10,347)                            |
| Annual OPEB cost             | <hr/> \$ 433,283                    |
| Amount of contribution       | (167,032)                           |
| Increase/decrease in NPO     | <hr/> \$ 266,251                    |
| Net OPEB obligation, 7-1-08  | <hr/> 236,232                       |
|                              | <hr/>                               |
| Net OPEB obligation, 6-30-09 | <hr/> <hr/> \$ 502,483              |

| Fiscal<br>Year<br>Ended* | Plan                  | Annual<br>OPEB<br>Cost | Percentage<br>of Annual<br>OPEB Cost<br>Contributed | Net OPEB<br>Obligation<br>at Year End |
|--------------------------|-----------------------|------------------------|---|---------------------------------------|
| <hr/>                    |                       |                        |   |                                       |
| 6-30-08                  | Local Education Group | \$ 428,000             | 44.81 %   | \$ 236,232                            |
| 6-30-09                  | "                     | 433,283                | 38.55   | 502,483                               |

\* Data only available for two years.

### Funded Status and Funding Progress

The funded status of the plan as of June 30, 2008, was as follows:

|   | <u>Local<br/>Education<br/>Group<br/>Plan</u> |
|---|---|
| Actuarial valuation date                    | 7-1-07  |
| Actuarial accrued liability (AAL)           | \$ 3,643,000                                  |
| Actuarial value of plan assets              | \$ 0  |
| Unfunded actuarial accrued liability (UAAL) | \$ 3,643,000                                  |
| Actuarial value of assets as a % of the AAL | 0%  |
| Covered payroll (active plan members)       | \$ 10,305,070                                 |
| UAAL as a % of covered payroll              | 35.35%  |

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 multiyear 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, 2007, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 11 percent initially, reduced by decrements to an ultimate rate of six percent after ten years. Both rates include a three percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payrolls on a closed basis over a 30-year period beginning with June 30, 2008.

**I. Termination Benefits**

The Polk County School Department either offers retiring employees, with 25 years or more of service in the Polk County school system, a lump-sum payment equal to \$200 for each year of service in the Polk County school system or provides a portion of the employee's health care insurance until the employee reaches Medicare age. During the period, no retiring employees opted for the lump-sum payment.

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

Polk County operates under provisions of the Fiscal Control Acts of 1957. These acts provide for a central system of accounting, budgeting, and purchasing covering all funds administered by the county executive and the highway superintendent. Funds under the supervision of the county executive were maintained by the director of accounts and budgets. However, funds under the supervision of the highway superintendent were maintained by employees of the Highway Department.

**K. Purchasing Laws**

Office of County Executive

Purchasing procedures for the County Executive's Office are governed by provisions of the County Purchasing Law of 1957, Section 5-14-101, et seq., Tennessee Code Annotated (TCA). This statute provides for a purchasing agent to make all purchases exceeding \$10,000 after soliciting sealed competitive bids through public advertisement.

Office of Highway Superintendent

Purchasing procedures for the Highway Department are governed by provisions of the County Purchasing Law of 1957, Section 5-14-101, et seq., TCA, and Section 54-7-113, TCA (Uniform Road Law). These statutes provide for a purchasing agent to make all purchases exceeding \$10,000 after soliciting sealed competitive bids through public advertisement.

Office of Director of Schools

Purchasing procedures for the discretely presented Polk County School Department are governed by purchasing laws applicable to schools as set forth in Section 49-2-203, TCA, which provides for the county Board of Education, through its executive committee (director of schools and chairman of the Board of Education), to make all purchases. This statute also requires competitive bids to be solicited through newspaper advertisement on all purchases exceeding \$10,000.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit E-1

Polk County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
General Fund  
For the Year Ended June 30, 2009

|                                       | Actual<br>(GAAP<br>Basis) | Less:<br>Encumbrances<br>7/1/2008 | Add:<br>Encumbrances<br>6/30/2009 | Actual<br>Revenues/<br>Expenditures<br>(Budgetary<br>Basis) | Budgeted Amounts |              | Variance<br>with Final<br>Budget -<br>Positive<br>(Negative) |
|---------------------------------------|---------------------------|-----------------------------------|-----------------------------------|---|------------------|--------------|--|
|                                       |                           |                                   |                                   |   | Original         | Final        |  |
| <u>Revenues</u>                       |                           |                                   |                                   |   |                  |              |  |
| Local Taxes                           | \$ 4,491,640              | \$ 0                              | \$ 0                              | \$ 4,491,640  | \$ 4,325,455     | \$ 4,363,975 | \$ 127,665   |
| Licenses and Permits                  | 71,057                    | 0                                 | 0                                 | 71,057  | 64,600           | 70,089       | 968  |
| Fines, Forfeitures, and Penalties     | 208,521                   | 0                                 | 0                                 | 208,521   | 150,870          | 150,870      | 57,651   |
| Charges for Current Services          | 38,330                    | 0                                 | 0                                 | 38,330  | 20,800           | 20,800       | 17,530   |
| Other Local Revenues                  | 60,610                    | 0                                 | 0                                 | 60,610  | 41,320           | 41,320       | 19,290   |
| Fees Received from County Officials   | 721,801                   | 0                                 | 0                                 | 721,801   | 671,500          | 687,205      | 34,596   |
| State of Tennessee                    | 1,608,689                 | 0                                 | 0                                 | 1,608,689   | 1,497,590        | 1,520,323    | 88,366   |
| Federal Government                    | 206,789                   | 0                                 | 0                                 | 206,789   | 162,800          | 212,856      | (6,067)  |
| Other Governments and Citizens Groups | 38,000                    | 0                                 | 0                                 | 38,000  | 34,400           | 34,400       | 3,600  |
| Total Revenues                        | \$ 7,445,437              | \$ 0                              | \$ 0                              | \$ 7,445,437  | \$ 6,969,335     | \$ 7,101,838 | \$ 343,599   |
| <u>Expenditures</u>                   |                           |                                   |                                   |   |                  |              |  |
| <u>General Government</u>             |                           |                                   |                                   |   |                  |              |  |
| County Commission                     | \$ 13,596                 | \$ 0                              | \$ 0                              | \$ 13,596   | \$ 17,000        | \$ 17,650    | \$ 4,054   |
| Board of Equalization                 | 1,605                     | 0                                 | 0                                 | 1,605   | 1,200            | 1,800        | 195  |
| County Mayor/Executive                | 93,099                    | 0                                 | 0                                 | 93,099  | 91,199           | 95,869       | 2,770  |
| Election Commission                   | 144,139                   | (5,000)                           | 119                               | 139,258   | 142,219          | 156,874      | 17,616   |
| Register of Deeds                     | 91,777                    | 0                                 | 0                                 | 91,777  | 98,959           | 104,159      | 12,382   |
| County Buildings                      | 263,214                   | (747)                             | 1,164                             | 263,631   | 162,649          | 278,098      | 14,467   |
| Other General Administration          | 251,077                   | (100)                             | 874                               | 251,851   | 237,521          | 419,500      | 167,649  |
| <u>Finance</u>                        |                           |                                   |                                   |   |                  |              |  |
| Accounting and Budgeting              | 39,403                    | 0                                 | 0                                 | 39,403  | 37,853           | 39,958       | 555  |
| Property Assessor's Office            | 170,409                   | 0                                 | 0                                 | 170,409   | 172,660          | 182,053      | 11,644   |
| County Trustee's Office               | 133,640                   | 0                                 | 0                                 | 133,640   | 131,879          | 138,729      | 5,089  |
| County Clerk's Office                 | 145,315                   | (25)                              | 0                                 | 145,290   | 148,721          | 156,671      | 11,381   |

(Continued)

Exhibit E-1

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

|  | Actual<br>(GAAP<br>Basis) | Less:<br>Encumbrances<br>7/1/2008 | Add:<br>Encumbrances<br>6/30/2009 | Actual<br>Revenues/<br>Expenditures<br>(Budgetary<br>Basis) | Budgeted Amounts |            | Variance<br>with Final<br>Budget -<br>Positive<br>(Negative) |
|--|---------------------------|-----------------------------------|-----------------------------------|---|------------------|------------|--|
|  |                           |                                   |                                   |   | Original         | Final      |  |
| <u>Expenditures (Cont.)</u>                        |                           |                                   |                                   |   |                  |            |  |
| <u>Administration of Justice</u>                   |                           |                                   |                                   |   |                  |            |  |
| Circuit Court                                      | \$ 152,872                | \$ 0                              | 100                               | \$ 152,972  | \$ 158,753       | \$ 167,653 | \$ 14,681  |
| General Sessions Court                             | 86,907                    | 0                                 | 0                                 | 86,907  | 86,404           | 89,904     | 2,997  |
| Drug Court   | 598                       | 0                                 | 0                                 | 598   | 3,500            | 3,500      | 2,902  |
| Chancery Court                                     | 111,397                   | (150)                             | 190                               | 111,437   | 111,106          | 118,556    | 7,119  |
| Juvenile Court                                     | 45,241                    | 0                                 | 0                                 | 45,241  | 44,546           | 47,553     | 2,312  |
| <u>Public Safety</u>                               |                           |                                   |                                   |   |                  |            |  |
| Sheriff's Department                               | 956,926                   | (855)                             | 9,350                             | 965,421   | 925,320          | 1,003,068  | 37,647   |
| Correctional Incentive Program Improvements        | 1,491,472                 | (2,100)                           | 3,119                             | 1,492,491   | 1,480,949        | 1,569,649  | 77,158   |
| Fire Prevention and Control                        | 1,000                     | 0                                 | 0                                 | 1,000   | 1,000            | 1,000      | 0  |
| Civil Defense                                      | 83,001                    | (2,500)                           | 3,000                             | 83,501  | 72,162           | 97,190     | 13,689   |
| Rescue Squad                                       | 107,989                   | (18,201)                          | 15,378                            | 105,166   | 80,442           | 105,470    | 304  |
| Other Emergency Management                         | 16,265                    | (4,600)                           | 3,700                             | 15,365  | 10,965           | 15,365     | 0  |
| County Coroner/Medical Examiner                    | 276                       | 0                                 | 0                                 | 276   | 300              | 300        | 24   |
| <u>Public Health and Welfare</u>                   |                           |                                   |                                   |   |                  |            |  |
| Local Health Center                                | 62,600                    | 0                                 | 0                                 | 62,600  | 55,000           | 87,995     | 25,395   |
| Ambulance/Emergency Medical Services               | 735,990                   | 0                                 | 0                                 | 735,990   | 735,990          | 735,990    | 0  |
| Alcohol and Drug Programs                          | 0                         | 0                                 | 0                                 | 0   | 4,000            | 4,000      | 4,000  |
| Crippled Children Services                         | 1,250                     | 0                                 | 0                                 | 1,250   | 1,250            | 1,250      | 0  |
| Other Local Health Services                        | 87,935                    | 0                                 | 0                                 | 87,935  | 98,456           | 110,886    | 22,951   |
| Sanitation Education/Information                   | 32,951                    | (2,089)                           | 6,020                             | 36,882  | 36,060           | 37,988     | 1,106  |
| Other Public Health and Welfare                    | 33,824                    | 0                                 | 0                                 | 33,824  | 42,254           | 43,254     | 9,430  |
| <u>Social, Cultural, and Recreational Services</u> |                           |                                   |                                   |   |                  |            |  |
| Senior Citizens Assistance                         | 19,759                    | 0                                 | 0                                 | 19,759  | 18,862           | 20,279     | 520  |
| Libraries  | 24,339                    | 0                                 | 0                                 | 24,339  | 17,794           | 25,167     | 828  |

(Continued)

Exhibit E-1

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

|  | Actual<br>(GAAP<br>Basis) | Less:<br>Encumbrances<br>7/1/2008 | Add:<br>Encumbrances<br>6/30/2009 | Actual<br>Revenues/<br>Expenditures<br>(Budgetary<br>Basis) | Budgeted Amounts |              | Variance<br>with Final<br>Budget -<br>Positive<br>(Negative) |
|--|---------------------------|-----------------------------------|-----------------------------------|---|------------------|--------------|--|
|  |                           |                                   |                                   |   | Original         | Final        |  |
| <u>Expenditures (Cont.)</u>                                |                           |                                   |                                   |   |                  |              |  |
| <u>Social, Cultural, and Recreational Services (Cont.)</u> |                           |                                   |                                   |   |                  |              |  |
| Other Social, Cultural, and Recreational                   | \$ 6,412                  | \$ 0                              | \$ 0                              | \$ 6,412  | \$ 0             | \$ 10,000    | \$ 3,588   |
| <u>Agriculture and Natural Resources</u>                   |                           |                                   |                                   |   |                  |              |  |
| Agriculture Extension Service                              | 55,501                    | (4,798)                           | 0                                 | 50,703  | 37,455           | 51,725       | 1,022  |
| Soil Conservation  | 17,526                    | 0                                 | 0                                 | 17,526  | 17,526           | 17,526       | 0  |
| <u>Other Operations</u>                                    |                           |                                   |                                   |   |                  |              |  |
| Industrial Development                                     | 400                       | 0                                 | 0                                 | 400   | 5,136            | 5,136        | 4,736  |
| Other Economic and Community Development                   | 14,301                    | (161)                             | 0                                 | 14,140  | 14,231           | 14,231       | 91   |
| Veterans' Services   | 16,506                    | 0                                 | 0                                 | 16,506  | 16,123           | 17,048       | 542  |
| Other Charges  | 231,982                   | 0                                 | 0                                 | 231,982   | 237,200          | 232,612      | 630  |
| Contributions to Other Agencies                            | 50,376                    | 0                                 | 0                                 | 50,376  | 56,000           | 56,000       | 5,624  |
| Employee Benefits  | 655,652                   | 0                                 | 0                                 | 655,652   | 881,623          | 769,651      | 113,999  |
| Total Expenditures   | \$ 6,448,522              | \$ (41,326)                       | \$ 43,014                         | \$ 6,450,210  | \$ 6,492,267     | \$ 7,051,307 | \$ 601,097   |
| Excess (Deficiency) of Revenues<br>Over Expenditures       | \$ 996,915                | \$ 41,326                         | \$ (43,014)                       | \$ 995,227  | \$ 477,068       | \$ 50,531    | \$ 944,696   |
| <u>Other Financing Sources (Uses)</u>                      |                           |                                   |                                   |   |                  |              |  |
| Capital Leases Issued                                      | \$ 47,259                 | \$ 0                              | \$ 0                              | \$ 47,259   | \$ 0             | \$ 47,259    | \$ 0   |
| Transfers In   | 26,264                    | 0                                 | 0                                 | 26,264  | 0                | 26,264       | 0  |
| Transfers Out  | (418,563)                 | 0                                 | 0                                 | (418,563)   | (467,000)        | (467,000)    | 48,437   |
| Total Other Financing Sources (Uses)                       | \$ (345,040)              | \$ 0                              | \$ 0                              | \$ (345,040)  | \$ (467,000)     | \$ (393,477) | \$ 48,437  |
| Net Change in Fund Balance                                 | \$ 651,875                | \$ 41,326                         | \$ (43,014)                       | \$ 650,187  | \$ 10,068        | \$ (342,946) | \$ 993,133   |
| Fund Balance, July 1, 2008                                 | 1,436,549                 | (41,326)                          | 0                                 | 1,395,223   | 1,211,087        | 1,211,087    | 184,136  |
| Fund Balance, June 30, 2009                                | \$ 2,088,424              | \$ 0                              | \$ (43,014)                       | \$ 2,045,410  | \$ 1,221,155     | \$ 868,141   | \$ 1,177,269   |

Exhibit E-2

Polk County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Highway/Public Works Fund  
For the Year Ended June 30, 2009

|   | Actual              | Budgeted Amounts    |                     | Variance with Final Budget - Positive (Negative) |
|---|---------------------|---------------------|---------------------|--|
|   |                     | Original            | Final               |  |
| <u>Revenues</u>                                   |                     |                     |                     |  |
| Other Local Revenues                              | \$ 308,247          | \$ 351,000          | \$ 351,000          | \$ (42,753)                                      |
| State of Tennessee                                | 1,717,347           | 2,778,042           | 2,778,042           | (1,060,695)                                      |
| Federal Government                                | 170,834             | 45,725              | 45,725              | 125,109  |
| Total Revenues                                    | <u>\$ 2,196,428</u> | <u>\$ 3,174,767</u> | <u>\$ 3,174,767</u> | <u>\$ (978,339)</u>                              |
| <u>Expenditures</u>                               |                     |                     |                     |  |
| <u>Highways</u>                                   |                     |                     |                     |  |
| Administration                                    | \$ 154,841          | \$ 155,213          | \$ 157,586          | \$ 2,745   |
| Highway and Bridge Maintenance                    | 805,781             | 927,776             | 915,788             | 110,007  |
| Operation and Maintenance of Equipment            | 466,008             | 550,364             | 496,274             | 30,266   |
| Other Charges                                     | 47,028              | 43,000              | 47,696              | 668  |
| Employee Benefits                                 | 348,830             | 311,589             | 370,599             | 21,769   |
| Capital Outlay                                    | 281,568             | 1,251,500           | 1,251,500           | 969,932  |
| Total Expenditures                                | <u>\$ 2,104,056</u> | <u>\$ 3,239,442</u> | <u>\$ 3,239,443</u> | <u>\$ 1,135,387</u>                              |
| Excess (Deficiency) of Revenues Over Expenditures | <u>\$ 92,372</u>    | <u>\$ (64,675)</u>  | <u>\$ (64,676)</u>  | <u>\$ 157,048</u>                                |
| Net Change in Fund Balance                        | \$ 92,372           | \$ (64,675)         | \$ (64,676)         | \$ 157,048                                       |
| Fund Balance, July 1, 2008                        | 670,594             | 580,919             | 580,919             | 89,675   |
| Fund Balance, June 30, 2009                       | <u>\$ 762,966</u>   | <u>\$ 516,244</u>   | <u>\$ 516,243</u>   | <u>\$ 246,723</u>                                |

Exhibit E-3

Polk County, Tennessee  
Schedule of Funding Progress – Pension Plan  
Primary Government and Discretely Presented Polk County School Department  
June 30, 2009

(Dollar amounts in thousands)

| Fiscal Year Ended | Actuarial Valuation Date | Actuarial Value of Plan Assets (a) | Actuarial Accrued Liability (AAL) Entry Age (b) | Unfunded AAL (UAAL) (b)-(a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|-------------------|--------------------------|------------------------------------|---|-----------------------------|--------------------|---------------------|---|
| 6-30-08           | 7-1-07                   | \$ 4,170                           | \$ 4,942  | \$ 772                      | 84.38 %            | \$ 3,694            | 20.9 %  |
| 6-30-09           | 7-1-07                   | 4,170                              | 4,942   | 772                         | 84.38              | 3,694               | 20.9  |

The Governmental Accounting Standards Board requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the entry age actuarial cost method was a change made during the 2007-08 year; therefore, only two years of data are presented.

Exhibit E-4

Polk County, Tennessee  
Schedule of Funding Progress – Other Postemployment Benefits Plan  
Discretely Presented Polk County School Department  
June 30, 2009

(Dollar amounts in thousands)

| Plan                  | Fiscal Year Ended* | Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b)-(a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|-----------------------|--------------------|--------------------------|-------------------------------|---------------------------------------|-----------------------------|--------------------|---------------------|---|
| Local Education Group | 6-30-08            | 7-1-07                   | \$ 0                          | \$ 3,643                              | \$ 3,643                    | 0 %                | \$ 10,072           | 36.17 %   |
| "                     | 6-30-09            | 7-1-07                   | 0                             | 3,643                                 | 3,643                       | 0                  | 10,072              | 36.17   |

\*Data only available for two years.

**POLK COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2009**

**BUDGETARY INFORMATION**

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

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

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

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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

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Solid Waste/Sanitation Fund – The Solid Waste/Sanitation Fund is used to account for transactions related to solid waste disposal.

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, and sheriff.

## Capital Projects Funds

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

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General Capital Projects Fund – The General Capital Projects Fund is used to account for general capital projects of the county.

Community Development/Industrial Park Fund – The Community Development/Industrial Park Fund is used to account for revenues for industrial park projects.

HUD Grant Projects Fund – The HUD Grant Projects Fund is used to account for the Home investment partnership program.

Other Capital Projects Fund – The Other Capital Projects Fund is used to account for the Justice Center Facilities capital project.

