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# ANNUAL FINANCIAL REPORT POLK COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2010



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

*DEPARTMENT OF AUDIT*  
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*Comptroller of the Treasury*

*DIVISION OF COUNTY AUDIT*  
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*Assistant to the Comptroller*

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*JENI PALADENI*  
*State Auditors*

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

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## POLK COUNTY, TENNESSEE

### TABLE OF CONTENTS

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	Exhibit	Page(s)
Audit Highlights		6-7
<u>INTRODUCTORY SECTION</u>		8
Polk County Officials		9
<u>FINANCIAL SECTION</u>		10
Independent Auditor's Report		11-13
BASIC FINANCIAL STATEMENTS:		14
Government-wide Financial Statements:		
Statement of Net Assets	A	15
Statement of Activities	B	16-17
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C-1	18
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	C-2	19
Statement of Revenues, Expenditures, and Changes in Fund Balances	C-3	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C-4	21
Fiduciary Funds:		
Statement of Fiduciary Assets and Liabilities	D	22
Notes to the Financial Statements		23-55
REQUIRED SUPPLEMENTARY INFORMATION:		56
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Fund	E-1	57-59
Highway/Public Works Fund	E-2	60
Schedule of Funding Progress – Pension Plan – Primary Government and Discretely Presented Polk County School Department	E-3	61
Schedule of Funding Progress – Other Postemployment Benefits Plan – Discretely Presented Polk County School Department	E-4	62
Notes to the Required Supplementary Information		63

	Exhibit	Page(s)
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		64
Nonmajor Governmental Funds:		65
Combining Balance Sheet	F-1	66
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	F-2	67
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
Solid Waste/Sanitation Fund	F-3	68
Drug Control Fund	F-4	69
Major Governmental Fund:		70
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
General Debt Service Fund	G	71
Fiduciary Funds:		72
Combining Statement of Fiduciary Assets and Liabilities	H-1	73
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	H-2	74
Component Unit:		
Discretely Presented Polk County School Department:		75
Statement of Activities	I-1	76
Balance Sheet – Governmental Funds	I-2	77
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	I-3	78
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	I-4	79
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	I-5	80
Combining Balance Sheet – Nonmajor Governmental Funds	I-6	81
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	I-7	82
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Purpose School Fund	I-8	83-85
School Federal Projects Fund	I-9	86
Central Cafeteria Fund	I-10	87
Proprietary Fund:		
Statement of Net Assets	I-11	88
Statement of Revenues, Expenses, and Changes in Net Assets	I-12	89
Statement of Cash Flows	I-13	90

	Exhibit	Page(s)
Miscellaneous Schedules:		91
Schedule of Changes in Long-term Notes, Capital Leases, and Bonds – Primary Government and Discretely Presented Polk County School Department	J-1	92
Schedule of Long-term Debt Requirements by Year – Primary Government and Discretely Presented Polk County School Department	J-2	93-94
Schedule of Transfers – Primary Government and Discretely Presented Polk County School Department	J-3	95
Schedule of Salaries and Official Bonds of Principal Officials – Primary Government and Discretely Presented Polk County School Department	J-4	96
Schedule of Detailed Revenues – All Governmental Fund Types	J-5	97-101
Schedule of Detailed Revenues – All Governmental Fund Types – Discretely Presented Polk County School Department	J-6	102-103
Schedule of Detailed Expenditures – All Governmental Fund Types	J-7	104-118
Schedule of Detailed Expenditures – All Governmental Fund Types – Discretely Presented Polk County School Department	J-8	119-130
Schedule of Detailed Receipts, Disbursements, and Changes in Cash Balance – City Agency Fund	J-9	131
 <u>SINGLE AUDIT SECTION</u>		 132
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>		133-135
Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With <u>OMB Circular A-133</u>		136-138
Schedule of Expenditures of Federal Awards and State Grants		139-140
Schedule of Audit Findings Not Corrected		141
Schedule of Findings and Questioned Costs		142-148
Auditee Reporting Responsibilities		149

# ***Audit Highlights***

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

## ***Scope***

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

## ***Results***

Our report on the aggregate discretely presented component units is qualified because the financial statements do not include one component unit 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 eight findings and recommendations, which we have reviewed with Polk County management. Detailed findings, recommendations, and management's response 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 DIRECTOR OF SCHOOLS**

- ◆ American Recovery and Reinvestment Act Grant funds were used to purchase an oven based on an expired bid.
- ◆ The office had deficiencies in computer system backup procedures.