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Polk County, Tennessee  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2009

Exhibit F-1

|    | Special Revenue Funds          |                 |            | Capital Projects Funds                          |                          |                              |           | Total<br>Nonmajor<br>Governmental<br>Funds |
|----|--------------------------------|-----------------|------------|---|--------------------------|------------------------------|-----------|--|
|    | Solid<br>Waste /<br>Sanitation | Drug<br>Control | Total      | Community<br>Development/<br>Industrial<br>Park | HUD<br>Grant<br>Projects | Other<br>Capital<br>Projects | Total     |  |
| \$ | 0                              | \$ 111,212      | \$ 111,212 | \$ 91,523                                       | \$ 1,817                 | \$ 279                       | \$ 93,619 | \$ 204,831                                 |
|    | 36,863                         | 0               | 36,863     | 0   | 0                        | 0                            | 0         | 36,863                                     |
| \$ | 36,863                         | \$ 111,212      | \$ 148,075 | \$ 91,523                                       | \$ 1,817                 | \$ 279                       | \$ 93,619 | \$ 241,694                                 |

ASSETS

Equity in Pooled Cash and Investments  
 Due from Other Funds

Total Assets

LIABILITIES AND FUND BALANCES

Liabilities

Accounts Payable  
 Total Liabilities

Fund Balances

Reserved for Encumbrances  
 Unreserved  
 Total Fund Balances

Total Liabilities and Fund Balances

|    |        |            |            |           |          |        |           |            |   |    |     |    |     |    |        |
|----|--------|------------|------------|-----------|----------|--------|-----------|------------|---|----|-----|----|-----|----|--------|
| \$ | 36,863 | \$         | 0          | \$        | 36,863   | \$     | 0         | \$         | 0 | \$ | 0   | \$ | 0   | \$ | 36,863 |
| \$ | 36,863 | \$         | 0          | \$        | 36,863   | \$     | 0         | \$         | 0 | \$ | 0   | \$ | 0   | \$ | 36,863 |
| \$ | 0      | \$         | 850        | \$        | 850      | \$     | 0         | \$         | 0 | \$ | 279 | \$ | 279 | \$ | 1,129  |
|    | 0      | 110,362    | 110,362    | 91,523    | 1,817    | 0      | 93,340    | 203,702    |   |    |     |    |     |    |        |
| \$ | 0      | \$ 111,212 | \$ 111,212 | \$ 91,523 | \$ 1,817 | \$ 279 | \$ 93,619 | \$ 204,831 |   |    |     |    |     |    |        |
| \$ | 36,863 | \$ 111,212 | \$ 148,075 | \$ 91,523 | \$ 1,817 | \$ 279 | \$ 93,619 | \$ 241,694 |   |    |     |    |     |    |        |

Polk County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2009

|  | Special Revenue Funds    |                    |                                |                     |  |
|--|--------------------------|--------------------|--------------------------------|---------------------|--|
|  | Solid Waste / Sanitation | Drug Control       | Constitutional Officers - Fees | Total               |  |
| <u>Revenues</u>  |                          |                    |                                |                     |  |
| Fines, Forfeitures, and Penalties                        | \$ 0                     | \$ 60,664          | \$ 0                           | \$ 60,664           |  |
| Charges for Current Services                             | 0                        | 0                  | 1,480                          | 1,480               |  |
| Other Local Revenues                                     | 0                        | 0                  | 0                              | 0                   |  |
| Federal Government                                       | 0                        | 0                  | 0                              | 0                   |  |
| Other Governments and Citizens Groups                    | 0                        | 1,500              | 0                              | 1,500               |  |
| <u>Total Revenues</u>                                    | <u>\$ 0</u>              | <u>\$ 62,164</u>   | <u>\$ 1,480</u>                | <u>\$ 63,644</u>    |  |
| <u>Expenditures</u>                                      |                          |                    |                                |                     |  |
| Current:   |                          |                    |                                |                     |  |
| Administration of Justice                                | \$ 0                     | \$ 0               | \$ 1,480                       | \$ 1,480            |  |
| Public Safety  | 0                        | 83,022             | 0                              | 83,022              |  |
| Public Health and Welfare                                | 418,563                  | 0                  | 0                              | 418,563             |  |
| Other Operations   | 0                        | 656                | 0                              | 656                 |  |
| Capital Projects   | 0                        | 0                  | 0                              | 0                   |  |
| <u>Total Expenditures</u>                                | <u>\$ 418,563</u>        | <u>\$ 83,678</u>   | <u>\$ 1,480</u>                | <u>\$ 503,721</u>   |  |
| <u>Excess (Deficiency) of Revenues Over Expenditures</u> | <u>\$ (418,563)</u>      | <u>\$ (21,514)</u> | <u>\$ 0</u>                    | <u>\$ (440,077)</u> |  |
| <u>Other Financing Sources (Uses)</u>                    |                          |                    |                                |                     |  |
| Transfers In   | \$ 418,563               | \$ 0               | \$ 0                           | \$ 418,563          |  |
| Transfers Out  | 0                        | 0                  | 0                              | 0                   |  |
| <u>Total Other Financing Sources (Uses)</u>              | <u>\$ 418,563</u>        | <u>\$ 0</u>        | <u>\$ 0</u>                    | <u>\$ 418,563</u>   |  |
| <u>Net Change in Fund Balances</u>                       | <u>\$ 0</u>              | <u>\$ (21,514)</u> | <u>\$ 0</u>                    | <u>\$ (21,514)</u>  |  |
| <u>Fund Balance, July 1, 2008</u>                        | <u>0</u>                 | <u>132,726</u>     | <u>0</u>                       | <u>132,726</u>      |  |
| <u>Fund Balance, June 30, 2009</u>                       | <u>\$ 0</u>              | <u>\$ 111,212</u>  | <u>\$ 0</u>                    | <u>\$ 111,212</u>   |  |

(Continued)

Exhibit F-2

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

|  | Capital Projects Funds         |   |                          |                              |             | Total<br>Nonmajor<br>Governmental<br>Funds |
|--|--------------------------------|---|--------------------------|------------------------------|-------------|--|
|  | General<br>Capital<br>Projects | Community<br>Development/<br>Industrial<br>Park | HUD<br>Grant<br>Projects | Other<br>Capital<br>Projects | Total       |  |
| <u>Revenues</u>                                      |                                |   |                          |                              |             |  |
| Fines, Forfeitures, and Penalties                    | \$ 0 \$                        | 0 \$  | 0 \$                     | 0 \$                         | 0 \$        | 60,664                                     |
| Charges for Current Services                         | 0                              | 0   | 0                        | 0                            | 0           | 1,480                                      |
| Other Local Revenues                                 | 3,072                          | 0   | 0                        | 0                            | 3,072       | 3,072                                      |
| Federal Government                                   | 0                              | 0   | 241,746                  | 0                            | 241,746     | 241,746                                    |
| Other Governments and Citizens Groups                | 0                              | 0   | 0                        | 0                            | 0           | 1,500                                      |
| Total Revenues                                       | \$ 3,072 \$                    | 0 \$  | 241,746 \$               | 0 \$                         | 244,818 \$  | 308,462                                    |
| <u>Expenditures</u>                                  |                                |   |                          |                              |             |  |
| Current:   |                                |   |                          |                              |             |  |
| Administration of Justice                            | \$ 0 \$                        | 0 \$  | 0 \$                     | 0 \$                         | 0 \$        | 1,480                                      |
| Public Safety  | 0                              | 0   | 0                        | 0                            | 0           | 83,022                                     |
| Public Health and Welfare                            | 0                              | 0   | 0                        | 0                            | 0           | 418,563                                    |
| Other Operations                                     | 5                              | 0   | 239,929                  | 0                            | 239,934     | 240,590                                    |
| Capital Projects                                     | 0                              | 0   | 0                        | 6,145                        | 6,145       | 6,145                                      |
| Total Expenditures                                   | \$ 5 \$                        | 0 \$  | 239,929 \$               | 6,145 \$                     | 246,079 \$  | 749,800                                    |
| Excess (Deficiency) of Revenues<br>Over Expenditures | \$ 3,067 \$                    | 0 \$  | 1,817 \$                 | (6,145) \$                   | (1,261) \$  | (441,338)                                  |
| <u>Other Financing Sources (Uses)</u>                |                                |   |                          |                              |             |  |
| Transfers In   | \$ 0 \$                        | 0 \$  | 0 \$                     | 0 \$                         | 0 \$        | 418,563                                    |
| Transfers Out  | (26,264)                       | 0   | 0                        | 0                            | (26,264)    | (26,264)                                   |
| Total Other Financing Sources (Uses)                 | \$ (26,264) \$                 | 0 \$  | 0 \$                     | 0 \$                         | (26,264) \$ | 392,299                                    |
| Net Change in Fund Balances                          | \$ (23,197) \$                 | 0 \$  | 1,817 \$                 | (6,145) \$                   | (27,525) \$ | (49,039)                                   |
| Fund Balance, July 1, 2008                           | 23,197                         | 91,523  | 0                        | 6,424                        | 121,144     | 253,870                                    |
| Fund Balance, June 30, 2009                          | \$ 0 \$                        | 91,523 \$                                       | 1,817 \$                 | 279 \$                       | 93,619 \$   | 204,831                                    |

Exhibit F-3

Polk County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Solid Waste/Sanitation Fund  
For the Year Ended June 30, 2009

|  | Actual       | Budgeted Amounts |              | Variance<br>with Final<br>Budget -<br>Positive<br>(Negative) |
|--|--------------|------------------|--------------|--|
|  |              | Original         | Final        |  |
| Total Revenues                                       | \$ 0         | \$ 0             | \$ 0         | \$ 0   |
| <u>Expenditures</u>                                  |              |                  |              |  |
| <u>Public Health and Welfare</u>                     |              |                  |              |  |
| Sanitation Management                                | \$ 418,563   | \$ 467,000       | \$ 467,000   | \$ 48,437  |
| Total Expenditures                                   | \$ 418,563   | \$ 467,000       | \$ 467,000   | \$ 48,437  |
| Excess (Deficiency) of Revenues<br>Over Expenditures | \$ (418,563) | \$ (467,000)     | \$ (467,000) | \$ 48,437  |
| <u>Other Financing Sources (Uses)</u>                |              |                  |              |  |
| Transfers In   | \$ 418,563   | \$ 467,000       | \$ 468,627   | \$ (50,064)  |
| Total Other Financing Sources (Uses)                 | \$ 418,563   | \$ 467,000       | \$ 468,627   | \$ (50,064)  |
| Net Change in Fund Balance                           | \$ 0         | \$ 0             | \$ 1,627     | \$ (1,627)   |
| Fund Balance, July 1, 2008                           | 0            | 0                | 0            | 0  |
| Fund Balance, June 30, 2009                          | \$ 0         | \$ 0             | \$ 1,627     | \$ (1,627)   |

Exhibit F-4

Polk County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Drug Control Fund  
For the Year Ended June 30, 2009

|  | Actual<br>(GAAP<br>Basis) | Add:<br>Encumbrances<br>6/30/2009 | Actual<br>Revenues/<br>Expenditures<br>(Budgetary<br>Basis) | Budgeted Amounts |             | Variance<br>with Final<br>Budget -<br>Positive<br>(Negative) |
|--|---------------------------|-----------------------------------|---|------------------|-------------|--|
|  |                           |                                   |   | Original         | Final       |  |
| <u>Revenues</u>  |                           |                                   |   |                  |             |  |
| Fines, Forfeitures, and Penalties                        | \$ 60,664                 | \$ 0                              | \$ 60,664   | \$ 58,000        | \$ 58,000   | \$ 2,664   |
| Other Local Revenues                                     | 0                         | 0                                 | 0   | 20               | 20          | (20)   |
| State of Tennessee                                       | 0                         | 0                                 | 0   | 1,300            | 1,300       | (1,300)  |
| Other Governments and Citizens Groups                    | 1,500                     | 0                                 | 1,500   | 50               | 50          | 1,450  |
| Total Revenues   | \$ 62,164                 | \$ 0                              | \$ 62,164   | \$ 59,370        | \$ 59,370   | \$ 2,794   |
| <u>Expenditures</u>                                      |                           |                                   |   |                  |             |  |
| <u>Public Safety</u>                                     |                           |                                   |   |                  |             |  |
| Drug Enforcement   | \$ 83,022                 | \$ 850                            | \$ 83,872   | \$ 99,902        | \$ 99,902   | \$ 16,030  |
| <u>Other Operations</u>                                  |                           |                                   |   |                  |             |  |
| Other Charges  | 656                       | 0                                 | 656   | 2,000            | 2,000       | 1,344  |
| Total Expenditures                                       | \$ 83,678                 | \$ 850                            | \$ 84,528   | \$ 101,902       | \$ 101,902  | \$ 17,374  |
| Excess (Deficiency) of Revenues<br>Over Expenditures     | \$ (21,514)               | \$ (850)                          | \$ (22,364)   | \$ (42,532)      | \$ (42,532) | \$ 20,168  |
| Net Change in Fund Balance<br>Fund Balance, July 1, 2008 | \$ (21,514)               | \$ (850)                          | \$ (22,364)   | \$ (42,532)      | \$ (42,532) | \$ 20,168  |
|  | 132,726                   | 0                                 | 132,726   | 102,420          | 102,420     | 30,306   |
| Fund Balance, June 30, 2009                              | \$ 111,212                | \$ (850)                          | \$ 110,362  | \$ 59,888        | \$ 59,888   | \$ 50,474  |

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# **Major Governmental Fund**

## **General Debt Service Fund**

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

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Exhibit G

Polk County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Debt Service Fund  
For the Year Ended June 30, 2009

|   | Actual              | Budgeted Amounts    |                     | Variance with Final Budget - Positive (Negative) |
|---|---------------------|---------------------|---------------------|--|
|   |                     | Original            | Final               |  |
| <u>Revenues</u>                                   |                     |                     |                     |  |
| Local Taxes                                       | \$ 1,171,903        | \$ 1,096,402        | \$ 1,096,402        | \$ 75,501  |
| Other Local Revenues                              | 88,686              | 70,000              | 70,000              | 18,686   |
| State of Tennessee                                | 83,011              | 63,500              | 63,500              | 19,511   |
| Other Governments and Citizens Groups             | 880,685             | 912,729             | 912,729             | (32,044)   |
| Total Revenues                                    | <u>\$ 2,224,285</u> | <u>\$ 2,142,631</u> | <u>\$ 2,142,631</u> | <u>\$ 81,654</u>                                 |
| <u>Expenditures</u>                               |                     |                     |                     |  |
| <u>Principal on Debt</u>                          |                     |                     |                     |  |
| General Government                                | \$ 230,000          | \$ 1,302,692        | \$ 238,293          | \$ 8,293   |
| Education   | 765,000             | 775,875             | 768,000             | 3,000  |
| <u>Interest on Debt</u>                           |                     |                     |                     |  |
| General Government                                | 951,900             | 0                   | 951,900             | 0  |
| Education   | 10,722              | 2,847               | 10,722              | 0  |
| <u>Other Debt Service</u>                         |                     |                     |                     |  |
| General Government                                | 137,762             | 29,200              | 141,699             | 3,937  |
| Total Expenditures                                | <u>\$ 2,095,384</u> | <u>\$ 2,110,614</u> | <u>\$ 2,110,614</u> | <u>\$ 15,230</u>                                 |
| Excess (Deficiency) of Revenues Over Expenditures | <u>\$ 128,901</u>   | <u>\$ 32,017</u>    | <u>\$ 32,017</u>    | <u>\$ 96,884</u>                                 |
| Net Change in Fund Balance                        | \$ 128,901          | \$ 32,017           | \$ 32,017           | \$ 96,884  |
| Fund Balance, July 1, 2008                        | <u>945,079</u>      | <u>0</u>            | <u>0</u>            | <u>945,079</u>                                   |
| Fund Balance, June 30, 2009                       | <u>\$ 1,073,980</u> | <u>\$ 32,017</u>    | <u>\$ 32,017</u>    | <u>\$ 1,041,963</u>                              |

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# 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.

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

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Exhibit H-1

Polk County, Tennessee  
Combining Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2009

|                                     | <u>Agency Funds</u>      |   |                   |
|-------------------------------------|--------------------------|---|-------------------|
|                                     | Cities -<br>Sales<br>Tax | Constitu-<br>tional<br>Officers -<br>Agency | Total             |
| <u>ASSETS</u>                       |                          |   |                   |
| Cash                                | \$ 0                     | \$ 812,553                                  | \$ 812,553        |
| Due from Other Governments          | 63,118                   | 0   | 63,118            |
| Total Assets                        | <u>\$ 63,118</u>         | <u>\$ 812,553</u>                           | <u>\$ 875,671</u> |
| <u>LIABILITIES</u>                  |                          |   |                   |
| Due to Other Taxing Units           | \$ 63,118                | \$ 0  | \$ 63,118         |
| Due to Litigants, Heirs, and Others | 0                        | 812,553                                     | 812,553           |
| Total Liabilities                   | <u>\$ 63,118</u>         | <u>\$ 812,553</u>                           | <u>\$ 875,671</u> |

Exhibit H-2

Polk County, Tennessee  
Combining Statement of Changes in Assets and Liabilities - All Agency Funds  
For the Year Ended June 30, 2009

|  | Beginning<br>Balance | Additions    | Deductions   | Ending<br>Balance |
|--|----------------------|--------------|--------------|-------------------|
| <u>Cities - Sales Tax Fund</u>               |                      |              |              |                   |
| <u>Assets</u>                                |                      |              |              |                   |
| Equity in Pooled Cash and Investments        | \$ 0                 | \$ 392,009   | \$ 392,009   | \$ 0              |
| Due from Other Governments                   | 62,074               | 63,118       | 62,074       | 63,118            |
| Total Assets                                 | \$ 62,074            | \$ 455,127   | \$ 454,083   | \$ 63,118         |
| <u>Liabilities</u>                           |                      |              |              |                   |
| Due to Other Taxing Units                    | \$ 62,074            | \$ 455,127   | \$ 454,083   | \$ 63,118         |
| Total Liabilities                            | \$ 62,074            | \$ 455,127   | \$ 454,083   | \$ 63,118         |
| <u>Constitutional Officers - Agency Fund</u> |                      |              |              |                   |
| <u>Assets</u>                                |                      |              |              |                   |
| Cash   | \$ 851,774           | \$ 3,587,581 | \$ 3,626,802 | \$ 812,553        |
| Total Assets                                 | \$ 851,774           | \$ 3,587,581 | \$ 3,626,802 | \$ 812,553        |
| <u>Liabilities</u>                           |                      |              |              |                   |
| Due to Litigants, Heirs, and Others          | \$ 851,774           | \$ 3,587,581 | \$ 3,626,802 | \$ 812,553        |
| Total Liabilities                            | \$ 851,774           | \$ 3,587,581 | \$ 3,626,802 | \$ 812,553        |
| <u>Totals - All Agency Funds</u>             |                      |              |              |                   |
| <u>Assets</u>                                |                      |              |              |                   |
| Cash   | \$ 851,774           | \$ 3,587,581 | \$ 3,626,802 | \$ 812,553        |
| Equity in Pooled Cash and Investments        | 0                    | 392,009      | 392,009      | 0                 |
| Due from Other Governments                   | 62,074               | 63,118       | 62,074       | 63,118            |
| Total Assets                                 | \$ 913,848           | \$ 4,042,708 | \$ 4,080,885 | \$ 875,671        |
| <u>Liabilities</u>                           |                      |              |              |                   |
| Due to Other Taxing Units                    | \$ 62,074            | \$ 455,127   | \$ 454,083   | \$ 63,118         |
| Due to Litigants, Heirs, and Others          | 851,774              | 3,587,581    | 3,626,802    | 812,553           |
| Total Liabilities                            | \$ 913,848           | \$ 4,042,708 | \$ 4,080,885 | \$ 875,671        |

# Polk County School Department

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This section presents combining and individual fund financial statements for the Polk County School Department, a discretely presented component unit. The Polk County School Department uses a General Fund, two Special Revenue Funds, a Capital Projects Fund, and an Internal Service 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.

Education Capital Projects Fund – The Education Capital Projects Fund is used to account for transactions relating to the construction and renovation of school buildings in Polk County.

Internal Service Fund – The Self-Insurance Fund is used to account for the School Department employees' self-insurance dental program. In the past, school funds were placed into this fund for the payment of dental claims for employees who chose to participate in the program. However, due to the increased costs of the plan, operations ceased in October 2002, but a balance remains in the fund for future use.

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Exhibit I-1

Polk County, Tennessee  
 Statement of Activities  
 Discretely Presented Polk County School Department  
 For the Year Ended June 30, 2009

| Functions/Programs   | Program Revenues |            | Charges for Services | Expenses     | Operating Grants and Contributions | Net (Expense) Revenue and Changes in Net Assets |
|--|------------------|------------|----------------------|--------------|------------------------------------|---|
|  |                  |            |                      |              |                                    |   |
| Governmental Activities:                                     |                  |            |                      |              |                                    |   |
| Instruction  | \$ 12,342,314    | \$ 0       | \$ 0                 | \$ 1,483,462 | \$ (10,858,852)                    |   |
| Support Services   | 6,665,720        | 3,892      | 3,892                | 187,028      | (6,474,800)                        |   |
| Operation of Non-Instructional Services                      | 1,655,168        | 464,815    | 464,815              | 1,515,416    | 325,063                            |   |
| Interest on Debt   | 11,339           | 0          | 0                    | 0            | (11,339)                           |   |
| Other Debt Service   | 767,847          | 0          | 0                    | 0            | (767,847)                          |   |
| Total Governmental Activities                                | \$ 21,442,388    | \$ 468,707 | \$ 468,707           | \$ 3,185,906 | \$ (17,787,775)                    |   |
| General Revenues:  |                  |            |                      |              |                                    |   |
| Taxes:   |                  |            |                      |              |                                    |   |
| Property Taxes Levied for General Purposes                   |                  |            |                      |              | \$ 2,251,141                       |   |
| Local Option Sales Taxes                                     |                  |            |                      |              | 1,415,596                          |   |
| Other Local Taxes  |                  |            |                      |              | 22,455                             |   |
| Grants and Contributions Not Restricted to Specific Programs |                  |            |                      |              | 13,449,897                         |   |
| Unrestricted Investment Earnings                             |                  |            |                      |              | 653                                |   |
| Miscellaneous  |                  |            |                      |              | 79,356                             |   |
| Insurance Recovery   |                  |            |                      |              | 121,583                            |   |
| Total General Revenues                                       |                  |            |                      |              | \$ 17,340,681                      |   |
| Change in Net Assets   |                  |            |                      |              | \$ (447,094)                       |   |
| Net Assets, July 1, 2008                                     |                  |            |                      |              | 18,813,208                         |   |
| Prior-period Adjustment                                      |                  |            |                      |              | 300,000                            |   |
| Net Assets, June 30, 2009                                    |                  |            |                      |              | \$ 18,666,114                      |   |

Exhibit I-2

Polk County, Tennessee  
Balance Sheet - Governmental Funds  
Discretely Presented Polk County School Department  
June 30, 2009

|  | Major Funds            |                   | Nonmajor                  | Total               |
|--|------------------------|-------------------|---------------------------|---------------------|
|  | General Purpose School | Central Cafeteria | Funds                     |                     |
|  |                        |                   | Other Govern-mental Funds |                     |
|  |                        |                   |                           | Govern-mental Funds |
| <u>ASSETS</u>                                  |                        |                   |                           |                     |
| Cash   | \$ 0                   | \$ 2,092          | \$ 0                      | \$ 2,092            |
| Equity in Pooled Cash and Investments          | 668,979                | 301,711           | 149,490                   | 1,120,180           |
| Accounts Receivable                            | 1,013                  | 0                 | 0                         | 1,013               |
| Due from Other Governments                     | 574,062                | 164,977           | 41,560                    | 780,599             |
| Due from Other Funds                           | 78,149                 | 0                 | 1,370                     | 79,519              |
| Property Taxes Receivable                      | 2,394,942              | 0                 | 0                         | 2,394,942           |
| Allowance for Uncollectible Property Taxes     | (211,495)              | 0                 | 0                         | (211,495)           |
| Total Assets                                   | <u>\$ 3,505,650</u>    | <u>\$ 468,780</u> | <u>\$ 192,420</u>         | <u>\$ 4,166,850</u> |
| <u>LIABILITIES AND FUND BALANCES</u>           |                        |                   |                           |                     |
| <u>Liabilities</u>                             |                        |                   |                           |                     |
| Accounts Payable                               | \$ 61,971              | \$ 0              | \$ 18,270                 | \$ 80,241           |
| Accrued Payroll                                | 32,378                 | 0                 | 0                         | 32,378              |
| Payroll Deductions Payable                     | 281,712                | 0                 | 26,308                    | 308,020             |
| Due to Other Funds                             | 1,370                  | 0                 | 78,149                    | 79,519              |
| Deferred Revenue - Current Property Taxes      | 2,031,130              | 0                 | 0                         | 2,031,130           |
| Deferred Revenue - Delinquent Property Taxes   | 136,235                | 0                 | 0                         | 136,235             |
| Other Deferred Revenues                        | 159,810                | 0                 | 0                         | 159,810             |
| Total Liabilities                              | <u>\$ 2,704,606</u>    | <u>\$ 0</u>       | <u>\$ 122,727</u>         | <u>\$ 2,827,333</u> |
| <u>Fund Balances</u>                           |                        |                   |                           |                     |
| Reserved for Encumbrances                      | \$ 99,401              | \$ 0              | \$ 6,173                  | \$ 105,574          |
| Reserved for Career Ladder - Extended Contract | 27,237                 | 0                 | 0                         | 27,237              |
| Reserved for Career Ladder Program             | 7,826                  | 0                 | 0                         | 7,826               |
| Reserved for Basic Education Program           | 198,117                | 0                 | 0                         | 198,117             |
| Other Federal Reserves                         | 0                      | 0                 | 37,256                    | 37,256              |
| Unreserved, Reported In:                       |                        |                   |                           |                     |
| General Fund                                   | 468,463                | 0                 | 0                         | 468,463             |
| Special Revenue Funds                          | 0                      | 468,780           | 0                         | 468,780             |
| Capital Projects Funds                         | 0                      | 0                 | 26,264                    | 26,264              |
| Total Fund Balances                            | <u>\$ 801,044</u>      | <u>\$ 468,780</u> | <u>\$ 69,693</u>          | <u>\$ 1,339,517</u> |
| Total Liabilities and Fund Balances            | <u>\$ 3,505,650</u>    | <u>\$ 468,780</u> | <u>\$ 192,420</u>         | <u>\$ 4,166,850</u> |

Exhibit I-3

Polk County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets  
Discretely Presented Polk County School Department  
June 30, 2009

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

|   |                |                      |
|---|----------------|----------------------|
| Total fund balances - balance sheet - governmental funds (Exhibit I-2)  |                | \$ 1,339,517         |
| (1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.  |                |                      |
| Add: land   | \$ 1,500       |                      |
| Add: buildings and improvements net of accumulated depreciation   | 16,855,903     |                      |
| Add: other capital assets net of accumulated depreciation   | <u>880,289</u> | 17,737,692           |
| (2) Internal service funds are used by management to charge the cost of employee self-insurance benefits to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. |                | 39,859               |
| (3) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.   |                |                      |
| Less: capital leases payable  | \$ (206,813)   |                      |
| Less: compensated absences payable  | (29,677)       |                      |
| Less: other postemployment benefits liability   | (502,483)      |                      |
| Less: accrued interest on note and capital lease  | <u>(8,026)</u> | (746,999)            |
| (4) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.   |                | <u>296,045</u>       |
| Net assets of governmental activities (Exhibit A)   |                | <u>\$ 18,666,114</u> |

Exhibit I-4

Polk County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Governmental Funds  
Discretely Presented Polk County School Department  
For the Year Ended June 30, 2009

|  | <u>Major Funds</u>   |                     | <u>Nonmajor</u>     | <u>Total</u>         |
|--|----------------------|---------------------|---------------------|----------------------|
|  | <u>General</u>       | <u>Central</u>      | <u>Funds</u>        |                      |
|  | <u>Purpose</u>       | <u>Cafeteria</u>    | <u>Other</u>        | <u>Governmental</u>  |
|  | <u>School</u>        |                     | <u>Governmental</u> | <u>Funds</u>         |
|  |                      |                     | <u>Funds</u>        | <u>Funds</u>         |
| <u>Revenues</u>                                      |                      |                     |                     |                      |
| Local Taxes  | \$ 3,809,601         | \$ 0                | \$ 0                | \$ 3,809,601         |
| Licenses and Permits                                 | 1,520                | 0                   | 0                   | 1,520                |
| Charges for Current Services                         | 3,892                | 442,389             | 0                   | 446,281              |
| Other Local Revenues                                 | 100,531              | 5,548               | 0                   | 106,079              |
| State of Tennessee                                   | 13,422,062           | 14,741              | 0                   | 13,436,803           |
| Federal Government                                   | 663,508              | 811,880             | 1,448,481           | 2,923,869            |
| Other Governments and Citizens Groups                | 44,000               | 0                   | 0                   | 44,000               |
| Total Revenues                                       | <u>\$ 18,045,114</u> | <u>\$ 1,274,558</u> | <u>\$ 1,448,481</u> | <u>\$ 20,768,153</u> |
| <u>Expenditures</u>                                  |                      |                     |                     |                      |
| Current:   |                      |                     |                     |                      |
| Instruction  | \$ 10,918,986        | \$ 0                | \$ 1,094,331        | \$ 12,013,317        |
| Support Services                                     | 5,869,540            | 0                   | 409,685             | 6,279,225            |
| Operation of Non-Instructional Services              | 420,390              | 1,128,061           | 0                   | 1,548,451            |
| Capital Outlay                                       | 4,302                | 0                   | 0                   | 4,302                |
| Debt Service:  |                      |                     |                     |                      |
| Other Debt Service                                   | 767,847              | 0                   | 0                   | 767,847              |
| Capital Projects                                     | 0                    | 0                   | 21,170              | 21,170               |
| Total Expenditures                                   | <u>\$ 17,981,065</u> | <u>\$ 1,128,061</u> | <u>\$ 1,525,186</u> | <u>\$ 20,634,312</u> |
| Excess (Deficiency) of Revenues<br>Over Expenditures | <u>\$ 64,049</u>     | <u>\$ 146,497</u>   | <u>\$ (76,705)</u>  | <u>\$ 133,841</u>    |
| <u>Other Financing Sources (Uses)</u>                |                      |                     |                     |                      |
| Capital Leases Issued                                | \$ 0                 | \$ 0                | \$ 27,277           | \$ 27,277            |
| Insurance Recovery                                   | 121,583              | 0                   | 0                   | 121,583              |
| Total Other Financing Sources (Uses)                 | <u>\$ 121,583</u>    | <u>\$ 0</u>         | <u>\$ 27,277</u>    | <u>\$ 148,860</u>    |
| Net Change in Fund Balances                          | \$ 185,632           | \$ 146,497          | \$ (49,428)         | \$ 282,701           |
| Fund Balance, July 1, 2008                           | <u>615,412</u>       | <u>322,283</u>      | <u>119,121</u>      | <u>1,056,816</u>     |
| Fund Balance, June 30, 2009                          | <u>\$ 801,044</u>    | <u>\$ 468,780</u>   | <u>\$ 69,693</u>    | <u>\$ 1,339,517</u>  |

Exhibit I-5

Polk County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
Discretely Presented Polk County School Department  
For the Year Ended June 30, 2009

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

|  |                  |                     |
|--|------------------|---------------------|
| Net change in fund balances - total governmental funds (Exhibit I-4)   |                  | \$ 282,701          |
| <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  | \$ 59,801        |                     |
| Less: current year depreciation expense  | <u>(615,188)</u> | (555,387)           |
| <p>(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>  |                  |                     |
| Add: deferred delinquent property taxes and other deferred June 30, 2009   | \$ 296,045       |                     |
| Less: deferred delinquent property taxes and other deferred June 30, 2008  | <u>(281,095)</u> | 14,950              |
| <p>(3) The issuance of long-term debt (e.g., notes and capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the effect of these differences in the treatment of long-term debt and related items:</p> |                  |                     |
| Add: principal payments on capital leases  | \$ 97,720        |                     |
| Less: capital lease proceeds   | <u>(27,277)</u>  | 70,443              |
| <p>(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.</p>   |                  |                     |
| Change in compensated absences payable   | \$ 4,160         |                     |
| Change in other postemployment benefits liability  | (266,251)        |                     |
| Change in accrued interest payable   | <u>1,796</u>     | (260,295)           |
| <p>(5) Internal service funds are used by management to charge the cost of employee self-insurance benefits to individual funds. The net revenue of certain activities of the internal service fund is reported with governmental activities in the statement of activities.</p>   |                  |                     |
|  |                  | <u>494</u>          |
| Change in net assets of governmental activities (Exhibit B)  |                  | <u>\$ (447,094)</u> |

Exhibit I-6

Polk County, Tennessee  
Combining Balance Sheet - Nonmajor Governmental Funds  
Discretely Presented Polk County School Department  
June 30, 2009

|                                       | Special<br>Revenue<br>Fund<br>School<br>Federal<br>Projects | Capital<br>Projects<br>Fund<br>Education<br>Capital<br>Projects | Total<br>Nonmajor<br>Governmental<br>Funds |
|---------------------------------------|---|---|--|
| <u>ASSETS</u>                         |   |   |  |
| Equity in Pooled Cash and Investments | \$ 123,226  | \$ 26,264   | \$ 149,490                                 |
| Due from Other Governments            | 41,560  | 0   | 41,560                                     |
| Due from Other Funds                  | 1,370   | 0   | 1,370                                      |
|                                       |   |   |  |
| Total Assets                          | \$ 166,156  | \$ 26,264   | \$ 192,420                                 |
| <u>LIABILITIES AND FUND BALANCES</u>  |   |   |  |
| <u>Liabilities</u>                    |   |   |  |
| Accounts Payable                      | \$ 18,270   | \$ 0  | \$ 18,270                                  |
| Payroll Deductions Payable            | 26,308  | 0   | 26,308                                     |
| Due to Other Funds                    | 78,149  | 0   | 78,149                                     |
| Total Liabilities                     | \$ 122,727  | \$ 0  | \$ 122,727                                 |
| <u>Fund Balances</u>                  |   |   |  |
| Reserved for Encumbrances             | \$ 6,173  | \$ 0  | \$ 6,173                                   |
| Other Federal Reserves                | 37,256  | 0   | 37,256                                     |
| Unreserved                            | 0   | 26,264  | 26,264                                     |
| Total Fund Balances                   | \$ 43,429   | \$ 26,264   | \$ 69,693                                  |
|                                       |   |   |  |
| Total Liabilities and Fund Balances   | \$ 166,156  | \$ 26,264   | \$ 192,420                                 |

Exhibit I-7

Polk County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Nonmajor Governmental Funds  
Discretely Presented Polk County School Department  
For the Year Ended June 30, 2009

|  | Special<br>Revenue<br>Fund<br><u>School<br/>Federal<br/>Projects</u> | Capital<br>Projects<br>Fund<br><u>Education<br/>Capital<br/>Projects</u> | Total<br>Nonmajor<br>Governmental<br>Funds |
|--|--|--|--|
| <u>Revenues</u>                                      |  |  |  |
| Federal Government                                   | \$ 1,448,481   | \$ 0   | \$ 1,448,481                               |
| Total Revenues                                       | <u>\$ 1,448,481</u>  | <u>\$ 0</u>  | <u>\$ 1,448,481</u>                        |
| <u>Expenditures</u>                                  |  |  |  |
| Current:   |  |  |  |
| Instruction  | \$ 1,094,331   | \$ 0   | \$ 1,094,331                               |
| Support Services                                     | 409,685  | 0  | 409,685                                    |
| Capital Projects                                     | 0  | 21,170   | 21,170                                     |
| Total Expenditures                                   | <u>\$ 1,504,016</u>  | <u>\$ 21,170</u>   | <u>\$ 1,525,186</u>                        |
| Excess (Deficiency) of Revenues<br>Over Expenditures | <u>\$ (55,535)</u>   | <u>\$ (21,170)</u>   | <u>\$ (76,705)</u>                         |
| <u>Other Financing Sources (Uses)</u>                |  |  |  |
| Capital Leases Issued                                | \$ 27,277  | \$ 0   | \$ 27,277                                  |
| Total Other Financing Sources (Uses)                 | <u>\$ 27,277</u>   | <u>\$ 0</u>  | <u>\$ 27,277</u>                           |
| Net Change in Fund Balances                          | \$ (28,258)  | \$ (21,170)  | \$ (49,428)                                |
| Fund Balance, July 1, 2008                           | <u>71,687</u>  | <u>47,434</u>  | <u>119,121</u>                             |
| Fund Balance, June 30, 2009                          | <u><u>\$ 43,429</u></u>  | <u><u>\$ 26,264</u></u>  | <u><u>\$ 69,693</u></u>                    |

Exhibit I-8

Polk County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Discretely Presented Polk County School Department  
General Purpose School Fund  
For the Year Ended June 30, 2009

|                                       | Actual<br>(GAAP<br>Basis) | Less:<br>Encumbrances<br>7/1/2008 | Add:<br>Encumbrances<br>6/30/2009 | Actual<br>Revenues/<br>Expenditures<br>(Budgetary<br>Basis) | Budgeted Amounts |               | Variance<br>with Final<br>Budget -<br>Positive<br>(Negative) |
|---------------------------------------|---------------------------|-----------------------------------|-----------------------------------|---|------------------|---------------|--|
|                                       |                           |                                   |                                   |   | Original         | Final         |  |
| <u>Revenues</u>                       |                           |                                   |                                   |   |                  |               |  |
| Local Taxes                           | \$ 3,809,601              | \$ 0                              | \$ 0                              | \$ 3,809,601  | \$ 3,607,621     | \$ 3,653,731  | \$ 155,870   |
| Licenses and Permits                  | 1,520                     | 0                                 | 0                                 | 1,520   | 1,500            | 1,500         | 20   |
| Charges for Current Services          | 3,892                     | 0                                 | 0                                 | 3,892   | 2,000            | 4,000         | (108)  |
| Other Local Revenues                  | 100,531                   | 0                                 | 0                                 | 100,531   | 75,766           | 41,866        | 58,665   |
| State of Tennessee                    | 13,422,062                | 0                                 | 0                                 | 13,422,062  | 13,356,456       | 13,525,951    | (103,889)  |
| Federal Government                    | 663,508                   | 0                                 | 0                                 | 663,508   | 126,000          | 681,115       | (17,607)   |
| Other Governments and Citizens Groups | 44,000                    | 0                                 | 0                                 | 44,000  | 0                | 44,000        | 0  |
| Total Revenues                        | \$ 18,045,114             | \$ 0                              | \$ 0                              | \$ 18,045,114   | \$ 17,169,343    | \$ 17,952,163 | \$ 92,951  |
| <u>Expenditures</u>                   |                           |                                   |                                   |   |                  |               |  |
| <u>Instruction</u>                    |                           |                                   |                                   |   |                  |               |  |
| Regular Instruction Program           | \$ 9,153,524              | \$ (55,900)                       | \$ 6,143                          | \$ 9,103,767  | \$ 9,404,763     | \$ 9,278,628  | \$ 174,861   |
| Alternative Instruction Program       | 104,712                   | 0                                 | 0                                 | 104,712   | 98,341           | 106,166       | 1,454  |
| Special Education Program             | 890,800                   | 0                                 | 0                                 | 890,800   | 872,250          | 911,362       | 20,562   |
| Vocational Education Program          | 661,613                   | 0                                 | 0                                 | 661,613   | 678,240          | 681,646       | 20,033   |
| Student Body Education Program        | 55,785                    | 0                                 | 141                               | 55,926  | 125,000          | 129,000       | 73,074   |
| Adult Education Program               | 52,552                    | 0                                 | 0                                 | 52,552  | 0                | 52,742        | 190  |
| <u>Support Services</u>               |                           |                                   |                                   |   |                  |               |  |
| Attendance                            | 980                       | 0                                 | 0                                 | 980   | 23,579           | 5,629         | 4,649  |
| Health Services                       | 86,054                    | 0                                 | 0                                 | 86,054  | 80,216           | 87,378        | 1,324  |
| Other Student Support                 | 1,085,806                 | 0                                 | 57,747                            | 1,143,553   | 576,096          | 1,200,747     | 57,194   |
| Regular Instruction Program           | 269,470                   | (125)                             | 11                                | 269,356   | 322,352          | 297,249       | 27,893   |
| Special Education Program             | 159,673                   | 0                                 | 0                                 | 159,673   | 156,533          | 160,681       | 1,008  |
| Vocational Education Program          | 43,784                    | 0                                 | 0                                 | 43,784  | 47,721           | 48,169        | 4,385  |
| Adult Programs                        | 61,119                    | 0                                 | 8,383                             | 69,502  | 0                | 69,677        | 175  |
| Other Programs                        | 129,780                   | 0                                 | 0                                 | 129,780   | 0                | 129,780       | 0  |

(Continued)

Exhibit I-8

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

|  | Actual<br>(GAAP<br>Basis) | Less:<br>Encumbrances<br>7/1/2008 | Add:<br>Encumbrances<br>6/30/2009 | Actual<br>Revenues/<br>Expenditures<br>(Budgetary<br>Basis) | Budgeted Amounts |               | Variance<br>with Final<br>Budget -<br>Positive<br>(Negative) |
|--|---------------------------|-----------------------------------|-----------------------------------|---|------------------|---------------|--|
|  |                           |                                   |                                   |   | Original         | Final         |  |
| <u>Expenditures (Cont.)</u>                    |                           |                                   |                                   |   |                  |               |  |
| <u>Support Services (Cont.)</u>                |                           |                                   |                                   |   |                  |               |  |
| Board of Education                             | \$ 276,289                | \$ 0                              | \$ 0                              | \$ 276,289  | \$ 370,725       | \$ 296,515    | \$ 20,226  |
| Director of Schools                            | 285,616                   | 0                                 | 244                               | 285,860   | 262,959          | 288,630       | 2,770  |
| Office of the Principal                        | 961,938                   | 0                                 | 0                                 | 961,938   | 964,569          | 996,677       | 34,739   |
| Fiscal Services                                | 88,448                    | 0                                 | 0                                 | 88,448  | 89,928           | 92,028        | 3,580  |
| Operation of Plant                             | 1,388,385                 | (240)                             | 1,371                             | 1,389,516   | 1,299,372        | 1,431,836     | 42,320   |
| Maintenance of Plant                           | 126,698                   | 0                                 | 0                                 | 126,698   | 122,000          | 126,698       | 0  |
| Transportation                                 | 905,500                   | (2,233)                           | 1,651                             | 904,918   | 909,268          | 953,292       | 48,374   |
| <u>Operation of Non-Instructional Services</u> |                           |                                   |                                   |   |                  |               |  |
| Food Service                                   | 46,908                    | 0                                 | 0                                 | 46,908  | 45,047           | 50,765        | 3,857  |
| Early Childhood Education                      | 373,482                   | (16,997)                          | 23,710                            | 380,195   | 445,384          | 390,092       | 9,897  |
| <u>Capital Outlay</u>                          |                           |                                   |                                   |   |                  |               |  |
| Regular Capital Outlay                         | 4,302                     | (4,302)                           | 0                                 | 0   | 0                | 0             | 0  |
| Other Debt Service                             |                           |                                   |                                   |   |                  |               |  |
| Education                                      | 767,847                   | 0                                 | 0                                 | 767,847   | 725,000          | 767,847       | 0  |
| Total Expenditures                             | \$ 17,981,065             | \$ (79,797)                       | \$ 99,401                         | \$ 18,000,669   | \$ 17,619,343    | \$ 18,553,234 | \$ 552,565   |
| <u>Excess (Deficiency) of Revenues</u>         |                           |                                   |                                   |   |                  |               |  |
| Over Expenditures                              | \$ 64,049                 | \$ 79,797                         | \$ (99,401)                       | \$ 44,445   | \$ (450,000)     | \$ (601,071)  | \$ 645,516   |
| <u>Other Financing Sources (Uses)</u>          |                           |                                   |                                   |   |                  |               |  |
| Insurance Recovery                             | \$ 121,583                | \$ 0                              | \$ 0                              | \$ 121,583  | \$ 0             | \$ 116,066    | \$ 5,517   |
| Transfers In                                   | 0                         | 0                                 | 0                                 | 0   | 450,000          | 450,000       | (450,000)  |
| Total Other Financing Sources (Uses)           | \$ 121,583                | \$ 0                              | \$ 0                              | \$ 121,583  | \$ 450,000       | \$ 566,066    | \$ (444,483)   |
| Net Change in Fund Balance                     | \$ 185,632                | \$ 79,797                         | \$ (99,401)                       | \$ 166,028  | \$ 0             | \$ (35,005)   | \$ 201,033   |
| Fund Balance, July 1, 2008                     | 615,412                   | (79,797)                          | 0                                 | 535,615   | 395,924          | 395,924       | 139,691  |
| Fund Balance, June 30, 2009                    | \$ 801,044                | \$ 0                              | \$ (99,401)                       | \$ 701,643  | \$ 395,924       | \$ 360,919    | \$ 340,724   |

Exhibit I-9

Polk County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Discretely Presented Polk County School Department  
School Federal Projects Fund  
For the Year Ended June 30, 2009

|  | Actual<br>(GAAP<br>Basis) | Less:<br>Encumbrances<br>7/1/2008 | Add:<br>Encumbrances<br>6/30/2009 | Actual<br>Revenues/<br>Expenditures<br>(Budgetary<br>Basis) | Budgeted Amounts |              | Variance<br>with Final<br>Budget -<br>Positive<br>(Negative) |
|--|---------------------------|-----------------------------------|-----------------------------------|---|------------------|--------------|--|
|  |                           |                                   |                                   |   | Original         | Final        |  |
| <u>Revenues</u>  |                           |                                   |                                   |   |                  |              |  |
| Federal Government                                       | \$ 1,448,481              | \$ 0                              | \$ 0                              | \$ 1,448,481  | \$ 1,541,659     | \$ 1,533,236 | \$ (84,755)  |
| Total Revenues   | \$ 1,448,481              | \$ 0                              | \$ 0                              | \$ 1,448,481  | \$ 1,541,659     | \$ 1,533,236 | \$ (84,755)  |
| <u>Expenditures</u>                                      |                           |                                   |                                   |   |                  |              |  |
| <u>Instruction</u>                                       |                           |                                   |                                   |   |                  |              |  |
| Regular Instruction Program                              | \$ 560,952                | \$ (2,886)                        | \$ 0                              | \$ 558,066  | \$ 547,892       | \$ 567,202   | \$ 9,136   |
| Special Education Program                                | 468,495                   | (6,155)                           | 3,051                             | 465,391   | 537,601          | 482,816      | 17,425   |
| Vocational Education Program                             | 64,884                    | (8,651)                           | 1,950                             | 58,183  | 32,026           | 58,245       | 62   |
| <u>Support Services</u>                                  |                           |                                   |                                   |   |                  |              |  |
| Health Services  | 79,950                    | (154)                             | 0                                 | 79,796  | 77,749           | 98,659       | 18,863   |
| Other Student Support                                    | 16,701                    | 0                                 | 78                                | 16,779  | 17,076           | 17,928       | 1,149  |
| Regular Instruction Program                              | 224,223                   | (2,434)                           | 1,050                             | 222,839   | 244,373          | 246,357      | 23,518   |
| Special Education Program                                | 49,611                    | (165)                             | 44                                | 49,490  | 43,942           | 50,106       | 616  |
| Vocational Education Program                             | 2,200                     | 0                                 | 0                                 | 2,200   | 2,000            | 2,200        | 0  |
| Transportation   | 37,000                    | 0                                 | 0                                 | 37,000  | 39,000           | 37,000       | 0  |
| Total Expenditures                                       | \$ 1,504,016              | \$ (20,445)                       | \$ 6,173                          | \$ 1,489,744  | \$ 1,541,659     | \$ 1,560,513 | \$ 70,769  |
| Excess (Deficiency) of Revenues<br>Over Expenditures     | \$ (55,535)               | \$ 20,445                         | \$ (6,173)                        | \$ (41,263)   | \$ 0             | \$ (27,277)  | \$ (13,986)  |
| <u>Other Financing Sources (Uses)</u>                    |                           |                                   |                                   |   |                  |              |  |
| Capital Leases Issued                                    | \$ 27,277                 | \$ 0                              | \$ 0                              | \$ 27,277   | \$ 0             | \$ 27,277    | \$ 0   |
| Total Other Financing Sources (Uses)                     | \$ 27,277                 | \$ 0                              | \$ 0                              | \$ 27,277   | \$ 0             | \$ 27,277    | \$ 0   |
| Net Change in Fund Balance<br>Fund Balance, July 1, 2008 | \$ (28,258)               | \$ 20,445                         | \$ (6,173)                        | \$ (13,986)   | \$ 0             | \$ 0         | \$ (13,986)  |
| Fund Balance, June 30, 2009                              | \$ 71,687                 | \$ (20,445)                       | \$ 0                              | \$ 51,242   | \$ 0             | \$ 0         | \$ 51,242  |
|  | \$ 43,429                 | \$ 0                              | \$ (6,173)                        | \$ 37,256   | \$ 0             | \$ 0         | \$ 37,256  |

Exhibit I-10

Polk County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Discretely Presented Polk County School Department  
Central Cafeteria Fund  
For the Year Ended June 30, 2009

|  | Actual              | Budgeted Amounts    |                     | Variance<br>with Final<br>Budget -<br>Positive<br>(Negative) |
|--|---------------------|---------------------|---------------------|--|
|  |                     | Original            | Final               |  |
| <u>Revenues</u>                                      |                     |                     |                     |  |
| Charges for Current Services                         | \$ 442,389          | \$ 578,011          | \$ 578,011          | \$ (135,622)   |
| Other Local Revenues                                 | 5,548               | 5,360               | 5,360               | 188  |
| State of Tennessee                                   | 14,741              | 16,000              | 16,000              | (1,259)  |
| Federal Government                                   | 811,880             | 761,400             | 761,400             | 50,480   |
| Total Revenues                                       | <u>\$ 1,274,558</u> | <u>\$ 1,360,771</u> | <u>\$ 1,360,771</u> | <u>\$ (86,213)</u>   |
| <u>Expenditures</u>                                  |                     |                     |                     |  |
| <u>Operation of Non-Instructional Services</u>       |                     |                     |                     |  |
| Food Service   | <u>\$ 1,128,061</u> | <u>\$ 1,360,771</u> | <u>\$ 1,360,771</u> | <u>\$ 232,710</u>  |
| Total Expenditures                                   | <u>\$ 1,128,061</u> | <u>\$ 1,360,771</u> | <u>\$ 1,360,771</u> | <u>\$ 232,710</u>  |
| Excess (Deficiency) of Revenues<br>Over Expenditures | <u>\$ 146,497</u>   | <u>\$ 0</u>         | <u>\$ 0</u>         | <u>\$ 146,497</u>  |
| Net Change in Fund Balance                           | \$ 146,497          | \$ 0                | \$ 0                | \$ 146,497   |
| Fund Balance, July 1, 2008                           | <u>322,283</u>      | <u>390,776</u>      | <u>390,776</u>      | <u>(68,493)</u>  |
| Fund Balance, June 30, 2009                          | <u>\$ 468,780</u>   | <u>\$ 390,776</u>   | <u>\$ 390,776</u>   | <u>\$ 78,004</u>   |