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

- ◆ Some collections were not deposited within three days of receipt.
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## **OTHER FINDINGS**

- ◆ The director of accounts and budgets did not maintain the accounting records for the Highway Department.
- ◆ Polk County has a material recurring audit finding.
- ◆ Duties were not segregated adequately in the Offices of County Executive, Highway Superintendent, Food Service Department, 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, 2010

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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**

Daniel Deal, Chairman  
Mark Bishop  
Isaac Bramlett  
Greg Brooks  
Wanda Cheek  
Mike Curbow  
Wendell Lewis  
John Pippenger  
Daren Waters

### **Board of Education**

Mark Williams, Chairman  
Carlton Deal  
Harman Harden  
Jayson Lamb  
Tracy McAbee  
Gary Silvers  
L.W. Smith  
Mark Stone  
Russell Swafford

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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 17, 2010

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, 2010, 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 Polk County Emergency Communications District, a component unit requiring discrete presentation, had not been made available by other auditors as of the date of this report. Accordingly, the aggregate discretely presented component units financial statements referred to above do not include amounts for the 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 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 component units of Polk County, Tennessee, as of June 30, 2010, and the results of operations of the aggregate discretely presented component units, for the year ended, in conformity with accounting principles generally accepted in the United States of America.

Additionally, in our opinion, based on our audit, 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, 2010, and the respective changes in financial position 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 17, 2010, 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 adopted the provisions of Governmental Accounting Standards Board Statement No. 51, Accounting and Financial Reporting for Intangible Assets; and Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, which became effective for the year ended June 30, 2010.

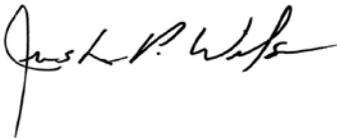
Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison, pension, and other postemployment benefits information on pages 57 through 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational,

economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 long 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, 2010

	<u>Primary Government Governmental Activities</u>	<u>Component Unit Polk County School Department</u>
<u>ASSETS</u>		
Cash	\$ 0	\$ 82,359
Equity in Pooled Cash and Investments	4,665,258	1,038,363
Accounts Receivable	19,581	1,523
Due from Other Governments	404,499	1,095,890
Property Taxes Receivable	5,531,805	2,419,824
Allowance for Uncollectible Property Taxes	(511,308)	(225,096)
Capital Assets:		
Assets Not Depreciated:		
Land	0	1,500
Construction in Progress	277,026	0
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	8,989,076	16,377,711
Other Capital Assets	964,881	749,973
Infrastructure	6,722,760	0
Total Assets	<u>\$ 27,063,578</u>	<u>\$ 21,542,047</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 69,950	\$ 76,823
Accrued Payroll	0	14,029
Payroll Deductions Payable	20,132	515,437
Accrued Interest Payable	160,023	4,110
Other Current Liabilities	5,827	0
Deferred Revenue - Current Property Taxes	4,612,095	2,013,517
Noncurrent Liabilities:		
Due Within One Year	1,154,575	152,183
Due in More Than One Year	18,593,405	694,883
Total Liabilities	<u>\$ 24,616,007</u>	<u>\$ 3,470,982</u>
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	\$ 8,819,178	\$ 17,023,371
Restricted for:		
General Purposes	319,825	223,934
Drug Control	67,760	0
Highway/Public Works	951,219	0
School Federal Projects	0	105,665
Central Cafeteria	0	580,870
Debt Service	1,180,223	0
Capital Projects	91,523	26,264
Self-Insurance	0	40,359
Unrestricted	(8,982,157)	70,602
Total Net Assets	<u>\$ 2,447,571</u>	<u>\$ 18,071,065</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, 2010