Exhibit I-11

Polk County, Tennessee  
Statement of Net Assets  
Discretely Presented Polk County School Department  
Proprietary Fund  
June 30, 2009

|                   | <u>Governmental<br/>Activities -<br/>Internal<br/>Service Fund<br/>Self-Insurance<br/>Fund</u> |
|-------------------|--|
| <u>ASSETS</u>     |  |
| Current Assets:   |  |
| Cash in Bank      | \$ 39,859  |
| Total Assets      | <u>\$ 39,859</u>   |
| <u>NET ASSETS</u> |  |
| Unrestricted      | <u>\$ 39,859</u>   |
| Total Net Assets  | <u><u>\$ 39,859</u></u>  |

Exhibit I-12

Polk County, Tennessee  
Statement of Revenues, Expenses, and  
Changes in Net Assets  
Discretely Presented Polk County School Department  
Proprietary Fund  
For the Year Ended June 30, 2009

|                                   | Governmental<br>Activities -<br>Internal<br>Service Fund<br><hr/> Self-Insurance<br>Fund<br><hr/> |
|-----------------------------------|---|
| <u>Operating Revenues</u>         |   |
| Other Local Revenues              | \$          0   |
| Operating Income (Loss)           | <hr/> \$          0   |
| <br><u>Non-operating Revenues</u> |   |
| Investment Income                 | \$          494   |
| Total Non-operating Revenues      | <hr/> \$          494   |
| <br>Change in Net Assets          | <br>\$          494   |
| Net Assets, July 1, 2008          | <hr/> 39,365  |
| <br>Net Assets, June 30, 2009     | <br>\$          39,859<br><hr/> <hr/>   |

Exhibit I-13

Polk County, Tennessee  
Statement of Cash Flows  
Discretely Presented Polk County School Department  
Proprietary Fund  
For the Year Ended June 30, 2009

|  | Governmental<br>Activities -<br>Internal<br>Service Fund<br><hr/> Self-Insurance<br>Fund |
|--|--|
| <u>Cash Flows from Noncapital Financing Activities</u>         |  |
| Miscellaneous Refunds  | \$ 0   |
| Net Cash Provided By (Used In) Noncapital Financing Activities | <hr/> \$ 0   |
| <u>Cash Flows from Investing Activities</u>                    |  |
| Interest on Investments  | \$ 494   |
| Net Cash Provided By (Used In) Investing Activities            | <hr/> \$ 494   |
| Net Increase (Decrease) in Cash                                | \$ 494   |
| Cash, July 1, 2008   | <hr/> 39,365   |
| Cash, June 30, 2009  | <hr/> <hr/> \$ 39,859  |

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## MISCELLANEOUS SCHEDULES

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Exhibit J-1

Polk County, Tennessee  
Schedule of Changes in Long-term Notes, Capital Leases, and Bonds  
Primary Government and Discretely Presented Polk County School Department  
For the Year Ended June 30, 2009

| Description of Indebtedness                               | Original Amount of Issue | Interest Rate | Date of Issue | Last Maturity Date | Outstanding 7-1-08 | Issued During Period | Paid and/or Matured During Period | Outstanding 6-30-09 |
|---|--------------------------|---------------|---------------|--------------------|--------------------|----------------------|-----------------------------------|---------------------|
|   |                          |               |               |                    |                    |                      |                                   |                     |
| <u>PRIMARY GOVERNMENT</u>                                 |                          |               |               |                    |                    |                      |                                   |                     |
| <u>NOTES PAYABLE</u>                                      |                          |               |               |                    |                    |                      |                                   |                     |
| Payable through General Debt Service Fund                 |                          |               |               |                    |                    |                      |                                   |                     |
| High School Athletic Facilities                           | \$ 200,000               | 3.5 %         | 7-7-05        | 1-7-10             | \$ 80,000          | \$ 0                 | \$ 40,000                         | \$ 40,000           |
| Athletic Complex (1)                                      | 450,000                  | 3.5           | 9-1-05        | 9-1-11             | 300,000            | 0                    | 75,000                            | 225,000             |
| Total Notes Payable                                       |                          |               |               |                    | \$ 380,000         | \$ 0                 | \$ 115,000                        | \$ 265,000          |
| <u>CAPITAL LEASES PAYABLE</u>                             |                          |               |               |                    |                    |                      |                                   |                     |
| Payable through General Fund                              |                          |               |               |                    |                    |                      |                                   |                     |
| Patrol Cars   | 47,259                   | 3             | 11-17-08      | 11-17-11           | \$ 0               | \$ 47,259            | \$ 7,366                          | \$ 39,893           |
| Total Capital Leases Payable                              |                          |               |               |                    | \$ 0               | \$ 47,259            | \$ 7,366                          | \$ 39,893           |
| <u>BONDS PAYABLE</u>                                      |                          |               |               |                    |                    |                      |                                   |                     |
| Payable through General Debt Service Fund                 |                          |               |               |                    |                    |                      |                                   |                     |
| General Obligation Refunding Bond, Series 2007            | 22,100,000               | 4 to 5        | 4-30-07       | 4-30-25            | \$ 21,255,000      | \$ 0                 | \$ 880,000                        | \$ 20,375,000       |
| Total Bonds Payable                                       |                          |               |               |                    | \$ 21,255,000      | \$ 0                 | \$ 880,000                        | \$ 20,375,000       |
| <u>DISCRETELY PRESENTED POLK COUNTY SCHOOL DEPARTMENT</u> |                          |               |               |                    |                    |                      |                                   |                     |
| <u>CAPITAL LEASES PAYABLE</u>                             |                          |               |               |                    |                    |                      |                                   |                     |
| Payable through General Purpose School Fund               |                          |               |               |                    |                    |                      |                                   |                     |
| School Buses  | 543,332                  | 4.64          | 8-15-05       | 8-15-10            | \$ 277,256         | \$ 0                 | \$ 88,260                         | \$ 188,996          |
| Payable through School Federal Projects Fund              |                          |               |               |                    |                    |                      |                                   |                     |
| Computers   | 27,277                   | 5.93          | 9-8-08        | 9-8-10             | \$ 0               | \$ 27,277            | \$ 9,460                          | \$ 17,817           |
| Total Capital Leases Payable                              |                          |               |               |                    | \$ 277,256         | \$ 27,277            | \$ 97,720                         | \$ 206,813          |

(1) This note was shown in prior years as a liability of the discretely presented Polk County School Department's General Purpose School Fund.

Exhibit J-2

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

PRIMARY GOVERNMENT

| Year<br>Ending<br>June 30 | Note<br>Principal | Note<br>Interest | Total<br>Note<br>Requirements |
|---------------------------|-------------------|------------------|-------------------------------|
| 2010                      | \$ 115,000        | \$ 11,900        | \$ 126,900                    |
| 2011                      | 75,000            | 13,125           | 88,125                        |
| 2012                      | 75,000            | 15,750           | 90,750                        |
| Total                     | \$ 265,000        | \$ 40,775        | \$ 305,775                    |

| Year<br>Ending<br>June 30 | Capital<br>Lease<br>Principal | Capital<br>Lease<br>Interest | Total<br>Capital<br>Lease<br>Requirements |
|---------------------------|-------------------------------|------------------------------|---|
| 2010                      | \$ 15,328                     | \$ 1,820                     | \$ 17,148                                 |
| 2011                      | 16,160                        | 988                          | 17,148                                    |
| 2012                      | 8,405                         | 168                          | 8,573                                     |
| Total                     | \$ 39,893                     | \$ 2,976                     | \$ 42,869                                 |

| Year<br>Ending<br>June 30 | Bond<br>Principal | Bond<br>Interest | Total<br>Bond<br>Requirements |
|---------------------------|-------------------|------------------|-------------------------------|
| 2010                      | \$ 915,000        | \$ 916,700       | \$ 1,831,700                  |
| 2011                      | 950,000           | 880,100          | 1,830,100                     |
| 2012                      | 990,000           | 842,100          | 1,832,100                     |
| 2013                      | 1,030,000         | 802,500          | 1,832,500                     |
| 2014                      | 1,070,000         | 761,300          | 1,831,300                     |
| 2015                      | 1,110,000         | 718,500          | 1,828,500                     |
| 2016                      | 1,155,000         | 674,100          | 1,829,100                     |
| 2017                      | 1,200,000         | 627,900          | 1,827,900                     |
| 2018                      | 1,260,000         | 567,900          | 1,827,900                     |
| 2019                      | 1,320,000         | 504,900          | 1,824,900                     |
| 2020                      | 1,390,000         | 438,900          | 1,828,900                     |
| 2021                      | 1,465,000         | 369,400          | 1,834,400                     |
| 2022                      | 1,520,000         | 310,800          | 1,830,800                     |
| 2023                      | 1,585,000         | 250,000          | 1,835,000                     |
| 2024                      | 1,665,000         | 170,750          | 1,835,750                     |
| 2025                      | 1,750,000         | 87,500           | 1,837,500                     |
| Total                     | \$ 20,375,000     | \$ 8,923,350     | \$ 29,298,350                 |

(Continued)

Exhibit J-2

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

DISCRETELY PRESENTED POLK COUNTY SCHOOL DEPARTMENT

| Year<br>Ending<br>June 30 | Capital<br>Lease<br>Principal | Capital<br>Lease<br>Interest | Total<br>Capital<br>Lease<br>Requirements |
|---------------------------|-------------------------------|------------------------------|---|
| 2010                      | \$ 101,000                    | \$ 9,854                     | \$ 110,854                                |
| 2011                      | 105,813                       | 5,043                        | 110,856                                   |
| Total                     | <u>\$ 206,813</u>             | <u>\$ 14,897</u>             | <u>\$ 221,710</u>                         |

Exhibit J-3

Polk County, Tennessee  
Schedule of Transfers  
For the Year Ended June 30, 2009

| <u>From Fund</u>         | <u>To Fund</u>         | <u>Purpose</u>                                | <u>Amount</u>     |
|--------------------------|------------------------|---|-------------------|
| General                  | Solid Waste/Sanitation | Operations                                    | \$ 418,563        |
| General Capital Projects | General                | Building improvements to<br>Health Department | <u>26,264</u>     |
| Total Transfers          |                        |   | <u>\$ 444,827</u> |

Exhibit J-4

Polk County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
Primary Government and Discretely Presented Polk County School Department  
For the Year Ended June 30, 2009

| Official                         | Authorization for Salary                                    | \$ | Salary Paid During Period | \$  | Bond    | Surety                                |
|----------------------------------|---|----|---------------------------|-----|---------|---------------------------------------|
| County Executive                 | Section 8-24-102, <u>TCA</u> ,                              |    | 66,702                    |     | 50,000  | Travelers Casualty and Surety Company |
| Highway Superintendent           | Section 8-24-102, <u>TCA</u>                                |    | 63,527                    |     | 100,000 | "                                     |
| Director of Schools              | State Board of Education and Polk County Board of Education |    | 98,290                    | (1) | (2)     |                                       |
| Trustee                          | Section 8-24-102, <u>TCA</u>                                |    | 57,751                    |     | 664,000 | "                                     |
| Assessor of Property             | Section 8-24-102, <u>TCA</u>                                |    | 57,751                    |     | 10,000  | "                                     |
| Director of Accounts and Budgets | County Commission   |    | 31,315                    |     | 15,000  | "                                     |
| County Clerk                     | Section 8-24-102, <u>TCA</u>                                |    | 57,751                    |     | 50,000  | "                                     |
| Circuit Court Clerk              | Section 8-24-102, <u>TCA</u>                                |    | 57,751                    |     | 50,000  | "                                     |
| Clerk and Master                 | Section 8-24-102, <u>TCA</u>                                |    | 57,751                    | (3) | 25,000  | State Farm Insurance Company          |
| Register                         | Section 8-24-102, <u>TCA</u>                                |    | 57,751                    |     | 50,000  | Travelers Casualty and Surety Company |
| Sheriff                          | Section 8-24-102, <u>TCA</u>                                |    | 63,527                    |     | 25,000  | "                                     |

Other Bonds:

Public Employee Dishonesty 150,000 Tennessee Risk Management Trust

- (1) Does not include \$900 for chief executive officer training supplement, \$4,095 for unused vacation days, and a negotiated annual allowance of \$8,112 for in-county travel.
- (2) The director of schools is covered by the employee blanket bond.
- (3) Does not include special commissioner fees of \$1,480.

Exhibit J-5

Polk County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types  
 For the Year Ended June 30, 2009

|  | Special Revenue Funds |              |                                |                        |                      | Debt Service Fund        |             |                        | Capital Projects Funds |             |             | Total               |
|--|-----------------------|--------------|--------------------------------|------------------------|----------------------|--------------------------|-------------|------------------------|------------------------|-------------|-------------|---------------------|
|  | General               | Drug Control | Constitutional Officers - Fees | Highway / Public Works | General Debt Service | General Capital Projects | HUD Grant   | Capital Projects Funds |                        |             |             |                     |
|  |                       |              |                                |                        |                      |                          |             | General                | HUD Grant              |             |             |                     |
| <b>Local Taxes</b>                               |                       |              |                                |                        |                      |                          |             |                        |                        |             |             |                     |
| <u>County Property Taxes</u>                     |                       |              |                                |                        |                      |                          |             |                        |                        |             |             |                     |
| Current Property Tax                             | \$ 3,474,882          | \$ 0         | \$ 0                           | \$ 0                   | \$ 980,088           | \$ 0                     | \$ 0        | \$ 0                   | \$ 0                   | \$ 0        | \$ 0        | \$ 4,454,970        |
| Trustee's Collections - Prior Year               | 166,190               | 0            | 0                              | 0                      | 40,929               | 0                        | 0           | 0                      | 0                      | 0           | 0           | 207,119             |
| Circuit/Clerk & Master Collections - Prior Years | 182,938               | 0            | 0                              | 0                      | 41,769               | 0                        | 0           | 0                      | 0                      | 0           | 0           | 224,707             |
| Interest and Penalty                             | 31,798                | 0            | 0                              | 0                      | 8,820                | 0                        | 0           | 0                      | 0                      | 0           | 0           | 40,618              |
| Payments in-Lieu-of Taxes - T.V.A.               | 54,850                | 0            | 0                              | 0                      | 16,812               | 0                        | 0           | 0                      | 0                      | 0           | 0           | 71,662              |
| Payments in-Lieu-of Taxes - Other                | 162,196               | 0            | 0                              | 0                      | 45,747               | 0                        | 0           | 0                      | 0                      | 0           | 0           | 207,943             |
| <u>County Local Option Taxes</u>                 |                       |              |                                |                        |                      |                          |             |                        |                        |             |             |                     |
| Hotel/Motel Tax                                  | 49,069                | 0            | 0                              | 0                      | 24,534               | 0                        | 0           | 0                      | 0                      | 0           | 0           | 73,603              |
| Local Amusement Tax                              | 580                   | 0            | 0                              | 0                      | 0                    | 0                        | 0           | 0                      | 0                      | 0           | 0           | 580                 |
| Litigation Tax - General                         | 83,210                | 0            | 0                              | 0                      | 0                    | 0                        | 0           | 0                      | 0                      | 0           | 0           | 83,210              |
| Litigation Tax - Jail, Workroom, or Courthouse   | 26,489                | 0            | 0                              | 0                      | 0                    | 0                        | 0           | 0                      | 0                      | 0           | 0           | 26,489              |
| Litigation Tax - Courtroom Security              | 1,624                 | 0            | 0                              | 0                      | 0                    | 0                        | 0           | 0                      | 0                      | 0           | 0           | 1,624               |
| Business Tax                                     | 32,924                | 0            | 0                              | 0                      | 9,245                | 0                        | 0           | 0                      | 0                      | 0           | 0           | 42,169              |
| <u>Statutory Local Taxes</u>                     |                       |              |                                |                        |                      |                          |             |                        |                        |             |             |                     |
| Bank Excise Tax                                  | 14,037                | 0            | 0                              | 0                      | 3,959                | 0                        | 0           | 0                      | 0                      | 0           | 0           | 17,996              |
| Wholesale Beer Tax                               | 207,679               | 0            | 0                              | 0                      | 0                    | 0                        | 0           | 0                      | 0                      | 0           | 0           | 207,679             |
| Beer Privilege Tax                               | 3,174                 | 0            | 0                              | 0                      | 0                    | 0                        | 0           | 0                      | 0                      | 0           | 0           | 3,174               |
| <b>Total Local Taxes</b>                         | <b>\$ 4,491,640</b>   | <b>\$ 0</b>  | <b>\$ 0</b>                    | <b>\$ 0</b>            | <b>\$ 1,171,903</b>  | <b>\$ 0</b>              | <b>\$ 0</b> | <b>\$ 0</b>            | <b>\$ 0</b>            | <b>\$ 0</b> | <b>\$ 0</b> | <b>\$ 5,663,543</b> |
| <b>Licenses and Permits</b>                      |                       |              |                                |                        |                      |                          |             |                        |                        |             |             |                     |
| <u>Licenses</u>                                  |                       |              |                                |                        |                      |                          |             |                        |                        |             |             |                     |
| Cable TV Franchise                               | 52,009                | 0            | 0                              | 0                      | 0                    | 0                        | 0           | 0                      | 0                      | 0           | 0           | 52,009              |
| <u>Permits</u>                                   |                       |              |                                |                        |                      |                          |             |                        |                        |             |             |                     |
| Beer Permits                                     | 1,425                 | 0            | 0                              | 0                      | 0                    | 0                        | 0           | 0                      | 0                      | 0           | 0           | 1,425               |
| Building Permits                                 | 3,825                 | 0            | 0                              | 0                      | 0                    | 0                        | 0           | 0                      | 0                      | 0           | 0           | 3,825               |
| Electrical Permits                               | 13,798                | 0            | 0                              | 0                      | 0                    | 0                        | 0           | 0                      | 0                      | 0           | 0           | 13,798              |
| <b>Total Licenses and Permits</b>                | <b>\$ 71,057</b>      | <b>\$ 0</b>  | <b>\$ 0</b>                    | <b>\$ 0</b>            | <b>\$ 0</b>          | <b>\$ 0</b>              | <b>\$ 0</b> | <b>\$ 0</b>            | <b>\$ 0</b>            | <b>\$ 0</b> | <b>\$ 0</b> | <b>\$ 71,057</b>    |

(Continued)

Exhibit J-5

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

|  | Special Revenue Funds |                  |                                |                        |                      | Debt Service Fund        |             | Capital Projects Funds   |             |                   | Total |
|--|-----------------------|------------------|--------------------------------|------------------------|----------------------|--------------------------|-------------|--------------------------|-------------|-------------------|-------|
|  | General               | Drug Control     | Constitutional Officers - Fees | Highway / Public Works | General Debt Service | General Capital Projects | HUD Grant   | Capital Projects Funds   |             |                   |       |
|  |                       |                  |                                |                        |                      |                          |             | General Capital Projects | HUD Grant   |                   |       |
| <u>Fines, Forfeitures, and Penalties</u>       |                       |                  |                                |                        |                      |                          |             |                          |             |                   |       |
| <u>Circuit Court</u>                           |                       |                  |                                |                        |                      |                          |             |                          |             |                   |       |
| Fines  | \$ 32,879             | \$ 0             | \$ 0                           | \$ 0                   | \$ 0                 | \$ 0                     | \$ 0        | \$ 0                     | \$ 0        | \$ 32,879         |       |
| Officers Costs                                 | 3,987                 | 0                | 0                              | 0                      | 0                    | 0                        | 0           | 0                        | 0           | 3,987             |       |
| Drug Control Fines                             | 0                     | 21,469           | 0                              | 0                      | 0                    | 0                        | 0           | 0                        | 0           | 21,469            |       |
| Drug Court Fees                                | 2,186                 | 0                | 0                              | 0                      | 0                    | 0                        | 0           | 0                        | 0           | 2,186             |       |
| Jail Fees                                      | 1,995                 | 0                | 0                              | 0                      | 0                    | 0                        | 0           | 0                        | 0           | 1,995             |       |
| DUI Treatment Fines                            | 340                   | 0                | 0                              | 0                      | 0                    | 0                        | 0           | 0                        | 0           | 340               |       |
| Data Entry Fee - Circuit Court                 | 440                   | 0                | 0                              | 0                      | 0                    | 0                        | 0           | 0                        | 0           | 440               |       |
| <u>General Sessions Court</u>                  |                       |                  |                                |                        |                      |                          |             |                          |             |                   |       |
| Fines  | 60,312                | 0                | 0                              | 0                      | 0                    | 0                        | 0           | 0                        | 0           | 60,312            |       |
| Officers Costs                                 | 33,223                | 0                | 0                              | 0                      | 0                    | 0                        | 0           | 0                        | 0           | 33,223            |       |
| Game and Fish Fines                            | 716                   | 0                | 0                              | 0                      | 0                    | 0                        | 0           | 0                        | 0           | 716               |       |
| Drug Control Fines                             | 0                     | 22,367           | 0                              | 0                      | 0                    | 0                        | 0           | 0                        | 0           | 22,367            |       |
| Drug Court Fees                                | 12,100                | 0                | 0                              | 0                      | 0                    | 0                        | 0           | 0                        | 0           | 12,100            |       |
| Jail Fees                                      | 17,266                | 0                | 0                              | 0                      | 0                    | 0                        | 0           | 0                        | 0           | 17,266            |       |
| DUI Treatment Fines                            | 5,605                 | 0                | 0                              | 0                      | 0                    | 0                        | 0           | 0                        | 0           | 5,605             |       |
| Data Entry Fee - General Sessions Court        | 3,798                 | 0                | 0                              | 0                      | 0                    | 0                        | 0           | 0                        | 0           | 3,798             |       |
| Courtroom Security Fee                         | 10,295                | 0                | 0                              | 0                      | 0                    | 0                        | 0           | 0                        | 0           | 10,295            |       |
| <u>Juvenile Court</u>                          |                       |                  |                                |                        |                      |                          |             |                          |             |                   |       |
| Data Entry Fee - Juvenile Court                | 216                   | 0                | 0                              | 0                      | 0                    | 0                        | 0           | 0                        | 0           | 216               |       |
| <u>Chancery Court</u>                          |                       |                  |                                |                        |                      |                          |             |                          |             |                   |       |
| Officers Costs                                 | 396                   | 0                | 0                              | 0                      | 0                    | 0                        | 0           | 0                        | 0           | 396               |       |
| Data Entry Fee - Chancery Court                | 178                   | 0                | 0                              | 0                      | 0                    | 0                        | 0           | 0                        | 0           | 178               |       |
| <u>Judicial District Drug Program</u>          |                       |                  |                                |                        |                      |                          |             |                          |             |                   |       |
| Courtroom Security Fee                         | 34                    | 0                | 0                              | 0                      | 0                    | 0                        | 0           | 0                        | 0           | 34                |       |
| <u>Other Fines, Forfeitures, and Penalties</u> |                       |                  |                                |                        |                      |                          |             |                          |             |                   |       |
| Proceeds from Confiscated Property             | 20,467                | 16,828           | 0                              | 0                      | 0                    | 0                        | 0           | 0                        | 0           | 37,295            |       |
| Other Fines, Forfeitures, and Penalties        | 2,088                 | 0                | 0                              | 0                      | 0                    | 0                        | 0           | 0                        | 0           | 2,088             |       |
| <b>Total Fines, Forfeitures, and Penalties</b> | <b>\$ 208,521</b>     | <b>\$ 60,664</b> | <b>\$ 0</b>                    | <b>\$ 0</b>            | <b>\$ 0</b>          | <b>\$ 0</b>              | <b>\$ 0</b> | <b>\$ 0</b>              | <b>\$ 0</b> | <b>\$ 269,185</b> |       |

(Continued)

Exhibit J-5

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

|   | Special Revenue Funds |              |                                |                        |                      |                          |           | Debt Service Fund    |                          |           | Capital Projects Funds   |           |         | Total      |
|---|-----------------------|--------------|--------------------------------|------------------------|----------------------|--------------------------|-----------|----------------------|--------------------------|-----------|--------------------------|-----------|---------|------------|
|   | General               | Drug Control | Constitutional Officers - Fees | Highway / Public Works | General Debt Service | General Capital Projects | HUD Grant | General Debt Service | General Capital Projects | HUD Grant | General Capital Projects | HUD Grant |         |            |
|   |                       |              |                                |                        |                      |                          |           |                      |                          |           |                          |           | General |            |
| <u>Charges for Current Services</u>           |                       |              |                                |                        |                      |                          |           |                      |                          |           |                          |           |         |            |
| <u>Fees</u>                                   |                       |              |                                |                        |                      |                          |           |                      |                          |           |                          |           |         |            |
| Copy Fees                                     | \$ 3,551              | \$ 0         | \$ 0                           | \$ 0                   | \$ 0                 | \$ 0                     | \$ 0      | \$ 0                 | \$ 0                     | \$ 0      | \$ 0                     | \$ 0      | \$ 0    | 3,551      |
| Telephone Commissions                         | 23,255                | 0            | 0                              | 0                      | 0                    | 0                        | 0         | 0                    | 0                        | 0         | 0                        | 0         | 0       | 23,255     |
| Vending Machine Collections                   | 32                    | 0            | 0                              | 0                      | 0                    | 0                        | 0         | 0                    | 0                        | 0         | 0                        | 0         | 0       | 32         |
| Constitutional Officers' Fees and Commissions | 0                     | 0            | 1,480                          | 0                      | 0                    | 0                        | 0         | 0                    | 0                        | 0         | 0                        | 0         | 0       | 1,480      |
| Data Processing Fee - Register                | 7,104                 | 0            | 0                              | 0                      | 0                    | 0                        | 0         | 0                    | 0                        | 0         | 0                        | 0         | 0       | 7,104      |
| Data Processing Fee - Sheriff                 | 2,454                 | 0            | 0                              | 0                      | 0                    | 0                        | 0         | 0                    | 0                        | 0         | 0                        | 0         | 0       | 2,454      |
| Sexual Offender Registration Fees - Sheriff   | 700                   | 0            | 0                              | 0                      | 0                    | 0                        | 0         | 0                    | 0                        | 0         | 0                        | 0         | 0       | 700        |
| Data Processing Fee - County Clerk            | 1,234                 | 0            | 0                              | 0                      | 0                    | 0                        | 0         | 0                    | 0                        | 0         | 0                        | 0         | 0       | 1,234      |
| Total Charges for Current Services            | \$ 38,330             | \$ 0         | \$ 1,480                       | \$ 0                   | \$ 0                 | \$ 0                     | \$ 0      | \$ 0                 | \$ 0                     | \$ 0      | \$ 0                     | \$ 0      | \$ 0    | \$ 39,810  |
| <u>Other Local Revenues</u>                   |                       |              |                                |                        |                      |                          |           |                      |                          |           |                          |           |         |            |
| <u>Recurring Items</u>                        |                       |              |                                |                        |                      |                          |           |                      |                          |           |                          |           |         |            |
| Investment Income                             | \$ 0                  | \$ 0         | \$ 0                           | \$ 0                   | \$ 0                 | \$ 0                     | \$ 0      | \$ 88,686            | \$ 389                   | \$ 0      | \$ 0                     | \$ 0      | \$ 0    | 89,075     |
| Lease/Rentals                                 | 11,692                | 0            | 0                              | 0                      | 0                    | 0                        | 0         | 0                    | 0                        | 0         | 0                        | 0         | 0       | 11,692     |
| Commissary Sales                              | 40,317                | 0            | 0                              | 0                      | 0                    | 0                        | 0         | 0                    | 0                        | 0         | 0                        | 0         | 0       | 40,317     |
| Sale of Gasoline                              | 0                     | 0            | 0                              | 277,634                | 0                    | 0                        | 0         | 0                    | 0                        | 0         | 0                        | 0         | 0       | 277,634    |
| Sale of Recycled Materials                    | 307                   | 0            | 0                              | 0                      | 0                    | 0                        | 0         | 0                    | 0                        | 0         | 0                        | 0         | 0       | 307        |
| Miscellaneous Refunds                         | 5,250                 | 0            | 0                              | 30,613                 | 0                    | 0                        | 0         | 0                    | 2,683                    | 0         | 0                        | 0         | 0       | 38,546     |
| <u>Nonrecurring Items</u>                     |                       |              |                                |                        |                      |                          |           |                      |                          |           |                          |           |         |            |
| Damages Recovered from Individuals            | 3,044                 | 0            | 0                              | 0                      | 0                    | 0                        | 0         | 0                    | 0                        | 0         | 0                        | 0         | 0       | 3,044      |
| Total Other Local Revenues                    | \$ 60,610             | \$ 0         | \$ 0                           | \$ 308,247             | \$ 88,686            | \$ 3,072                 | \$ 0      | \$ 88,686            | \$ 3,072                 | \$ 0      | \$ 0                     | \$ 0      | \$ 0    | \$ 460,615 |
| <u>Fees Received from County Officials</u>    |                       |              |                                |                        |                      |                          |           |                      |                          |           |                          |           |         |            |
| <u>Fees in-Lieu-of Salary</u>                 |                       |              |                                |                        |                      |                          |           |                      |                          |           |                          |           |         |            |
| County Clerk                                  | \$ 149,049            | \$ 0         | \$ 0                           | \$ 0                   | \$ 0                 | \$ 0                     | \$ 0      | \$ 0                 | \$ 0                     | \$ 0      | \$ 0                     | \$ 0      | \$ 0    | 149,049    |
| Circuit Court Clerk                           | 59,859                | 0            | 0                              | 0                      | 0                    | 0                        | 0         | 0                    | 0                        | 0         | 0                        | 0         | 0       | 59,859     |
| General Sessions Court Clerk                  | 122,830               | 0            | 0                              | 0                      | 0                    | 0                        | 0         | 0                    | 0                        | 0         | 0                        | 0         | 0       | 122,830    |
| Clerk and Master                              | 74,671                | 0            | 0                              | 0                      | 0                    | 0                        | 0         | 0                    | 0                        | 0         | 0                        | 0         | 0       | 74,671     |

(Continued)

Exhibit J-5

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

|  | Special Revenue Funds |              |                                |                        | Debt Service Fund    |                          | Capital Projects Funds |             |             | Total               |
|--|-----------------------|--------------|--------------------------------|------------------------|----------------------|--------------------------|------------------------|-------------|-------------|---------------------|
|  | General               | Drug Control | Constitutional Officers - Fees | Highway / Public Works | General Debt Service | General Capital Projects | HUD Grant Projects     |             |             |                     |
|  |                       |              |                                |                        |                      |                          |                        |             |             |                     |
| <b>Fees Received from County Officials (Cont.)</b> |                       |              |                                |                        |                      |                          |                        |             |             |                     |
| <b>Fees in-Lieu-of-Salary (Cont.)</b>              |                       |              |                                |                        |                      |                          |                        |             |             |                     |
| Register   | \$ 80,284             | \$ 0         | \$ 0                           | \$ 0                   | \$ 0                 | \$ 0                     | \$ 0                   | \$ 0        | \$ 0        | \$ 80,284           |
| Sheriff  | 4,914                 | 0            | 0                              | 0                      | 0                    | 0                        | 0                      | 0           | 0           | 4,914               |
| Trustee  | 230,194               | 0            | 0                              | 0                      | 0                    | 0                        | 0                      | 0           | 0           | 230,194             |
| <b>Total Fees Received from County Officials</b>   | <b>\$ 721,801</b>     | <b>\$ 0</b>  | <b>\$ 0</b>                    | <b>\$ 0</b>            | <b>\$ 0</b>          | <b>\$ 0</b>              | <b>\$ 0</b>            | <b>\$ 0</b> | <b>\$ 0</b> | <b>\$ 721,801</b>   |
| <b>State of Tennessee</b>                          |                       |              |                                |                        |                      |                          |                        |             |             |                     |
| <b>General Government Grants</b>                   |                       |              |                                |                        |                      |                          |                        |             |             |                     |
| Aging Programs                                     | \$ 8,004              | \$ 0         | \$ 0                           | \$ 0                   | \$ 0                 | \$ 0                     | \$ 0                   | \$ 0        | \$ 0        | \$ 8,004            |
| Public Safety Grants                               | 9,600                 | 0            | 0                              | 0                      | 0                    | 0                        | 0                      | 0           | 0           | 9,600               |
| Law Enforcement Training Programs                  | 12,061                | 0            | 0                              | 0                      | 0                    | 0                        | 0                      | 0           | 0           | 12,061              |
| Other Public Safety Grants                         | 0                     | 0            | 0                              | 162,338                | 0                    | 0                        | 0                      | 0           | 0           | 162,338             |
| Public Works Grants                                | 22,465                | 0            | 0                              | 0                      | 0                    | 0                        | 0                      | 0           | 0           | 22,465              |
| State Aid Program                                  | 31,899                | 0            | 0                              | 0                      | 6,377                | 0                        | 0                      | 0           | 0           | 38,276              |
| Litter Program                                     | 18,701                | 0            | 0                              | 0                      | 0                    | 0                        | 0                      | 0           | 0           | 18,701              |
| Other State Revenues                               | 34,979                | 0            | 0                              | 0                      | 0                    | 0                        | 0                      | 0           | 0           | 34,979              |
| Income Tax   | 271,701               | 0            | 0                              | 0                      | 76,634               | 0                        | 0                      | 0           | 0           | 348,335             |
| Beer Tax   | 1,111,696             | 0            | 0                              | 0                      | 0                    | 0                        | 0                      | 0           | 0           | 1,111,696           |
| Alcoholic Beverage Tax                             | 0                     | 0            | 0                              | 1,543,193              | 0                    | 0                        | 0                      | 0           | 0           | 1,543,193           |
| State Revenue Sharing - T.V.A.                     | 0                     | 0            | 0                              | 11,816                 | 0                    | 0                        | 0                      | 0           | 0           | 11,816              |
| Contracted Prisoner Boarding                       | 7,750                 | 0            | 0                              | 0                      | 0                    | 0                        | 0                      | 0           | 0           | 7,750               |
| Gasoline and Motor Fuel Tax                        | 14,912                | 0            | 0                              | 0                      | 0                    | 0                        | 0                      | 0           | 0           | 14,912              |
| Petroleum Special Tax                              | 63,216                | 0            | 0                              | 0                      | 0                    | 0                        | 0                      | 0           | 0           | 63,216              |
| Reappraisal Program Reimbursement                  | 1,725                 | 0            | 0                              | 0                      | 0                    | 0                        | 0                      | 0           | 0           | 1,725               |
| Registrar's Salary Supplement                      | 1,608,689             | 0            | 0                              | 1,717,347              | 83,011               | 0                        | 0                      | 0           | 0           | 3,409,047           |
| Other State Grants                                 |                       |              |                                |                        |                      |                          |                        |             |             |                     |
| Other State Revenues                               |                       |              |                                |                        |                      |                          |                        |             |             |                     |
| <b>Total State of Tennessee</b>                    | <b>\$ 1,608,689</b>   | <b>\$ 0</b>  | <b>\$ 0</b>                    | <b>\$ 1,717,347</b>    | <b>\$ 83,011</b>     | <b>\$ 0</b>              | <b>\$ 0</b>            | <b>\$ 0</b> | <b>\$ 0</b> | <b>\$ 3,409,047</b> |

(Continued)

Exhibit J-5

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

|  | Special Revenue Funds |              |                                |                        |                      | Debt Service Fund    |                          |               | Capital Projects Funds   |            |         | Total      |
|--|-----------------------|--------------|--------------------------------|------------------------|----------------------|----------------------|--------------------------|---------------|--------------------------|------------|---------|------------|
|  | General               | Drug Control | Constitutional Officers - Fees | Highway / Public Works | General Debt Service | General Debt Service | General Capital Projects | HUD Grant     | General Capital Projects | HUD Grant  |         |            |
|  |                       |              |                                |                        |                      |                      |                          |               |                          |            | General |            |
| <u>Federal Government</u>                    |                       |              |                                |                        |                      |                      |                          |               |                          |            |         |            |
| <u>Federal Through State</u>                 |                       |              |                                |                        |                      |                      |                          |               |                          |            |         |            |
| Homeland Security Grants                     | \$ 2,267              | \$ 0         | \$ 0                           | \$ 0                   | \$ 0                 | \$ 0                 | \$ 0                     | \$ 0          | \$ 0                     | \$ 0       | \$ 0    | \$ 2,267   |
| Law Enforcement Grants                       | 5,000                 | 0            | 0                              | 0                      | 0                    | 0                    | 0                        | 0             | 0                        | 0          | 0       | 5,000      |
| Other Federal through State                  | 124,154               | 0            | 0                              | 0                      | 0                    | 0                    | 0                        | 0             | 0                        | 241,746    | 0       | 365,900    |
| <u>Direct Federal Revenue</u>                |                       |              |                                |                        |                      |                      |                          |               |                          |            |         |            |
| Forest Service                               | 75,368                | 0            | 0                              | 170,834                | 0                    | 0                    | 0                        | 0             | 0                        | 0          | 0       | 246,202    |
| Total Federal Government                     | \$ 206,789            | \$ 0         | \$ 0                           | \$ 170,834             | \$ 0                 | \$ 0                 | \$ 0                     | \$ 0          | \$ 0                     | \$ 241,746 | \$ 0    | \$ 619,369 |
| <u>Other Governments and Citizens Groups</u> |                       |              |                                |                        |                      |                      |                          |               |                          |            |         |            |
| <u>Other Governments</u>                     |                       |              |                                |                        |                      |                      |                          |               |                          |            |         |            |
| Contributions                                | \$ 0                  | \$ 1,500     | \$ 0                           | \$ 0                   | \$ 880,685           | \$ 0                 | \$ 0                     | \$ 0          | \$ 0                     | \$ 0       | \$ 0    | \$ 882,185 |
| Contracted Services                          | 38,000                | 0            | 0                              | 0                      | 0                    | 0                    | 0                        | 0             | 0                        | 0          | 0       | 38,000     |
| Total Other Governments and Citizens Groups  | \$ 38,000             | \$ 1,500     | \$ 0                           | \$ 0                   | \$ 880,685           | \$ 0                 | \$ 0                     | \$ 0          | \$ 0                     | \$ 0       | \$ 0    | \$ 920,185 |
| <u>Total</u>                                 | \$ 7,445,437          | \$ 62,164    | \$ 1,480                       | \$ 2,196,428           | \$ 2,224,285         | \$ 3,072             | \$ 241,746               | \$ 12,174,612 |                          |            |         |            |

Exhibit J-6

Polk County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
Discretely Presented Polk County School Department  
For the Year Ended June 30, 2009

|  | General<br>Purpose<br>School | School<br>Federal<br>Projects | Central<br>Cafeteria | Total        |
|--|------------------------------|-------------------------------|----------------------|--------------|
| <u>Local Taxes</u>                               |                              |                               |                      |              |
| <u>County Property Taxes</u>                     |                              |                               |                      |              |
| Current Property Tax                             | \$ 2,019,478                 | \$ 0                          | \$ 0                 | \$ 2,019,478 |
| Trustee's Collections - Prior Year               | 92,781                       | 0                             | 0                    | 92,781       |
| Circuit/Clerk & Master Collections - Prior Years | 112,754                      | 0                             | 0                    | 112,754      |
| Interest and Penalty                             | 17,908                       | 0                             | 0                    | 17,908       |
| Pick-up Taxes                                    | 109                          | 0                             | 0                    | 109          |
| Payments in-Lieu-of Taxes - T.V.A.               | 37,038                       | 0                             | 0                    | 37,038       |
| Payments in-Lieu-of Taxes - Other                | 91,768                       | 0                             | 0                    | 91,768       |
| <u>County Local Option Taxes</u>                 |                              |                               |                      |              |
| Local Option Sales Tax                           | 1,407,007                    | 0                             | 0                    | 1,407,007    |
| Business Tax                                     | 18,977                       | 0                             | 0                    | 18,977       |
| <u>Statutory Local Taxes</u>                     |                              |                               |                      |              |
| Bank Excise Tax                                  | 8,158                        | 0                             | 0                    | 8,158        |
| Interstate Telecommunications Tax                | 3,623                        | 0                             | 0                    | 3,623        |
| Total Local Taxes                                | \$ 3,809,601                 | \$ 0                          | \$ 0                 | \$ 3,809,601 |
| <u>Licenses and Permits</u>                      |                              |                               |                      |              |
| <u>Licenses</u>                                  |                              |                               |                      |              |
| Marriage Licenses                                | \$ 1,520                     | \$ 0                          | \$ 0                 | \$ 1,520     |
| Total Licenses and Permits                       | \$ 1,520                     | \$ 0                          | \$ 0                 | \$ 1,520     |
| <u>Charges for Current Services</u>              |                              |                               |                      |              |
| <u>Education Charges</u>                         |                              |                               |                      |              |
| Lunch Payments - Children                        | \$ 0                         | \$ 0                          | \$ 222,530           | \$ 222,530   |
| Lunch Payments - Adults                          | 0                            | 0                             | 33,564               | 33,564       |
| Income from Breakfast                            | 0                            | 0                             | 36,334               | 36,334       |
| Special Milk Sales                               | 0                            | 0                             | 81                   | 81           |
| A la carte Sales                                 | 0                            | 0                             | 149,880              | 149,880      |
| TBI Criminal Background Fees                     | 3,892                        | 0                             | 0                    | 3,892        |
| Total Charges for Current Services               | \$ 3,892                     | \$ 0                          | \$ 442,389           | \$ 446,281   |
| <u>Other Local Revenues</u>                      |                              |                               |                      |              |
| <u>Recurring Items</u>                           |                              |                               |                      |              |
| Investment Income                                | \$ 37                        | \$ 0                          | \$ 122               | \$ 159       |
| Lease/Rentals                                    | 17,000                       | 0                             | 0                    | 17,000       |
| Retirees' Insurance Payments                     | 8,408                        | 0                             | 0                    | 8,408        |
| Miscellaneous Refunds                            | 70,763                       | 0                             | 0                    | 70,763       |
| <u>Nonrecurring Items</u>                        |                              |                               |                      |              |
| Damages Recovered from Individuals               | 185                          | 0                             | 0                    | 185          |
| Contributions and Gifts                          | 3,840                        | 0                             | 0                    | 3,840        |
| <u>Other Local Revenues</u>                      |                              |                               |                      |              |
| Other Local Revenues                             | 298                          | 0                             | 5,426                | 5,724        |
| Total Other Local Revenues                       | \$ 100,531                   | \$ 0                          | \$ 5,548             | \$ 106,079   |

(Continued)

Exhibit J-6

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

|  | General<br>Purpose<br>School | School<br>Federal<br>Projects | Central<br>Cafeteria | Total         |
|--|------------------------------|-------------------------------|----------------------|---------------|
| <u>State of Tennessee</u>                        |                              |                               |                      |               |
| <u>General Government Grants</u>                 |                              |                               |                      |               |
| On-Behalf Contributions for OPEB                 | \$ 129,780                   | \$ 0                          | \$ 0                 | \$ 129,780    |
| <u>State Education Funds</u>                     |                              |                               |                      |               |
| Basic Education Program                          | 12,167,375                   | 0                             | 0                    | 12,167,375    |
| Early Childhood Education                        | 539,672                      | 0                             | 0                    | 539,672       |
| School Food Service                              | 0                            | 0                             | 14,741               | 14,741        |
| Driver Education                                 | 7,503                        | 0                             | 0                    | 7,503         |
| Other State Education Funds                      | 78,452                       | 0                             | 0                    | 78,452        |
| Career Ladder Program                            | 83,572                       | 0                             | 0                    | 83,572        |
| Career Ladder - Extended Contract                | 56,800                       | 0                             | 0                    | 56,800        |
| <u>Other State Revenues</u>                      |                              |                               |                      |               |
| Income Tax                                       | 19,685                       | 0                             | 0                    | 19,685        |
| State Revenue Sharing - T.V.A.                   | 157,912                      | 0                             | 0                    | 157,912       |
| Other State Grants                               | 158,954                      | 0                             | 0                    | 158,954       |
| Other State Revenues                             | 22,357                       | 0                             | 0                    | 22,357        |
| Total State of Tennessee                         | \$ 13,422,062                | \$ 0                          | \$ 14,741            | \$ 13,436,803 |
| <u>Federal Government</u>                        |                              |                               |                      |               |
| <u>Federal Through State</u>                     |                              |                               |                      |               |
| USDA School Lunch Program                        | \$ 0                         | \$ 0                          | \$ 606,133           | \$ 606,133    |
| Breakfast  | 0                            | 0                             | 196,266              | 196,266       |
| USDA - Other                                     | 0                            | 0                             | 9,481                | 9,481         |
| Adult Education State Grant Program              | 125,561                      | 0                             | 0                    | 125,561       |
| Vocational Education - Basic Grants to States    | 0                            | 44,238                        | 0                    | 44,238        |
| Title I Grants to Local Education Agencies       | 0                            | 559,360                       | 0                    | 559,360       |
| Special Education - Grants to States             | 39,341                       | 621,222                       | 0                    | 660,563       |
| Special Education Preschool Grants               | 0                            | 18,646                        | 0                    | 18,646        |
| Safe and Drug-Free Schools - State Grants        | 0                            | 8,964                         | 0                    | 8,964         |
| Rural Education                                  | 0                            | 70,168                        | 0                    | 70,168        |
| Eisenhower Professional Development State Grants | 0                            | 125,883                       | 0                    | 125,883       |
| Other Federal through State                      | 242,355                      | 0                             | 0                    | 242,355       |
| <u>Direct Federal Revenue</u>                    |                              |                               |                      |               |
| Other Direct Federal Revenue                     | 256,251                      | 0                             | 0                    | 256,251       |
| Total Federal Government                         | \$ 663,508                   | \$ 1,448,481                  | \$ 811,880           | \$ 2,923,869  |
| <u>Other Governments and Citizens Groups</u>     |                              |                               |                      |               |
| <u>Other Governments</u>                         |                              |                               |                      |               |
| Contributions                                    | \$ 44,000                    | \$ 0                          | \$ 0                 | \$ 44,000     |
| Total Other Governments and Citizens Groups      | \$ 44,000                    | \$ 0                          | \$ 0                 | \$ 44,000     |
| Total  | \$ 18,045,114                | \$ 1,448,481                  | \$ 1,274,558         | \$ 20,768,153 |

Exhibit J-7

Polk County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2009

General Fund

General Government

County Commission

|                                  |    |        |           |
|----------------------------------|----|--------|-----------|
| Board and Committee Members Fees | \$ | 13,200 |           |
| Social Security                  |    | 390    |           |
| Unemployment Compensation        |    | 6      |           |
| Total County Commission          |    |        | \$ 13,596 |

Board of Equalization

|                                  |    |       |       |
|----------------------------------|----|-------|-------|
| Board and Committee Members Fees | \$ | 1,605 |       |
| Total Board of Equalization      |    |       | 1,605 |