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Unit
					Total Governmental Activities	Polk County School Department	
Primary Government:							
Governmental Activities:							
General Government	\$ 1,011,790	\$ 152,158	\$ 44,388	\$ 0	\$ (815,294)	\$ 0	0
Finance	587,849	395,741	6,249	0	(185,859)	0	0
Administration of Justice	483,649	455,407	7,000	0	(21,242)	0	0
Public Safety	3,331,284	1,194,144	72,253	0	(2,064,887)	0	0
Public Health and Welfare	1,850,621	0	0	500,000	(1,350,621)	0	0
Social, Cultural, and Recreational Services	69,688	149	87,541	0	18,002	0	0
Agriculture and Natural Resources	59,167	0	0	0	(59,167)	0	0
Other Operations	407,554	0	0	375,827	(31,727)	0	0
Highways/Public Works	2,120,324	245,124	1,688,247	0	(186,953)	0	0
Interest on Long-term Debt	923,589	0	1,400	0	(922,189)	0	0
Other Debt Service	83,923	0	822,579	0	738,656	0	0
Total Primary Government	\$ 10,929,438	\$ 2,442,723	\$ 2,729,607	\$ 875,827	\$ (4,881,281)	\$ 0	0
Component Unit:							
Polk County School Department	\$ 21,885,889	\$ 432,730	\$ 3,433,037	\$ 0	\$ 0	\$ (18,020,122)	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 Component Unit		
				Governmental Activities	Polk County School Department	
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes				\$ 3,899,013	\$	2,258,102
Property Taxes Levied for Debt Service				1,159,129		0
Local Option Sales Taxes				0		1,385,411
Hotel/Motel Tax				69,642		0
Litigation Tax - General				68,022		0
Litigation Tax - Jail, Workhouse, or Courthouse				36,138		0
Business Tax				45,038		20,074
Wholesale Beer Tax				252,995		0
Other Local Taxes				4,914		2,058
Grants and Contributions Not Restricted to Specific Programs				772,590		13,655,790
Unrestricted Investment Earnings				59,463		582
Miscellaneous				19,821		103,056
Total General Revenues				<u>\$ 6,386,765</u>	<u>\$</u>	<u>17,425,073</u>
Change in Net Assets				\$ 1,505,484	\$	(595,049)
Net Assets, July 1, 2009				942,087		18,666,114
Net Assets, June 30, 2010				<u>\$ 2,447,571</u>	<u>\$</u>	<u>18,071,065</u>