County Mayor/Executive

|  |    |        |        |
|--|----|--------|--------|
| County Official/Administrative Officer | \$ | 66,702 |        |
| Secretary(ies)                         |    | 16,924 |        |
| Social Security                        |    | 2,104  |        |
| State Retirement                       |    | 4,965  |        |
| Unemployment Compensation              |    | 26     |        |
| Travel                                 |    | 2,378  |        |
| Total County Mayor/Executive           |    |        | 93,099 |

Election Commission

|   |    |        |         |
|---|----|--------|---------|
| County Official/Administrative Officer      | \$ | 60,197 |         |
| Clerical Personnel                          |    | 13,741 |         |
| Election Commission                         |    | 8,900  |         |
| Election Workers                            |    | 24,490 |         |
| In-Service Training                         |    | 6,620  |         |
| Social Security                             |    | 2,404  |         |
| State Retirement                            |    | 1,917  |         |
| Unemployment Compensation                   |    | 59     |         |
| Communication                               |    | 1,648  |         |
| Dues and Memberships                        |    | 200    |         |
| Legal Notices, Recording, and Court Costs   |    | 1,636  |         |
| Maintenance and Repair Services - Equipment |    | 5,000  |         |
| Printing, Stationery, and Forms             |    | 2,647  |         |
| Rentals                                     |    | 1,033  |         |
| Other Contracted Services                   |    | 11,230 |         |
| Office Supplies                             |    | 433    |         |
| Other Supplies and Materials                |    | 984    |         |
| Other Equipment                             |    | 1,000  |         |
| Total Election Commission                   |    |        | 144,139 |

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Register of Deeds

|  |    |        |           |
|--|----|--------|-----------|
| County Official/Administrative Officer | \$ | 57,751 |           |
| Clerical Personnel                     |    | 19,149 |           |
| Social Security                        |    | 1,964  |           |
| State Retirement                       |    | 4,330  |           |
| Unemployment Compensation              |    | 27     |           |
| Dues and Memberships                   |    | 100    |           |
| Maintenance Agreements                 |    | 5,054  |           |
| Printing, Stationery, and Forms        |    | 1,559  |           |
| Data Processing Equipment              |    | 1,843  |           |
| Total Register of Deeds                |    |        | \$ 91,777 |

County Buildings

|   |    |        |         |
|---|----|--------|---------|
| Custodial Personnel                         | \$ | 27,561 |         |
| Maintenance Personnel                       |    | 26,184 |         |
| Social Security                             |    | 1,406  |         |
| State Retirement                            |    | 1,191  |         |
| Unemployment Compensation                   |    | 57     |         |
| Communication                               |    | 1,057  |         |
| Maintenance and Repair Services - Buildings |    | 16,723 |         |
| Travel                                      |    | 2,154  |         |
| Other Contracted Services                   |    | 3,694  |         |
| Custodial Supplies                          |    | 2,751  |         |
| Utilities                                   |    | 98,073 |         |
| Building Construction                       |    | 47,195 |         |
| Communication Equipment                     |    | 14,603 |         |
| Motor Vehicles                              |    | 14,603 |         |
| Disabilities Act Improvements               |    | 5,962  |         |
| Total County Buildings                      |    |        | 263,214 |

Other General Administration

|   |    |        |  |
|---|----|--------|--|
| Audit Services                              | \$ | 4,900  |  |
| Communication                               |    | 29,742 |  |
| Contributions                               |    | 12,000 |  |
| Dues and Memberships                        |    | 2,729  |  |
| Legal Services                              |    | 56,557 |  |
| Legal Notices, Recording, and Court Costs   |    | 753    |  |
| Licenses                                    |    | 550    |  |
| Maintenance and Repair Services - Equipment |    | 13,675 |  |
| Medical and Dental Services                 |    | 6,687  |  |
| Pest Control                                |    | 4,828  |  |

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Other General Administration (Cont.)

|                                    |    |        |            |
|------------------------------------|----|--------|------------|
| Postal Charges                     | \$ | 29,770 |            |
| Permits                            |    | 1,470  |            |
| Other Contracted Services          |    | 30,012 |            |
| Office Supplies                    |    | 4,395  |            |
| Other Supplies and Materials       |    | 1,601  |            |
| Other Charges                      |    | 51,408 |            |
| Total Other General Administration |    |        | \$ 251,077 |

Finance

Accounting and Budgeting

|  |    |        |        |
|--|----|--------|--------|
| County Official/Administrative Officer | \$ | 31,315 |        |
| Social Security                        |    | 839    |        |
| State Retirement                       |    | 700    |        |
| Unemployment Compensation              |    | 13     |        |
| Data Processing Services               |    | 6,536  |        |
| Total Accounting and Budgeting         |    |        | 39,403 |

Property Assessor's Office

|  |    |        |         |
|--|----|--------|---------|
| County Official/Administrative Officer | \$ | 57,751 |         |
| Assistant(s)                           |    | 37,832 |         |
| Deputy(ies)                            |    | 19,869 |         |
| Social Security                        |    | 2,949  |         |
| State Retirement                       |    | 5,363  |         |
| Unemployment Compensation              |    | 72     |         |
| Data Processing Services               |    | 9,135  |         |
| Dues and Memberships                   |    | 100    |         |
| Travel                                 |    | 3,364  |         |
| Permits                                |    | 12,806 |         |
| Other Contracted Services              |    | 17,844 |         |
| Office Supplies                        |    | 1,067  |         |
| Other Supplies and Materials           |    | 2,257  |         |
| Total Property Assessor's Office       |    |        | 170,409 |

County Trustee's Office

|  |    |        |
|--|----|--------|
| County Official/Administrative Officer | \$ | 57,751 |
| Deputy(ies)                            |    | 53,095 |
| In-Service Training                    |    | 600    |
| Social Security                        |    | 2,576  |
| State Retirement                       |    | 4,901  |
| Unemployment Compensation              |    | 76     |

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office (Cont.)

|   |    |       |            |
|---|----|-------|------------|
| Communication                             | \$ | 1,225 |            |
| Data Processing Services                  |    | 7,450 |            |
| Dues and Memberships                      |    | 100   |            |
| Legal Notices, Recording, and Court Costs |    | 198   |            |
| Printing, Stationery, and Forms           |    | 1,200 |            |
| Rentals                                   |    | 804   |            |
| Travel                                    |    | 1,604 |            |
| Data Processing Supplies                  |    | 669   |            |
| Office Supplies                           |    | 691   |            |
| Data Processing Equipment                 |    | 700   |            |
| Total County Trustee's Office             |    |       | \$ 133,640 |

County Clerk's Office

|   |    |        |         |
|---|----|--------|---------|
| County Official/Administrative Officer    | \$ | 57,751 |         |
| Deputy(ies)                               |    | 60,684 |         |
| Secretary to Board                        |    | 100    |         |
| Social Security                           |    | 2,843  |         |
| State Retirement                          |    | 5,122  |         |
| Unemployment Compensation                 |    | 72     |         |
| Communication                             |    | 316    |         |
| Legal Notices, Recording, and Court Costs |    | 265    |         |
| Maintenance Agreements                    |    | 8,931  |         |
| Rentals                                   |    | 804    |         |
| Travel                                    |    | 2,793  |         |
| Office Supplies                           |    | 3,386  |         |
| Office Equipment                          |    | 2,248  |         |
| Total County Clerk's Office               |    |        | 145,315 |

Administration of Justice

Circuit Court

|  |    |        |         |
|--|----|--------|---------|
| County Official/Administrative Officer | \$ | 57,751 |         |
| Deputy(ies)                            |    | 69,154 |         |
| Jury and Witness Fees                  |    | 8,525  |         |
| Social Security                        |    | 3,367  |         |
| State Retirement                       |    | 5,109  |         |
| Unemployment Compensation              |    | 97     |         |
| Maintenance Agreements                 |    | 6,862  |         |
| Printing, Stationery, and Forms        |    | 1,652  |         |
| Other Supplies and Materials           |    | 355    |         |
| Total Circuit Court                    |    |        | 152,872 |

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Court

|                              |    |        |           |
|------------------------------|----|--------|-----------|
| Judge(s)                     | \$ | 79,312 |           |
| Social Security              |    | 2,076  |           |
| State Retirement             |    | 5,449  |           |
| Dues and Memberships         |    | 70     |           |
| Total General Sessions Court |    |        | \$ 86,907 |

Drug Court

|                                 |    |     |     |
|---------------------------------|----|-----|-----|
| Remittance of Revenue Collected | \$ | 598 |     |
| Total Drug Court                |    |     | 598 |

Chancery Court

|   |    |        |         |
|---|----|--------|---------|
| County Official/Administrative Officer    | \$ | 57,751 |         |
| Deputy(ies)                               |    | 39,738 |         |
| Social Security                           |    | 2,498  |         |
| State Retirement                          |    | 4,856  |         |
| Unemployment Compensation                 |    | 47     |         |
| Data Processing Services                  |    | 3,742  |         |
| Dues and Memberships                      |    | 100    |         |
| Legal Notices, Recording, and Court Costs |    | 1,144  |         |
| Printing, Stationery, and Forms           |    | 1,471  |         |
| Data Processing Equipment                 |    | 50     |         |
| Total Chancery Court                      |    |        | 111,397 |

Juvenile Court

|                              |    |        |        |
|------------------------------|----|--------|--------|
| Assistant(s)                 | \$ | 15,956 |        |
| Youth Service Officer(s)     |    | 21,942 |        |
| Attendants                   |    | 2,552  |        |
| In-Service Training          |    | 300    |        |
| Social Security              |    | 879    |        |
| State Retirement             |    | 785    |        |
| Unemployment Compensation    |    | 49     |        |
| Travel                       |    | 2,147  |        |
| Other Supplies and Materials |    | 631    |        |
| Total Juvenile Court         |    |        | 45,241 |

Public Safety

Sheriff's Department

|  |    |         |  |
|--|----|---------|--|
| County Official/Administrative Officer | \$ | 63,527  |  |
| Deputy(ies)                            |    | 386,277 |  |
| Investigator(s)                        |    | 68,506  |  |

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

|   |    |        |            |
|---|----|--------|------------|
| Salary Supplements                          | \$ | 10,200 |            |
| Dispatchers/Radio Operators                 |    | 50,254 |            |
| Clerical Personnel                          |    | 19,869 |            |
| Overtime Pay                                |    | 41,354 |            |
| Other Salaries and Wages                    |    | 35,472 |            |
| In-Service Training                         |    | 892    |            |
| Social Security                             |    | 18,511 |            |
| State Retirement                            |    | 17,636 |            |
| Unemployment Compensation                   |    | 198    |            |
| Dues and Memberships                        |    | 100    |            |
| Maintenance Agreements                      |    | 3,399  |            |
| Maintenance and Repair Services - Equipment |    | 2,823  |            |
| Maintenance and Repair Services - Vehicles  |    | 17,762 |            |
| Printing, Stationery, and Forms             |    | 796    |            |
| Travel                                      |    | 897    |            |
| Gasoline                                    |    | 63,171 |            |
| Law Enforcement Supplies                    |    | 10,448 |            |
| Office Supplies                             |    | 1,055  |            |
| Tires and Tubes                             |    | 7,415  |            |
| Uniforms                                    |    | 1,826  |            |
| Other Supplies and Materials                |    | 277    |            |
| Liability Insurance                         |    | 42,500 |            |
| Vehicle and Equipment Insurance             |    | 20,392 |            |
| Other Charges                               |    | 489    |            |
| Principal on Capital Leases                 |    | 7,366  |            |
| Interest on Capital Leases                  |    | 1,208  |            |
| Data Processing Equipment                   |    | 1,600  |            |
| Motor Vehicles                              |    | 60,706 |            |
| Total Sheriff's Department                  |    |        | \$ 956,926 |

Correctional Incentive Program Improvements

|                             |    |         |
|-----------------------------|----|---------|
| Assistant(s)                | \$ | 28,990  |
| Dispatchers/Radio Operators |    | 163,601 |
| Guards                      |    | 484,386 |
| Overtime Pay                |    | 116,274 |
| In-Service Training         |    | 1,663   |
| Social Security             |    | 49,276  |
| State Retirement            |    | 15,653  |
| Unemployment Compensation   |    | 553     |
| Evaluation and Testing      |    | 3,080   |

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Correctional Incentive Program Improvements (Cont.)

|   |    |         |              |
|---|----|---------|--------------|
| Maintenance Agreements                            | \$ | 5,713   |              |
| Maintenance and Repair Services - Buildings       |    | 2,393   |              |
| Maintenance and Repair Services - Equipment       |    | 4,827   |              |
| Medical and Dental Services                       |    | 183,289 |              |
| Postal Charges                                    |    | 811     |              |
| Printing, Stationery, and Forms                   |    | 1,162   |              |
| Travel  |    | 525     |              |
| Custodial Supplies                                |    | 15,582  |              |
| Food Supplies                                     |    | 216,752 |              |
| Prisoners Clothing                                |    | 4,740   |              |
| Uniforms  |    | 3,058   |              |
| Utilities   |    | 171,858 |              |
| Other Supplies and Materials                      |    | 17,286  |              |
| Total Correctional Incentive Program Improvements |    |         | \$ 1,491,472 |

Fire Prevention and Control

|                                    |    |       |       |
|------------------------------------|----|-------|-------|
| Contracts with Government Agencies | \$ | 1,000 |       |
| Total Fire Prevention and Control  |    |       | 1,000 |

Civil Defense

|  |    |        |        |
|--|----|--------|--------|
| In-Service Training                        | \$ | 490    |        |
| Maintenance and Repair Services - Vehicles |    | 4,880  |        |
| Gasoline                                   |    | 8,791  |        |
| Utilities                                  |    | 4,977  |        |
| Other Supplies and Materials               |    | 26,783 |        |
| Building and Contents Insurance            |    | 3,762  |        |
| Communication Equipment                    |    | 4,584  |        |
| Other Equipment                            |    | 28,734 |        |
| Total Civil Defense                        |    |        | 83,001 |

Rescue Squad

|   |    |        |  |
|---|----|--------|--|
| In-Service Training                         | \$ | 4,920  |  |
| Dues and Memberships                        |    | 545    |  |
| Maintenance and Repair Services - Equipment |    | 1,388  |  |
| Maintenance and Repair Services - Vehicles  |    | 10,935 |  |
| Medical and Dental Services                 |    | 1,000  |  |
| Gasoline                                    |    | 10,476 |  |
| Instructional Supplies and Materials        |    | 966    |  |
| Utilities                                   |    | 3,405  |  |
| Other Supplies and Materials                |    | 4,929  |  |

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Rescue Squad (Cont.)

|                                 |    |        |            |
|---------------------------------|----|--------|------------|
| Building and Contents Insurance | \$ | 4,692  |            |
| Other Equipment                 |    | 64,733 |            |
| Total Rescue Squad              |    |        | \$ 107,989 |

Other Emergency Management

|   |    |       |        |
|---|----|-------|--------|
| County Official/Administrative Officer      | \$ | 4,657 |        |
| Social Security                             |    | 121   |        |
| State Retirement                            |    | 104   |        |
| Unemployment Compensation                   |    | 3     |        |
| Communication                               |    | 1,277 |        |
| Maintenance and Repair Services - Equipment |    | 136   |        |
| Maintenance and Repair Services - Vehicles  |    | 124   |        |
| Travel                                      |    | 378   |        |
| Gasoline                                    |    | 396   |        |
| Other Supplies and Materials                |    | 9,069 |        |
| Total Other Emergency Management            |    |       | 16,265 |

County Coroner/Medical Examiner

|                                       |    |     |     |
|---------------------------------------|----|-----|-----|
| Medical Personnel                     | \$ | 276 |     |
| Total County Coroner/Medical Examiner |    |     | 276 |

Public Health and Welfare

Local Health Center

|   |    |        |        |
|---|----|--------|--------|
| Contracts with Government Agencies          | \$ | 44,000 |        |
| Maintenance and Repair Services - Equipment |    | 9,921  |        |
| Other Supplies and Materials                |    | 8,679  |        |
| Total Local Health Center                   |    |        | 62,600 |

Ambulance/Emergency Medical Services

|  |    |         |         |
|--|----|---------|---------|
| Contracts with Private Agencies            | \$ | 735,990 |         |
| Total Ambulance/Emergency Medical Services |    |         | 735,990 |

Crippled Children Services

|                                  |    |       |       |
|----------------------------------|----|-------|-------|
| Contributions                    | \$ | 1,250 |       |
| Total Crippled Children Services |    |       | 1,250 |

Other Local Health Services

|                 |    |        |  |
|-----------------|----|--------|--|
| Assistant(s)    | \$ | 54,369 |  |
| Attendants      |    | 16,623 |  |
| Social Security |    | 1,649  |  |

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Other Local Health Services (Cont.)

|                                   |    |       |           |
|-----------------------------------|----|-------|-----------|
| State Retirement                  | \$ | 2,469 |           |
| Unemployment Compensation         |    | 112   |           |
| Other Fringe Benefits             |    | 2,903 |           |
| Travel                            |    | 9,810 |           |
| Total Other Local Health Services |    |       | \$ 87,935 |

Sanitation Education/Information

|  |    |        |        |
|--|----|--------|--------|
| Supervisor/Director                        | \$ | 23,760 |        |
| Social Security                            |    | 615    |        |
| State Retirement                           |    | 530    |        |
| Unemployment Compensation                  |    | 13     |        |
| Maintenance and Repair Services - Vehicles |    | 1,218  |        |
| Gasoline                                   |    | 2,429  |        |
| Instructional Supplies and Materials       |    | 3,502  |        |
| Other Supplies and Materials               |    | 884    |        |
| Total Sanitation Education/Information     |    |        | 32,951 |

Other Public Health and Welfare

|                                       |    |        |        |
|---------------------------------------|----|--------|--------|
| Assistant(s)                          | \$ | 24,931 |        |
| Social Security                       |    | 2,147  |        |
| State Retirement                      |    | 1,328  |        |
| Unemployment Compensation             |    | 32     |        |
| Postal Charges                        |    | 100    |        |
| Travel                                |    | 5,007  |        |
| Other Supplies and Materials          |    | 279    |        |
| Total Other Public Health and Welfare |    |        | 33,824 |

Social, Cultural, and Recreational Services

Senior Citizens Assistance

|                                  |    |        |        |
|----------------------------------|----|--------|--------|
| Supervisor/Director              | \$ | 18,862 |        |
| Social Security                  |    | 451    |        |
| State Retirement                 |    | 422    |        |
| Unemployment Compensation        |    | 24     |        |
| Total Senior Citizens Assistance |    |        | 19,759 |

Libraries

|                           |    |        |  |
|---------------------------|----|--------|--|
| Assistant(s)              | \$ | 17,813 |  |
| Social Security           |    | 439    |  |
| State Retirement          |    | 397    |  |
| Unemployment Compensation |    | 34     |  |

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Libraries (Cont.)

|                              |    |       |           |
|------------------------------|----|-------|-----------|
| Other Supplies and Materials | \$ | 1,106 |           |
| Data Processing Equipment    |    | 4,550 |           |
| Total Libraries              |    |       | \$ 24,339 |

Other Social, Cultural, and Recreational

|  |    |       |       |
|--|----|-------|-------|
| Other Supplies and Materials                   | \$ | 6,412 |       |
| Total Other Social, Cultural, and Recreational |    |       | 6,412 |

Agriculture and Natural Resources

Agriculture Extension Service

|   |    |        |        |
|---|----|--------|--------|
| County Official/Administrative Officer      | \$ | 10,108 |        |
| Supervisor/Director                         |    | 7,355  |        |
| Secretary(ies)                              |    | 4,257  |        |
| Social Security                             |    | 1,662  |        |
| State Retirement                            |    | 3,149  |        |
| Data Processing Services                    |    | 551    |        |
| Maintenance and Repair Services - Buildings |    | 17,830 |        |
| Travel                                      |    | 1,800  |        |
| Other Supplies and Materials                |    | 8,789  |        |
| Total Agriculture Extension Service         |    |        | 55,501 |

Soil Conservation

|                                      |    |        |        |
|--------------------------------------|----|--------|--------|
| Secretary(ies)                       | \$ | 14,827 |        |
| Social Security                      |    | 1,135  |        |
| Dues and Memberships                 |    | 300    |        |
| Instructional Supplies and Materials |    | 510    |        |
| Office Supplies                      |    | 654    |        |
| Premiums on Corporate Surety Bonds   |    | 100    |        |
| Total Soil Conservation              |    |        | 17,526 |

Other Operations

Industrial Development

|                                      |    |     |     |
|--------------------------------------|----|-----|-----|
| Contracts with Other Public Agencies | \$ | 400 |     |
| Total Industrial Development         |    |     | 400 |

Other Economic and Community Development

|  |    |       |        |
|--|----|-------|--------|
| Contracts with Government Agencies             | \$ | 9,250 |        |
| Contracts with Other Public Agencies           |    | 3,541 |        |
| Travel   |    | 1,510 |        |
| Total Other Economic and Community Development |    |       | 14,301 |

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations (Cont.)

Veterans' Services

|                           |    |       |           |
|---------------------------|----|-------|-----------|
| Supervisor/Director       | \$ | 7,920 |           |
| Clerical Personnel        |    | 6,176 |           |
| Social Security           |    | 354   |           |
| State Retirement          |    | 139   |           |
| Unemployment Compensation |    | 28    |           |
| Travel                    |    | 1,889 |           |
| Total Veterans' Services  |    |       | \$ 16,506 |

Other Charges

|                                 |    |        |         |
|---------------------------------|----|--------|---------|
| Building and Contents Insurance | \$ | 99,570 |         |
| Trustee's Commission            |    | 96,211 |         |
| Workers' Compensation Insurance |    | 36,201 |         |
| Total Other Charges             |    |        | 231,982 |

Contributions to Other Agencies

|                                       |    |        |        |
|---------------------------------------|----|--------|--------|
| Remittance of Revenue Collected       | \$ | 50,376 |        |
| Total Contributions to Other Agencies |    |        | 50,376 |

Employee Benefits

|                                  |    |         |         |
|----------------------------------|----|---------|---------|
| Social Security                  | \$ | 98,130  |         |
| State Retirement                 |    | 81,100  |         |
| Employee and Dependent Insurance |    | 473,009 |         |
| Unemployment Compensation        |    | 3,413   |         |
| Total Employee Benefits          |    |         | 655,652 |

Total General Fund \$ 6,448,522

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

|                                 |    |         |            |
|---------------------------------|----|---------|------------|
| Contracts with Private Agencies | \$ | 418,563 |            |
| Total Sanitation Management     |    |         | \$ 418,563 |

Total Solid Waste/Sanitation Fund 418,563

Drug Control Fund

Public Safety

Drug Enforcement

|                    |    |        |  |
|--------------------|----|--------|--|
| Investigator(s)    | \$ | 69,000 |  |
| Salary Supplements |    | 4,000  |  |

(Continued)

Exhibit J-7

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

Drug Control Fund (Cont.)

Public Safety (Cont.)