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, 2010

	Major Funds			Nonmajor	Total
	Highway /		Other	Govern- mental	
	General	Public Works	General Debt Service		
<u>ASSETS</u>					
Equity in Pooled Cash and Investments	\$ 2,582,153	\$ 688,869	\$ 1,236,481	\$ 157,755	\$ 4,665,258
Accounts Receivable	1,006	14,628	2,419	1,528	19,581
Due from Other Governments	90,430	301,559	12,510	0	404,499
Due from Other Funds	0	0	0	34,700	34,700
Property Taxes Receivable	4,287,202	0	1,244,603	0	5,531,805
Allowance for Uncollectible Property Taxes	(394,718)	0	(116,590)	0	(511,308)
Total Assets	<u>\$ 6,566,073</u>	<u>\$ 1,005,056</u>	<u>\$ 2,379,423</u>	<u>\$ 193,983</u>	<u>\$ 10,144,535</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 0	\$ 35,250	\$ 0	\$ 34,700	\$ 69,950
Payroll Deductions Payable	13,700	6,432	0	0	20,132
Due to Other Funds	34,700	0	0	0	34,700
Matured Interest on Bonds	0	0	5,827	0	5,827
Deferred Revenue - Current Property Taxes	3,578,745	0	1,033,350	0	4,612,095
Deferred Revenue - Delinquent Property Taxes	280,327	0	84,582	0	364,909
Other Deferred Revenues	5,000	151,074	1,500	0	157,574
Total Liabilities	<u>\$ 3,912,472</u>	<u>\$ 192,756</u>	<u>\$ 1,125,259</u>	<u>\$ 34,700</u>	<u>\$ 5,265,187</u>
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 212,347	\$ 0	\$ 0	\$ 0	\$ 212,347
Reserved for Alcohol and Drug Treatment	50,713	0	0	0	50,713
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	58,551	0	0	0	58,551
Reserved for Drug Court	56,248	0	0	0	56,248
Reserved for Courtroom Security	34,468	0	0	0	34,468
Reserved for Computer System - Register	71,312	0	0	0	71,312
Reserved for Automation Purposes - Circuit Court	3,362	0	0	0	3,362
Reserved for Automation Purposes - General Sessions Court	27,923	0	0	0	27,923
Reserved for Automation Purposes - Juvenile Court	650	0	0	0	650
Reserved for Automation Purposes - Chancery Court	10,329	0	0	0	10,329
Reserved for Automation Purposes - County Clerk	1,064	0	0	0	1,064
Reserved for Other General Purposes	5,205	0	0	0	5,205
Unreserved, Reported In:					
General Fund	2,121,429	0	0	0	2,121,429
Special Revenue Funds	0	812,300	0	67,760	880,060
Debt Service Funds	0	0	1,254,164	0	1,254,164
Capital Projects Funds	0	0	0	91,523	91,523
Total Fund Balances	<u>\$ 2,653,601</u>	<u>\$ 812,300</u>	<u>\$ 1,254,164</u>	<u>\$ 159,283</u>	<u>\$ 4,879,348</u>
Total Liabilities and Fund Balances	<u>\$ 6,566,073</u>	<u>\$ 1,005,056</u>	<u>\$ 2,379,423</u>	<u>\$ 193,983</u>	<u>\$ 10,144,535</u>

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, 2010

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$	4,879,348
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: construction in progress	\$	277,026	
Add: buildings and improvements net of accumulated depreciation		8,989,076	
Add: infrastructure net of accumulated depreciation		6,722,760	
Add: other capital assets net of accumulated depreciation		<u>964,881</u>	16,953,743
(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	\$	(19,460,000)	
Less: notes payable		(150,000)	
Less: capital leases payable		(24,565)	
Less: compensated absences payable		(113,415)	
Less: accrued interest on bonds, notes, and capital leases		<u>(160,023)</u>	(19,908,003)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>522,483</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>2,447,571</u></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, 2010

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 4,407,371	\$ 0	\$ 1,206,121	\$ 0	\$ 5,613,492
Licenses and Permits	68,058	0	0	0	68,058
Fines, Forfeitures, and Penalties	179,041	0	0	36,641	215,682
Charges for Current Services	35,656	0	0	0	35,656
Other Local Revenues	62,878	257,122	59,463	1,445	380,908
Fees Received from County Officials	709,142	0	0	0	709,142
State of Tennessee	1,684,235	1,573,021	130,650	0	3,387,906
Federal Government	280,465	103,410	0	732,535	1,116,410
Other Governments and Citizens Groups	45,895	0	823,979	1,000	870,874
Total Revenues	\$ 7,472,741	\$ 1,933,553	\$ 2,220,213	\$ 771,621	\$ 12,398,128
<u>Expenditures</u>					
Current:					
General Government	\$ 998,037	\$ 0	\$ 0	\$ 0	\$ 998,037
Finance	602,471	0	0	0	602,471
Administration of Justice	479,176	0	0	0	479,176
Public Safety	3,170,630	0	0	82,145	3,252,775
Public Health and Welfare	939,186	0	0	416,400	1,355,586
Social, Cultural, and Recreational Services	69,688	0	0	0	69,688
Agriculture and Natural Resources	59,167	0	0	0	59,167
Other Operations	172,809	0	0	234,745	407,554
Highways	0	1,884,219	0	0	1,884,219
Debt Service:					
Principal on Debt	0	0	1,030,000	0	1,030,000
Interest on Debt	0	0	926,106	0	926,106
Other Debt Service	0	0	83,923	0	83,923
Capital Projects	0	0	0	500,279	500,279
Total Expenditures	\$ 6,491,164	\$ 1,884,219	\$ 2,040,029	\$ 1,233,569	\$ 11,648,981
Excess (Deficiency) of Revenues Over Expenditures	\$ 981,577	\$ 49,334	\$ 180,184	\$ (461,948)	\$ 749,147
<u>Other Financing Sources (Uses)</u>					
Transfers In	\$ 2,000	\$ 0	\$ 0	\$ 418,400	\$ 420,400
Transfers Out	(418,400)	0	0	(2,000)	(420,400)
Total Other Financing Sources (Uses)	\$ (416,400)	\$ 0	\$ 0	\$ 416,400	\$ 0
Net Change in Fund Balances	\$ 565,177	\$ 49,334	\$ 180,184	\$ (45,548)	\$ 749,147
Fund Balance, July 1, 2009	2,088,424	762,966	1,073,980	204,831	4,130,201
Fund Balance, June 30, 2010	\$ 2,653,601	\$ 812,300	\$ 1,254,164	\$ 159,283	\$ 4,879,348

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, 2010

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

Net change in fund balances - total governmental funds (Exhibit C-3)		\$	749,147
(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	\$	382,994	
Less: current year depreciation expense		<u>(684,898)</u>	(301,904)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.			
Less: loss on disposal of capital assets			(21,018)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.			
Add: deferred delinquent property taxes and other deferred June 30, 2010	\$	522,483	
Less: deferred delinquent property taxes and other deferred June 30, 2009		<u>(485,689)</u>	36,794
(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	\$	915,000	
Add: principal payments on notes		115,000	
Add: principal payments on capital leases		<u>15,328</u>	1,045,328
(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	\$	2,517	
Change in compensated absences payable		<u>(5,380)</u>	<u>(2,863)</u>
Change in net assets of governmental activities (Exhibit B)			<u>\$ 1,505,484</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, 2010

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 714,287
Due from Other Governments	<u>65,798</u>
Total Assets	<u>\$ 780,085</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 65,798
Due to Litigants, Heirs, and Others	<u>714,287</u>
Total Liabilities	<u>\$ 780,085</u>

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

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

**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 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 were not available in time for

inclusion, as previously mentioned. Complete financial statements of the Polk County Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

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

**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, 2010.

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 \$40,359 at June 30, 2010, 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 5.12 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. Long-term Obligations**

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

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

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

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

In the government-wide financial statements and the proprietary fund 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.

On the government-wide Statement of Net Assets (Exhibit A), the account Restricted for General Purposes for the primary government consists of various restrictions totaling \$319,825, with the primary restrictions being for: (1) alcohol and drug treatment (\$50,713); (2) computer systems for various offices (\$114,640); (3) courthouse and jail maintenance (\$58,551); (4) drug control (\$56,248); and courthouse security (\$34,468). For the discretely presented School Department, the account balance in Restricted for General Purposes (\$223,934) consists primarily of a restriction for the Basic Education Program (\$198,117). Also, for the discretely presented School Department, the account balance in Restricted for School Federal Projects (\$105,665) consists primarily of a restriction for cash flow assistance from the General Purpose School Fund (\$100,000).

As of June 30, 2010, Polk County had \$11,500,000 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.

**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 capital projects funds, which adopt project length budgets. All annual appropriations lapse at fiscal year end.

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

The budgetary level of control is at the major category level established by the County Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, County 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**

The audit of Polk County for the 2007-08 year reported a cash shortage of \$12,499.19 in the School Department. This cash shortage resulted from cash collections for land owned and leased by the School Department (\$12,000) and various other cash collections (\$499.19) that had not been deposited with the county trustee. On July 2, 2008, Sharon Laycock was indicted by the Polk County Grand Jury for unlawfully and knowingly exercising control of property valued over \$1,000 and less than \$10,000. On September 3, 2009, Ms. Laycock was found not guilty. On February 8, 2010, the Board of Education voted to write-off this shortage.