Drug Enforcement (Cont.)

|  |    |       |           |
|--|----|-------|-----------|
| Communication                          | \$ | 2,044 |           |
| Confidential Drug Enforcement Payments |    | 5,000 |           |
| Law Enforcement Supplies               |    | 119   |           |
| Other Supplies and Materials           |    | 2,859 |           |
| Total Drug Enforcement                 |    |       | \$ 83,022 |

Other Operations

Other Charges

|                      |    |     |     |
|----------------------|----|-----|-----|
| Trustee's Commission | \$ | 656 |     |
| Total Other Charges  |    |     | 656 |

Total Drug Control Fund \$ 83,678

Constitutional Officers - Fees Fund

Administration of Justice

Chancery Court

|   |    |       |          |
|---|----|-------|----------|
| Special Commissioner Fees/Special Master Fees | \$ | 1,480 |          |
| Total Chancery Court                          |    |       | \$ 1,480 |

Total Constitutional Officers - Fees Fund 1,480

Highway/Public Works Fund

Highways

Administration

|  |    |        |            |
|--|----|--------|------------|
| County Official/Administrative Officer | \$ | 63,527 |            |
| Accountants/Bookkeepers                |    | 31,584 |            |
| Clerical Personnel                     |    | 29,986 |            |
| Communication                          |    | 10,824 |            |
| Data Processing Services               |    | 4,801  |            |
| Dues and Memberships                   |    | 3,417  |            |
| Postal Charges                         |    | 588    |            |
| Travel                                 |    | 1,828  |            |
| Office Supplies                        |    | 2,252  |            |
| Uniforms                               |    | 6,012  |            |
| Other Charges                          |    | 22     |            |
| Total Administration                   |    |        | \$ 154,841 |

Highway and Bridge Maintenance

|                             |    |        |
|-----------------------------|----|--------|
| Foremen                     | \$ | 76,071 |
| Equipment Operators - Heavy |    | 91,950 |

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

|                                      |    |         |            |
|--------------------------------------|----|---------|------------|
| Equipment Operators - Light          | \$ | 77,905  |            |
| Truck Drivers                        |    | 107,783 |            |
| Laborers                             |    | 147,819 |            |
| Overtime Pay                         |    | 14,900  |            |
| Contracts with Private Agencies      |    | 23,653  |            |
| Asphalt - Hot Mix                    |    | 40,668  |            |
| Asphalt - Liquid                     |    | 47,194  |            |
| Crushed Stone                        |    | 161,177 |            |
| Pipe                                 |    | 11,080  |            |
| Road Signs                           |    | 5,581   |            |
| Total Highway and Bridge Maintenance |    |         | \$ 805,781 |

Operation and Maintenance of Equipment

|  |    |         |         |
|--|----|---------|---------|
| Mechanic(s)                                  | \$ | 33,222  |         |
| Laborers                                     |    | 379     |         |
| Maintenance and Repair Services - Equipment  |    | 105     |         |
| Rentals                                      |    | 60      |         |
| Diesel Fuel                                  |    | 200,205 |         |
| Equipment and Machinery Parts                |    | 61,646  |         |
| Garage Supplies                              |    | 14,860  |         |
| Gasoline                                     |    | 136,108 |         |
| Lubricants                                   |    | 4,736   |         |
| Tires and Tubes                              |    | 14,687  |         |
| Total Operation and Maintenance of Equipment |    |         | 466,008 |

Other Charges

|                                    |    |        |        |
|------------------------------------|----|--------|--------|
| Electricity                        | \$ | 7,256  |        |
| Water and Sewer                    |    | 1,112  |        |
| Liability Insurance                |    | 6,097  |        |
| Premiums on Corporate Surety Bonds |    | 1,138  |        |
| Trustee's Commission               |    | 15,522 |        |
| Vehicle and Equipment Insurance    |    | 15,903 |        |
| Total Other Charges                |    |        | 47,028 |

Employee Benefits

|                                  |    |         |         |
|----------------------------------|----|---------|---------|
| Social Security                  | \$ | 46,067  |         |
| State Retirement                 |    | 53,047  |         |
| Employee and Dependent Insurance |    | 175,346 |         |
| Workers' Compensation Insurance  |    | 74,370  |         |
| Total Employee Benefits          |    |         | 348,830 |

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Capital Outlay

|                       |                |            |
|-----------------------|----------------|------------|
| Bridge Construction   | \$ 52,306      |            |
| Building Improvements | 1,475          |            |
| Motor Vehicles        | 20,473         |            |
| State Aid Projects    | 207,314        |            |
| Total Capital Outlay  | <u>281,568</u> | \$ 281,568 |

Total Highway/Public Works Fund \$ 2,104,056

General Debt Service Fund

Principal on Debt

General Government

|                          |                |            |
|--------------------------|----------------|------------|
| Principal on Bonds       | \$ 230,000     |            |
| Total General Government | <u>230,000</u> | \$ 230,000 |

Education

|                    |                |         |
|--------------------|----------------|---------|
| Principal on Bonds | \$ 650,000     |         |
| Principal on Notes | 115,000        |         |
| Total Education    | <u>765,000</u> | 765,000 |

Interest on Debt

General Government

|                          |                |         |
|--------------------------|----------------|---------|
| Interest on Bonds        | \$ 951,900     |         |
| Total General Government | <u>951,900</u> | 951,900 |

Education

|                   |               |        |
|-------------------|---------------|--------|
| Interest on Notes | \$ 10,722     |        |
| Total Education   | <u>10,722</u> | 10,722 |

Other Debt Service

General Government

|                          |                |         |
|--------------------------|----------------|---------|
| Trustee's Commission     | \$ 24,558      |         |
| Other Debt Service       | 113,204        |         |
| Total General Government | <u>137,762</u> | 137,762 |

Total General Debt Service Fund 2,095,384

General Capital Projects Fund

Other Operations

Other Charges

|                      |          |      |
|----------------------|----------|------|
| Trustee's Commission | \$ 5     |      |
| Total Other Charges  | <u>5</u> | \$ 5 |

Total General Capital Projects Fund 5

(Continued)

Exhibit J-7

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

|   |    |         |               |
|---|----|---------|---------------|
| <u>HUD Grant Projects Fund</u>                |    |         |               |
| <u>Other Operations</u>                       |    |         |               |
| <u>Housing and Urban Development</u>          |    |         |               |
| Other Construction                            | \$ | 239,929 |               |
| Total Housing and Urban Development           |    |         | \$ 239,929    |
| Total HUD Grant Projects Fund                 |    |         | \$ 239,929    |
| <u>Other Capital Projects Fund</u>            |    |         |               |
| <u>Capital Projects</u>                       |    |         |               |
| <u>Public Safety Projects</u>                 |    |         |               |
| Other Charges                                 | \$ | 4,945   |               |
| Communication Equipment                       |    | 1,200   |               |
| Total Public Safety Projects                  |    |         | \$ 6,145      |
| Total Other Capital Projects Fund             |    |         | 6,145         |
| Total Governmental Funds - Primary Government |    |         | \$ 11,397,762 |

Exhibit J-8

Polk County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Discretely Presented Polk County School Department  
For the Year Ended June 30, 2009

General Purpose School Fund

Instruction

Regular Instruction Program

|                                      |              |              |
|--------------------------------------|--------------|--------------|
| Teachers                             | \$ 6,436,036 |              |
| Career Ladder Program                | 52,714       |              |
| Career Ladder Extended Contracts     | 31,919       |              |
| Educational Assistants               | 87,810       |              |
| Other Salaries and Wages             | 131,384      |              |
| Non-certified Substitute Teachers    | 96,911       |              |
| Social Security                      | 403,115      |              |
| State Retirement                     | 423,288      |              |
| Life Insurance                       | 3,965        |              |
| Medical Insurance                    | 966,853      |              |
| Dental Insurance                     | 65,879       |              |
| Unemployment Compensation            | 7,265        |              |
| Employer Medicare                    | 95,488       |              |
| Instructional Supplies and Materials | 70,588       |              |
| Textbooks                            | 127,287      |              |
| Other Charges                        | 153,022      |              |
| Total Regular Instruction Program    |              | \$ 9,153,524 |

Alternative Instruction Program

|                                       |           |         |
|---------------------------------------|-----------|---------|
| Teachers                              | \$ 90,883 |         |
| Career Ladder Program                 | 1,000     |         |
| Social Security                       | 2,609     |         |
| State Retirement                      | 2,754     |         |
| Life Insurance                        | 26        |         |
| Medical Insurance                     | 5,527     |         |
| Dental Insurance                      | 477       |         |
| Employer Medicare                     | 1,321     |         |
| Other Charges                         | 115       |         |
| Total Alternative Instruction Program |           | 104,712 |

Special Education Program

|                                   |            |
|-----------------------------------|------------|
| Teachers                          | \$ 547,622 |
| Career Ladder Program             | 6,000      |
| Career Ladder Extended Contracts  | 3,000      |
| Homebound Teachers                | 40,164     |
| Educational Assistants            | 76,260     |
| Non-certified Substitute Teachers | 6,705      |
| Social Security                   | 37,657     |
| State Retirement                  | 39,771     |

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

|                                      |    |         |            |
|--------------------------------------|----|---------|------------|
| Life Insurance                       | \$ | 454     |            |
| Medical Insurance                    |    | 112,755 |            |
| Dental Insurance                     |    | 5,728   |            |
| Employer Medicare                    |    | 9,418   |            |
| Instructional Supplies and Materials |    | 5,266   |            |
| Total Special Education Program      |    |         | \$ 890,800 |

Vocational Education Program

|                                      |    |         |         |
|--------------------------------------|----|---------|---------|
| Teachers                             | \$ | 475,045 |         |
| Career Ladder Program                |    | 4,000   |         |
| Career Ladder Extended Contracts     |    | 1,500   |         |
| Non-certified Substitute Teachers    |    | 8,932   |         |
| Social Security                      |    | 28,127  |         |
| State Retirement                     |    | 30,680  |         |
| Life Insurance                       |    | 296     |         |
| Medical Insurance                    |    | 75,013  |         |
| Dental Insurance                     |    | 5,342   |         |
| Employer Medicare                    |    | 6,578   |         |
| Other Contracted Services            |    | 4,307   |         |
| Instructional Supplies and Materials |    | 18,309  |         |
| Vocational Instruction Equipment     |    | 3,484   |         |
| Total Vocational Education Program   |    |         | 661,613 |

Student Body Education Program

|                                      |    |        |        |
|--------------------------------------|----|--------|--------|
| Other Contracted Services            | \$ | 53,332 |        |
| Other Supplies and Materials         |    | 2,453  |        |
| Total Student Body Education Program |    |        | 55,785 |

Adult Education Program

|                               |    |        |        |
|-------------------------------|----|--------|--------|
| Other Salaries and Wages      | \$ | 48,823 |        |
| Social Security               |    | 3,023  |        |
| Employer Medicare             |    | 706    |        |
| Total Adult Education Program |    |        | 52,552 |

Support Services

Attendance

|                       |    |     |  |
|-----------------------|----|-----|--|
| Career Ladder Program | \$ | 700 |  |
| Social Security       |    | 43  |  |
| State Retirement      |    | 49  |  |

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Attendance (Cont.)

|                   |    |     |        |
|-------------------|----|-----|--------|
| Life Insurance    | \$ | 1   |        |
| Medical Insurance |    | 177 |        |
| Employer Medicare |    | 10  |        |
| Total Attendance  |    |     | \$ 980 |

Health Services

|                                   |    |        |        |
|-----------------------------------|----|--------|--------|
| Medical Personnel                 | \$ | 62,324 |        |
| Non-certified Substitute Teachers |    | 112    |        |
| Social Security                   |    | 3,834  |        |
| State Retirement                  |    | 3,991  |        |
| Life Insurance                    |    | 61     |        |
| Medical Insurance                 |    | 11,161 |        |
| Dental Insurance                  |    | 911    |        |
| Employer Medicare                 |    | 897    |        |
| Other Contracted Services         |    | 2,763  |        |
| Total Health Services             |    |        | 86,054 |

Other Student Support

|                                      |    |         |  |
|--------------------------------------|----|---------|--|
| Career Ladder Program                | \$ | 1,000   |  |
| Guidance Personnel                   |    | 126,751 |  |
| Career Ladder Extended Contracts     |    | 2,000   |  |
| Assessment Personnel                 |    | 33,670  |  |
| Other Salaries and Wages             |    | 400,941 |  |
| Non-certified Substitute Teachers    |    | 14,562  |  |
| Social Security                      |    | 29,667  |  |
| State Retirement                     |    | 23,577  |  |
| Life Insurance                       |    | 89      |  |
| Medical Insurance                    |    | 16,706  |  |
| Dental Insurance                     |    | 1,372   |  |
| Employer Medicare                    |    | 8,190   |  |
| Communication                        |    | 1,418   |  |
| Contracts with Government Agencies   |    | 70,000  |  |
| Evaluation and Testing               |    | 5,963   |  |
| Postal Charges                       |    | 97      |  |
| Travel                               |    | 21,559  |  |
| Other Contracted Services            |    | 58,159  |  |
| Instructional Supplies and Materials |    | 515     |  |
| Other Supplies and Materials         |    | 238,257 |  |
| In Service/Staff Development         |    | 22,911  |  |

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

|                             |          |              |
|-----------------------------|----------|--------------|
| Other Charges               | \$ 8,402 |              |
| Total Other Student Support |          | \$ 1,085,806 |

Regular Instruction Program

|                                   |           |         |
|-----------------------------------|-----------|---------|
| Supervisor/Director               | \$ 36,201 |         |
| Career Ladder Program             | 2,900     |         |
| Career Ladder Extended Contracts  | 4,000     |         |
| Librarians                        | 109,600   |         |
| Education Media Personnel         | 34,904    |         |
| Non-certified Substitute Teachers | 6,008     |         |
| Social Security                   | 11,604    |         |
| State Retirement                  | 12,050    |         |
| Life Insurance                    | 180       |         |
| Medical Insurance                 | 31,196    |         |
| Dental Insurance                  | 1,333     |         |
| Employer Medicare                 | 2,714     |         |
| Travel                            | 4,969     |         |
| In Service/Staff Development      | 804       |         |
| Other Charges                     | 11,007    |         |
| Total Regular Instruction Program |           | 269,470 |

Special Education Program

|                                 |           |         |
|---------------------------------|-----------|---------|
| Supervisor/Director             | \$ 72,048 |         |
| Career Ladder Program           | 2,000     |         |
| Psychological Personnel         | 52,020    |         |
| Social Security                 | 7,433     |         |
| State Retirement                | 8,094     |         |
| Life Insurance                  | 53        |         |
| Medical Insurance               | 14,525    |         |
| Dental Insurance                | 955       |         |
| Employer Medicare               | 1,738     |         |
| Travel                          | 807       |         |
| Total Special Education Program |           | 159,673 |

Vocational Education Program

|                       |           |
|-----------------------|-----------|
| Supervisor/Director   | \$ 35,118 |
| Career Ladder Program | 900       |
| Social Security       | 2,163     |
| State Retirement      | 2,312     |

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Vocational Education Program (Cont.)

|                                    |    |       |           |
|------------------------------------|----|-------|-----------|
| Life Insurance                     | \$ | 13    |           |
| Medical Insurance                  |    | 2,533 |           |
| Dental Insurance                   |    | 239   |           |
| Employer Medicare                  |    | 506   |           |
| Total Vocational Education Program |    |       | \$ 43,784 |

Adult Programs

|                              |    |        |        |
|------------------------------|----|--------|--------|
| Supervisor/Director          | \$ | 32,200 |        |
| Clerical Personnel           |    | 2,400  |        |
| Social Security              |    | 2,119  |        |
| State Retirement             |    | 335    |        |
| Life Insurance               |    | 24     |        |
| Medical Insurance            |    | 5,527  |        |
| Employer Medicare            |    | 497    |        |
| In Service/Staff Development |    | 2,783  |        |
| Other Charges                |    | 15,234 |        |
| Total Adult Programs         |    |        | 61,119 |

Other Programs

|                            |    |         |         |
|----------------------------|----|---------|---------|
| On-Behalf Payments to OPEB | \$ | 129,780 |         |
| Total Other Programs       |    |         | 129,780 |

Board of Education

|  |    |         |         |
|--|----|---------|---------|
| Secretary to Board                         | \$ | 1,600   |         |
| Board and Committee Members Fees           |    | 11,250  |         |
| Social Security                            |    | 797     |         |
| State Retirement                           |    | 102     |         |
| Employer Medicare                          |    | 186     |         |
| Audit Services                             |    | 11,420  |         |
| Dues and Memberships                       |    | 9,108   |         |
| Legal Services                             |    | 6,320   |         |
| Travel                                     |    | 1,543   |         |
| Liability Insurance                        |    | 32,872  |         |
| Premiums on Corporate Surety Bonds         |    | 1,686   |         |
| Trustee's Commission                       |    | 90,104  |         |
| Workers' Compensation Insurance            |    | 104,933 |         |
| Criminal Investigation of Applicants - TBI |    | 4,368   |         |
| Total Board of Education                   |    |         | 276,289 |

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools

|  |    |        |            |
|--|----|--------|------------|
| County Official/Administrative Officer | \$ | 98,290 |            |
| Career Ladder Program                  |    | 900    |            |
| Secretary(ies)                         |    | 31,311 |            |
| Other Salaries and Wages               |    | 4,095  |            |
| Social Security                        |    | 8,309  |            |
| State Retirement                       |    | 8,677  |            |
| Life Insurance                         |    | 53     |            |
| Medical Insurance                      |    | 10,592 |            |
| Dental Insurance                       |    | 477    |            |
| Unemployment Compensation              |    | 2,982  |            |
| Employer Medicare                      |    | 2,043  |            |
| Communication                          |    | 77,791 |            |
| Dues and Memberships                   |    | 1,670  |            |
| Postal Charges                         |    | 3,373  |            |
| Travel                                 |    | 10,256 |            |
| Other Contracted Services              |    | 23,971 |            |
| In Service/Staff Development           |    | 826    |            |
| Total Director of Schools              |    |        | \$ 285,616 |

Office of the Principal

|                                  |    |         |         |
|----------------------------------|----|---------|---------|
| Principals                       | \$ | 426,457 |         |
| Career Ladder Program            |    | 4,000   |         |
| Accountants/Bookkeepers          |    | 98,704  |         |
| Career Ladder Extended Contracts |    | 250     |         |
| Assistant Principals             |    | 131,827 |         |
| Clerical Personnel               |    | 88,749  |         |
| Social Security                  |    | 44,937  |         |
| State Retirement                 |    | 46,111  |         |
| Life Insurance                   |    | 517     |         |
| Medical Insurance                |    | 100,753 |         |
| Dental Insurance                 |    | 3,819   |         |
| Employer Medicare                |    | 10,509  |         |
| Travel                           |    | 4,055   |         |
| Other Contracted Services        |    | 1,250   |         |
| Total Office of the Principal    |    |         | 961,938 |

Fiscal Services

|                         |    |        |  |
|-------------------------|----|--------|--|
| Supervisor/Director     | \$ | 21,038 |  |
| Accountants/Bookkeepers |    | 12,180 |  |

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Fiscal Services (Cont.)

|                       |    |        |           |
|-----------------------|----|--------|-----------|
| Clerical Personnel    | \$ | 31,943 |           |
| Social Security       |    | 3,824  |           |
| State Retirement      |    | 4,157  |           |
| Life Insurance        |    | 41     |           |
| Medical Insurance     |    | 10,440 |           |
| Employer Medicare     |    | 894    |           |
| Office Supplies       |    | 3,931  |           |
| Total Fiscal Services |    |        | \$ 88,448 |

Operation of Plant

|                                 |    |         |           |
|---------------------------------|----|---------|-----------|
| Supervisor/Director             | \$ | 33,504  |           |
| Custodial Personnel             |    | 236,416 |           |
| Other Salaries and Wages        |    | 3,072   |           |
| Social Security                 |    | 15,063  |           |
| State Retirement                |    | 9,800   |           |
| Life Insurance                  |    | 375     |           |
| Medical Insurance               |    | 70,440  |           |
| Unemployment Compensation       |    | 9,593   |           |
| Employer Medicare               |    | 3,895   |           |
| Travel                          |    | 197     |           |
| Other Contracted Services       |    | 51,864  |           |
| Custodial Supplies              |    | 55,405  |           |
| Electricity                     |    | 559,655 |           |
| Fuel Oil                        |    | 112,428 |           |
| Water and Sewer                 |    | 59,112  |           |
| Other Supplies and Materials    |    | 28,884  |           |
| Boiler Insurance                |    | 5,395   |           |
| Building and Contents Insurance |    | 98,282  |           |
| Plant Operation Equipment       |    | 35,005  |           |
| Total Operation of Plant        |    |         | 1,388,385 |

Maintenance of Plant

|                            |    |        |         |
|----------------------------|----|--------|---------|
| Maintenance Personnel      | \$ | 89,934 |         |
| Social Security            |    | 4,976  |         |
| State Retirement           |    | 5,215  |         |
| Life Insurance             |    | 106    |         |
| Medical Insurance          |    | 21,184 |         |
| Employer Medicare          |    | 1,283  |         |
| Maintenance Equipment      |    | 4,000  |         |
| Total Maintenance of Plant |    |        | 126,698 |

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation

|                                 |    |         |            |
|---------------------------------|----|---------|------------|
| Supervisor/Director             | \$ | 4,980   |            |
| Mechanic(s)                     |    | 60,809  |            |
| Bus Drivers                     |    | 333,707 |            |
| Other Salaries and Wages        |    | 52,281  |            |
| In-Service Training             |    | 1,065   |            |
| Social Security                 |    | 27,827  |            |
| State Retirement                |    | 13,087  |            |
| Life Insurance                  |    | 507     |            |
| Medical Insurance               |    | 29,292  |            |
| Employer Medicare               |    | 6,511   |            |
| Medical and Dental Services     |    | 2,245   |            |
| Travel                          |    | 292     |            |
| Gasoline                        |    | 123,406 |            |
| Tires and Tubes                 |    | 15,964  |            |
| Vehicle Parts                   |    | 100,306 |            |
| Vehicle and Equipment Insurance |    | 30,344  |            |
| In Service/Staff Development    |    | 1,753   |            |
| Principal on Capital Leases     |    | 88,260  |            |
| Interest on Capital Leases      |    | 12,864  |            |
| Total Transportation            |    |         | \$ 905,500 |

Operation of Non-Instructional Services

Food Service

|                     |    |        |        |
|---------------------|----|--------|--------|
| Supervisor/Director | \$ | 27,804 |        |
| Clerical Personnel  |    | 3,988  |        |
| Social Security     |    | 1,966  |        |
| State Retirement    |    | 2,028  |        |
| Life Insurance      |    | 28     |        |
| Medical Insurance   |    | 6,140  |        |
| Employer Medicare   |    | 460    |        |
| Travel              |    | 1,594  |        |
| Other Charges       |    | 2,900  |        |
| Total Food Service  |    |        | 46,908 |

Early Childhood Education

|                          |    |         |  |
|--------------------------|----|---------|--|
| Teachers                 | \$ | 156,387 |  |
| Clerical Personnel       |    | 12,180  |  |
| Educational Assistants   |    | 51,676  |  |
| Other Salaries and Wages |    | 5,760   |  |

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Early Childhood Education (Cont.)

|                                      |    |        |            |
|--------------------------------------|----|--------|------------|
| Non-certified Substitute Teachers    | \$ | 5,588  |            |
| Social Security                      |    | 13,861 |            |
| State Retirement                     |    | 14,106 |            |
| Life Insurance                       |    | 224    |            |
| Medical Insurance                    |    | 50,400 |            |
| Dental Insurance                     |    | 1,909  |            |
| Employer Medicare                    |    | 3,250  |            |
| Travel                               |    | 3,568  |            |
| Instructional Supplies and Materials |    | 54,573 |            |
| Total Early Childhood Education      |    |        | \$ 373,482 |

Capital Outlay

Regular Capital Outlay

|                              |    |       |       |
|------------------------------|----|-------|-------|
| Other Capital Outlay         | \$ | 4,302 |       |
| Total Regular Capital Outlay |    |       | 4,302 |

Other Debt Service

Education

|   |    |         |         |
|---|----|---------|---------|
| Debt Service Contribution to Primary Government | \$ | 767,847 |         |
| Total Education                                 |    |         | 767,847 |

Total General Purpose School Fund \$ 17,981,065

School Federal Projects Fund

Instruction

Regular Instruction Program

|                                      |    |         |            |
|--------------------------------------|----|---------|------------|
| Teachers                             | \$ | 213,440 |            |
| Educational Assistants               |    | 134,784 |            |
| Other Salaries and Wages             |    | 8,328   |            |
| Non-certified Substitute Teachers    |    | 6,525   |            |
| Social Security                      |    | 21,756  |            |
| State Retirement                     |    | 20,611  |            |
| Life Insurance                       |    | 516     |            |
| Medical Insurance                    |    | 71,032  |            |
| Dental Insurance                     |    | 2,401   |            |
| Employer Medicare                    |    | 4,951   |            |
| Instructional Supplies and Materials |    | 68,286  |            |
| Other Charges                        |    | 8,322   |            |
| Total Regular Instruction Program    |    |         | \$ 560,952 |

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program

|                                   |    |         |            |
|-----------------------------------|----|---------|------------|
| Educational Assistants            | \$ | 162,163 |            |
| Other Salaries and Wages          |    | 6,394   |            |
| Non-certified Substitute Teachers |    | 18,168  |            |
| Social Security                   |    | 11,108  |            |
| State Retirement                  |    | 10,356  |            |
| Life Insurance                    |    | 324     |            |
| Medical Insurance                 |    | 61,527  |            |
| Employer Medicare                 |    | 2,652   |            |
| Contracts with Private Agencies   |    | 100,795 |            |
| Other Contracted Services         |    | 22,489  |            |
| Other Supplies and Materials      |    | 60,810  |            |
| Other Charges                     |    | 11,709  |            |
| Total Special Education Program   |    |         | \$ 468,495 |

Vocational Education Program

|                                      |    |        |        |
|--------------------------------------|----|--------|--------|
| Instructional Supplies and Materials | \$ | 7,745  |        |
| Other Charges                        |    | 75     |        |
| Principal on Capital Leases          |    | 9,460  |        |
| Interest on Capital Leases           |    | 271    |        |
| Vocational Instruction Equipment     |    | 47,333 |        |
| Total Vocational Education Program   |    |        | 64,884 |

Support Services

Health Services

|                            |    |        |        |
|----------------------------|----|--------|--------|
| Medical Personnel          | \$ | 45,482 |        |
| Other Salaries and Wages   |    | 9,137  |        |
| Social Security            |    | 3,292  |        |
| State Retirement           |    | 3,420  |        |
| Life Insurance             |    | 72     |        |
| Medical Insurance          |    | 16,432 |        |
| Unemployment Compensation  |    | 237    |        |
| Employer Medicare          |    | 770    |        |
| Travel                     |    | 114    |        |
| Drugs and Medical Supplies |    | 994    |        |
| Total Health Services      |    |        | 79,950 |

Other Student Support

|                          |    |       |  |
|--------------------------|----|-------|--|
| Other Salaries and Wages | \$ | 4,999 |  |
| Social Security          |    | 310   |  |

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

|                              |    |       |           |
|------------------------------|----|-------|-----------|
| State Retirement             | \$ | 320   |           |
| Employer Medicare            |    | 72    |           |
| Travel                       |    | 8,776 |           |
| In Service/Staff Development |    | 2,224 |           |
| Total Other Student Support  |    |       | \$ 16,701 |

Regular Instruction Program

|                                   |    |        |         |
|-----------------------------------|----|--------|---------|
| Supervisor/Director               | \$ | 90,388 |         |
| Secretary(ies)                    |    | 10,519 |         |
| Social Security                   |    | 6,084  |         |
| State Retirement                  |    | 6,471  |         |
| Life Insurance                    |    | 44     |         |
| Medical Insurance                 |    | 11,022 |         |
| Dental Insurance                  |    | 678    |         |
| Employer Medicare                 |    | 1,423  |         |
| Travel                            |    | 10,129 |         |
| Other Contracted Services         |    | 1,276  |         |
| Library Books/Media               |    | 42     |         |
| Other Supplies and Materials      |    | 48,648 |         |
| In Service/Staff Development      |    | 37,499 |         |
| Total Regular Instruction Program |    |        | 224,223 |

Special Education Program

|                                 |    |        |        |
|---------------------------------|----|--------|--------|
| Clerical Personnel              | \$ | 10,519 |        |
| Social Security                 |    | 688    |        |
| State Retirement                |    | 719    |        |
| Life Insurance                  |    | 5      |        |
| Medical Insurance               |    | 1,382  |        |
| Employer Medicare               |    | 161    |        |
| Travel                          |    | 24,869 |        |
| Other Supplies and Materials    |    | 1,824  |        |
| In Service/Staff Development    |    | 9,444  |        |
| Total Special Education Program |    |        | 49,611 |

Vocational Education Program

|                                    |    |       |       |
|------------------------------------|----|-------|-------|
| Travel                             | \$ | 2,200 |       |
| Total Vocational Education Program |    |       | 2,200 |

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Transportation

|                          |           |           |
|--------------------------|-----------|-----------|
| Transportation Equipment | \$ 37,000 |           |
| Total Transportation     |           | \$ 37,000 |

Total School Federal Projects Fund \$ 1,504,016

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

|   |            |              |
|---|------------|--------------|
| Cafeteria Personnel                         | \$ 398,404 |              |
| Social Security                             | 24,658     |              |
| Life Insurance                              | 662        |              |
| Medical Insurance                           | 25,325     |              |
| Unemployment Compensation                   | 700        |              |
| Employer Medicare                           | 5,767      |              |
| Communication                               | 1,423      |              |
| Dues and Memberships                        | 301        |              |
| Maintenance Agreements                      | 7,080      |              |
| Maintenance and Repair Services - Equipment | 15,552     |              |
| Other Contracted Services                   | 6,520      |              |
| Food Supplies                               | 545,130    |              |
| Other Supplies and Materials                | 47,381     |              |
| Refunds                                     | 215        |              |
| Trustee's Commission                        | 3          |              |
| In Service/Staff Development                | 599        |              |
| Other Charges                               | 44,008     |              |
| Food Service Equipment                      | 4,333      |              |
| Total Food Service                          |            | \$ 1,128,061 |

Total Central Cafeteria Fund 1,128,061

Education Capital Projects Fund

Capital Projects

Education Capital Projects

|                                  |           |           |
|----------------------------------|-----------|-----------|
| Building Improvements            | \$ 21,170 |           |
| Total Education Capital Projects |           | \$ 21,170 |

Total Education Capital Projects Fund 21,170

Total Governmental Funds - Polk County School Department \$ 20,634,312

Exhibit J-9

Polk County, Tennessee  
Schedule of Detailed Receipts, Disbursements,  
and Changes in Cash Balance - City Agency Fund  
For the Year Ended June 30, 2009

|                                      | <u>Cities -<br/>Sales Tax<br/>Fund</u> |
|--------------------------------------|--|
| <u>Cash Receipts</u>                 |  |
| Local Option Sales Tax               | \$ 392,009                             |
| Total Cash Receipts                  | <u>\$ 392,009</u>                      |
| <u>Cash Disbursements</u>            |  |
| Remittance of Revenues Collected     | \$ 388,382                             |
| Trustee's Commission                 | 3,627                                  |
| Total Cash Disbursements             | <u>\$ 392,009</u>                      |
| Excess of Cash Receipts Over (Under) |  |
| Cash Disbursements                   | \$ 0                                   |
| Cash Balance, July 1, 2008           | <u>0</u>                               |
| Cash Balance, June 30, 2009          | <u><u>\$ 0</u></u>                     |

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## **SINGLE AUDIT SECTION**

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

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

December 29, 2009

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

To the County Executive and Board of County Commissioners:

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Polk County, Tennessee, as of and for the year ended June 30, 2009, which collectively comprise Polk County's basic financial statements and have issued our report thereon dated December 29, 2009. Our report on the aggregate discretely presented component units financial statements was qualified due to not including the financial statements of the Copper Basin Utility District and the Polk County Emergency Communications District, discretely presented component units, which were not available from other auditors as of the date of this report. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Polk County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing

an opinion on the effectiveness of Polk County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Polk County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting: 09.02, 09.03, and 09.06.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Polk County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

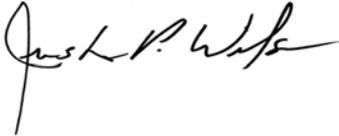
### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Polk County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying Schedule of Findings and Questioned Costs as items: 09.01, 09.04, and 09.05.

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

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

Very truly yours,

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

Justin P. Wilson  
Comptroller of the Treasury

JPW/sb

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

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

December 29, 2009

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

To the County Executive and Board of County Commissioners:

Compliance

We have audited the compliance of Polk County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Polk County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Polk County's management. Our responsibility is to express an opinion on Polk County's compliance based on our audit.

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

such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Polk County's compliance with those requirements.

In our opinion, Polk County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

#### Internal Control Over Compliance

The management of Polk County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Polk County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Polk County's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

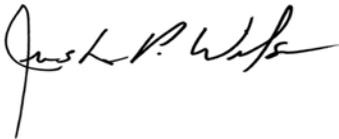
#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Polk County as of and for the year ended June 30, 2009, and have issued our report thereon dated December 29, 2009. Our report on the aggregate discretely presented component units financial statements was qualified due to not including the financial

statements of the Copper Basin Utility District and the Polk County Emergency Communications District, discretely presented component units, which were not available from other auditors as of the date of this report. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Polk County's 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Yours very truly,

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

Justin P. Wilson  
Comptroller of the Treasury

JPW/sb

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Polk County, Tennessee  
Schedule of Expenditures of Federal Awards and State Grants (1)  
For the Year Ended June 30, 2009

| 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                                      | \$ 90,114 (3)       |
| Passed-through State Department of Education:                       |                     |  |                     |
| Child Nutrition Cluster:  |                     |  |                     |
| School Breakfast Program  | 10.553              | N/A                                      | 196,266             |
| National School Lunch Program                                       | 10.555              | N/A                                      | 615,614 (3)         |
| Total U.S. Department of Agriculture                                |                     |  | <u>\$ 901,994</u>   |
| U.S. Department of Housing and Urban Development:                   |                     |  |                     |
| Passed-through State Housing Development Agency:                    |                     |  |                     |
| HOME Investment Partnerships Program                                | 14.239              | HM-07-32                                 | \$ 241,746          |
| Total U.S. Department of Housing and Urban Development              |                     |  | <u>\$ 241,746</u>   |
| U.S. Department of Interior:  |                     |  |                     |
| Direct Program:   |                     |  |                     |
| Payments in-Lieu-of Taxes   | 15.226              | (2)                                      | \$ 299,711          |
| Total U.S. Department of Interior                                   |                     |  | <u>\$ 299,711</u>   |
| U.S. Department of Justice:   |                     |  |                     |
| Passed-through State Commission on Children and Youth:              |                     |  |                     |
| Enforcing Underage Drinking Laws Program                            | 16.727              | Z-09-073522-00                           | \$ 29,638           |
| Total U.S. Department of Justice                                    |                     |  | <u>\$ 29,638</u>    |
| U.S. Department of Transportation:                                  |                     |  |                     |
| Passed-through State Department of Transportation:                  |                     |  |                     |
| Airport Improvement Program   | 20.106              | Z-08-200810-00                           | \$ 43,188           |
| State and Community Highway Safety                                  | 20.600              | Z-09-214342-00                           | 5,000               |
| Total U.S. Department of Transportation                             |                     |  | <u>\$ 48,188</u>    |
| U.S. Department of Education:                                       |                     |  |                     |
| Passed-through State Department of Labor and Workforce Development: |                     |  |                     |
| Adult Education - State Grant Program                               | 84.002              | (4)                                      | \$ 125,561          |
| Passed-through State Department of Education:                       |                     |  |                     |
| Title I Grants to Local Educational Agencies                        | 84.010              | N/A                                      | 590,035             |
| Special Education Cluster:  |                     |  |                     |
| Special Education - Grants to States                                | 84.027              | N/A                                      | 658,660             |
| Special Education - Preschool Grants                                | 84.173              | N/A                                      | 18,188              |
| Career and Technical Education-Basic Grants to States               | 84.048              | N/A                                      | 50,711              |
| Safe and Drug Free Schools and Communities - State Grants           | 84.186              | (2)                                      | 5,080               |
| Twenty-first Century Community Learning Centers                     | 84.287              | N/A                                      | 209,801             |
| State Grants for Innovative Programs                                | 84.298              | N/A                                      | 69                  |
| Education Technology State Grants                                   | 84.318              | N/A                                      | 5,280               |
| Rural Education   | 84.358              | N/A                                      | 70,168              |
| English Language Acquisition Grants                                 | 84.365              | N/A                                      | 754                 |
| Improving Teacher Quality State Grants                              | 84.367              | N/A                                      | 117,135             |
| Total U.S. Department of Education                                  |                     |  | <u>\$ 1,851,442</u> |
| Elections Assistance Commission:                                    |                     |  |                     |
| Passed-through Tennessee Secretary of State:                        |                     |  |                     |
| Help America Vote Act Requirements Payments                         | 90.401              | Z-09-217237-00                           | \$ 1,000            |
| Total Elections Assistance Commission                               |                     |  | <u>\$ 1,000</u>     |

(Continued)

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

| Federal/Pass-through Agency/State Grantor Program Title   | Federal<br>CFDA<br>Number | Passed-through<br>Entity Identifying<br>Number | Expenditures |
|---|---------------------------|--|--------------|
| U.S. Department of Health and Human Services:   |                           |  |              |
| Passed-through State Commission on Aging:   |                           |  |              |
| Special Programs for the Aging - Title III, Part B - Grants for<br>Supportive Services and Senior Centers | 93.044                    | (2)  | \$ 56,191    |
| Special Programs for the Aging - Title III, Part C - Nutrition Services                                   | 93.045                    | (2)  | 23,775       |
| Total U.S. Department of Health and Human Services  |                           |  | \$ 79,966    |
| U.S. Corporation for National Service:  |                           |  |              |
| Passed-through State Department of Education:   |                           |  |              |
| Learn and Serve America - School and Community Based Programs   | 94.004                    | 009-08-2-013                                   | \$ 2,916     |
| Total U.S. Corporation for National Service   |                           |  | \$ 2,916     |
| U.S. Department of Homeland Security:   |                           |  |              |
| Passed-through State Department of Military:  |                           |  |              |
| State Domestic Preparedness Equipment Support Program   | 97.004                    | GG-07-20799-00                                 | \$ 2,267     |
| Total U.S. Department of Homeland Security  |                           |  | \$ 2,267     |
| Total Expenditures of Federal Awards  |                           |  | \$ 3,458,868 |
| <u>State Grants</u>   |                           |  |              |
|   |                           | Contract<br>Number                             |              |
| Senior Center - State Commission on Aging   | N/A                       | (2)  | \$ 8,004     |
| Waste Tire Grant - State Department of Environment and Conservation                                       | N/A                       | (5)  | 12,061       |
| Litter Program - State Department of Transportation   | N/A                       | (6)  | 22,465       |
| State Reappraisal Program - Comptroller of the Treasury   | N/A                       | (2)  | 7,730        |
| Local Health Services - State Department of Health  | N/A                       | (7)  | 26,873       |
| Child Safety Seat Grant - State Department of Health  | N/A                       | (2)  | 9,707        |
| Agriculture Enhancement Program - State Department of Agriculture   | N/A                       | (8)  | 14,779       |
| Three-Star Grant Program - State Department of Economic and<br>Community Development                      | N/A                       | Z-09-217110-00                                 | 962          |
| Airport Maintenance Grant - State Department of Transportation  | N/A                       | Z-09-213369-00                                 | 10,895       |
| Voluntary Pre-K for Tennessee - Lottery Commission  | N/A                       | (2)  | 390,092      |
| Lottery Education After School Programs - Lottery Commission  | N/A                       | (2)  | 149,580      |
| Family Resource Grant - State Department of Education   | N/A                       | C626016593-00                                  | 33,300       |
| Coordinated School Health Improvement Grant - State Department<br>of Education                            | N/A                       | (2)  | 105,000      |
| School Safety Grant - State Department of Education   | N/A                       | (2)  | 14,800       |
| ConnecTN - State Department of Education  | N/A                       | (2)  | 15,009       |
| Model Dropout Prevention Grant  | N/A                       | (2)  | 5,854        |
| Total State Grants  |                           |  | \$ 827,111   |

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 \$705,728.  
(4) Z-08-020814-00: \$18,268; Z-09-213497-00: \$101,297; Z-09-217266-00: \$5,996  
(5) Z-08-020259-00: \$4,498; Z-08-212987-00: \$7,563  
(6) Z-08-020135-00: \$3,518; Z-09-212788-00: \$18,947  
(7) Z-08-020402-00: \$3,607; Z-09-213786-00: \$23,266  
(8) Z-08-201329-00: \$5,030; GG-09-26699-00: \$9,749

Polk County, Tennessee  
Schedule of Audit Findings Not Corrected  
June 30, 2009

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 Polk County, Tennessee, for the year ended June 30, 2008, which have not been corrected.

**OFFICE OF COUNTY EXECUTIVE**

| <u>Finding Number</u> | <u>Page Number</u> | <u>Subject</u>   |
|-----------------------|--------------------|--|
| 08.01                 | 176                | Accrued vacation leave balances exceeded the maximum leave provided by the county's personnel policy |
| 08.02(A,B)            | 176                | Deficiencies were noted in a proposed library construction project                                   |

**OFFICE OF HIGHWAY SUPERINTENDENT**

| <u>Finding Number</u> | <u>Page Number</u> | <u>Subject</u>  |
|-----------------------|--------------------|---|
| 08.11                 | 183                | The office did not implement adequate controls to protect its information resources |

**OFFICES OF COUNTY CLERK AND SHERIFF**

| <u>Finding Number</u> | <u>Page Number</u> | <u>Subject</u>  |
|-----------------------|--------------------|---|
| 08.12                 | 183                | Collections were not deposited within three days of receipt |

**OTHER FINDINGS**

| <u>Finding Number</u> | <u>Page Number</u> | <u>Subject</u>  |
|-----------------------|--------------------|---|
| 08.15                 | 185                | The director of accounts and budgets did not maintain accounting records for the Highway Department   |
| 08.16                 | 185                | Duties were not segregated adequately in the Offices of County Executive, Highway Superintendent, Director of Schools, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff |

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**POLK COUNTY, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2009**

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

1. Our report on the aggregate discretely presented component units is qualified. Our report on the governmental activities, each major fund, and the aggregate remaining fund information is unqualified.
2. The audit of the financial statements of Polk County disclosed significant deficiencies in internal control. None of these conditions was considered to be a material weakness.
3. The audit disclosed one instance of noncompliance that is material to the financial statements of Polk County.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: the School Breakfast Program and the National School Lunch Program (CFDA Nos. 10.553 and 10.555), Title I Grants to Local Educational Agencies (CFDA No. 84.010), and the Special Education Cluster: the Special Education – Grants to States and the Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Polk 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 COUNTY EXECUTIVE

**FINDING 09.01 ACCRUED VACATION LEAVE BALANCES EXCEEDED THE MAXIMUM LEAVE PROVIDED BY THE COUNTY'S PERSONNEL POLICY**  
(Noncompliance Under Government Auditing Standards)

During our review of employees' accrued leave balances, we noted that several employees had accrued vacation leave balances exceeding the maximum balance established by the county's personnel policy. The county's personnel policy allows employees to accumulate up to 15 days of vacation leave. This deficiency can be attributed to the failure of management to adequately monitor employees' leave balances, and their failure to correct the finding noted in the prior-year audit report. Allowing employees to accrue leave balances exceeding 15 days violates the county's leave policy resulting in excess employee compensation.

### RECOMMENDATION

Management should monitor employees' leave balances to ensure compliance with the county's personnel policy.

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**FINDING 09.02 DEFICIENCIES WERE NOTED IN A PROPOSED LIBRARY CONSTRUCTION PROJECT**  
(Internal Control – Significant Deficiency Under Government Auditing Standards)

On July 12, 2006, Polk County issued a \$50,000 capital outlay note to provide funds to aid in financing the cost of library construction projects, and on July 14, 2006, the General Debt Service Fund paid off this note. The note proceeds were contributed to Friends of the Library, a nonprofit organization, which was formed to raise money for future construction of county libraries. As of the date of this report, construction of a library has not begun. We noted the following deficiencies concerning the library project. These deficiencies can be attributed to the failure of management to correct the finding noted in the prior-audit report.

- A. By providing county funds to the nonprofit organization and allowing the nonprofit to control the construction of a building to house the county library, the nonprofit may not follow county purchasing laws and regulations.

- B. Since county funds were borrowed and contributed July 12, 2006, and construction of the building had not begun as of the date of this report, questions arise as to the timing and planning of this project.

On October 8, 2008, county officials filed suit in Chancery Court of Polk County formally requesting that the Friends of the Library return \$50,000 to the county. Presently, the county is pursuing its claim for a refund of the \$50,000. As of the date of this report, these funds have not been returned to the county.

### RECOMMENDATION

County officials should continue to pursue their claim for a refund of the \$50,000. Funds for the construction of the library should be expended by the county in compliance with county purchasing laws and regulations.

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## OFFICE OF HIGHWAY SUPERINTENDENT

**FINDING 09.03**      **THE OFFICE DID NOT IMPLEMENT ADEQUATE CONTROLS TO PROTECT ITS INFORMATION RESOURCES**  
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The office did not implement adequate controls to protect its information resources. This finding does not identify specific vulnerabilities that could allow someone to exploit the office's information system or misuse county funds. Disclosing those vulnerabilities could present a potential security risk by providing the readers with information that might be confidential pursuant to Section 10-7-504(i), Tennessee Code Annotated. Sound business practices dictate that proper controls be implemented. Without these controls, unauthorized system activity could occur.

### RECOMMENDATION

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

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## OFFICES OF COUNTY CLERK AND SHERIFF

**FINDING 09.04**      **SOME COLLECTIONS WERE NOT DEPOSITED WITHIN THREE DAYS OF RECEIPT**  
(Noncompliance Under Government Auditing Standards)

Some collections were not deposited to the office bank accounts within three days of receipt as required by Section 5-8-207, Tennessee Code Annotated. In most instances, this deficiency was the result of management's decisions to group several days' collections

together before making a deposit. This deficiency can be attributed to the failure of management to correct the finding noted in the prior-year audit report.

RECOMMENDATION

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

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OTHER FINDINGS AND RECOMMENDATIONS

FINDING 09.05      **THE DIRECTOR OF ACCOUNTS AND BUDGETS DID NOT MAINTAIN THE ACCOUNTING RECORDS FOR THE HIGHWAY DEPARTMENT**  
(Material Noncompliance Under Government Auditing Standards)

Polk County operates under the Fiscal Control Acts of 1957, which require the director of accounts and budgets to maintain accounting records for funds administered by the county executive and the highway superintendent. However, the director of accounts and budgets did not maintain the accounting records for the Highway Department; instead, Highway Department personnel maintained their own accounting records. This deficiency can be attributed to the failure of management to correct the finding noted in the prior-year audit report.

RECOMMENDATION

The director of accounts and budgets should maintain all accounting records of the Highway Department as required by the Fiscal Control Acts of 1957.

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FINDING 09.06      **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF COUNTY EXECUTIVE, HIGHWAY SUPERINTENDENT, DIRECTOR OF SCHOOLS, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF**  
(Internal Control – Significant Deficiency Under Government Auditing Standards)

Duties were not segregated adequately among the officials and employees in the Offices of County Executive, Highway Superintendent, Director of Schools, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff. Employees responsible for maintaining accounting records were also involved in receipting, depositing, and/or disbursing funds. Accounting standards provide that internal controls be designed to give 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 can be attributed to the failure of management 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, FINDING AND QUESTIONED  
COSTS FOR FEDERAL AWARDS**

There were no findings and questioned costs for federal programs.

**POLK COUNTY, TENNESSEE**  
**AUDITEE REPORTING RESPONSIBILITIES**  
**For the Year Ended June 30, 2009**

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