The audit of Polk County for the 2007-08 year reported a cash shortage of \$1,047.45 in the School Department resulting from a School Department maintenance employee using a department owned welding machine and materials associated with welding for his personal benefit. The employee entered into a plea agreement on March 23, 2009, that required him to pay restitution of \$1,047.45 for personal use of the School Department's equipment and materials. However, as of June 30, 2010, no payments have been received.

**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 Comptroller's Office and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the fair value of the securities on the day of purchase.

The county had no pooled or nonpooled investments as of June 30, 2010.

### **B. Capital Assets**

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

## Primary Government

### Governmental Activities:

	Balance 7-1-09	Increases	Decreases	Balance 6-30-10
Capital Assets Not Depreciated:				
Construction in Progress	\$ 52,306	\$ 224,720	\$ 0	\$ 277,026
Total Capital Assets Not Depreciated	<u>\$ 52,306</u>	<u>\$ 224,720</u>	<u>\$ 0</u>	<u>\$ 277,026</u>
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	3,429,900	158,274	(252,796)	3,335,378
Total Capital Assets Depreciated	<u>\$ 25,034,181</u>	<u>\$ 158,274</u>	<u>\$ (252,796)</u>	<u>\$ 24,939,659</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 1,805,747	\$ 222,857	\$ 0	\$ 2,028,604
Infrastructure	3,601,983	261,858	0	3,863,841
Other Capital Assets	2,402,092	200,183	(231,778)	2,370,497
Total Accumulated Depreciation	<u>\$ 7,809,822</u>	<u>\$ 684,898</u>	<u>\$ (231,778)</u>	<u>\$ 8,262,942</u>
Total Capital Assets Depreciated, Net	<u>\$ 17,224,359</u>	<u>\$ (526,624)</u>	<u>\$ (21,018)</u>	<u>\$ 16,676,717</u>
Governmental Activities Capital Assets, Net	<u>\$ 17,276,665</u>	<u>\$ (301,904)</u>	<u>\$ (21,018)</u>	<u>\$ 16,953,743</u>

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

### Governmental Activities:

General Government	\$ 227,319
Finance	3,039
Public Safety	133,664
Highways	320,876
Total Depreciation Expense - Governmental Activities	<u>\$ 684,898</u>

**Discretely Presented Polk County School Department**

**Governmental Activities:**

	Balance 7-1-09	Increases	Balance 6-30-10
Capital Assets Not Depreciated:			
Land	\$ 1,500	\$ 0	\$ 1,500
Total Capital Assets Not Depreciated	\$ 1,500	\$ 0	\$ 1,500
Capital Assets Depreciated:			
Buildings and Improvements	\$ 24,700,458	\$ 0	\$ 24,700,458
Other Capital Assets	2,050,839	0	2,050,839
Total Capital Assets Depreciated	\$ 26,751,297	\$ 0	\$ 26,751,297
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 7,844,555	\$ 478,192	\$ 8,322,747
Other Capital Assets	1,170,550	130,316	1,300,866
Total Accumulated Depreciation	\$ 9,015,105	\$ 608,508	\$ 9,623,613
Total Capital Assets Depreciated, Net	\$ 17,736,192	\$ (608,508)	\$ 17,127,684
Governmental Activities Capital Assets, Net	\$ 17,737,692	\$ (608,508)	\$ 17,129,184

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

**Governmental Activities:**

Support Services	\$ 597,151
Operation of Non-Instructional Services	11,357
Total Depreciation Expense - Governmental Activities	<u>\$ 608,508</u>

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

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

**Due to/from Other Funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
Nonmajor governmental	General	\$ 34,700
Discretely Presented School Department:		
General Purpose School	Central Cafeteria	26,000
"	Nonmajor governmental	45,279
Central Cafeteria	General Purpose School	117
Nonmajor governmental	"	136

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, 2010, consisted of the following amounts:

**Primary Government**

<u>Transfers Out</u>	<u>Transfers In</u>	
	General Fund	Nonmajor Governmental Funds
General Fund	\$ 0	\$ 416,400
Nonmajor governmental funds	2,000	2,000
Total	<u>\$ 2,000</u>	<u>\$ 418,400</u>

**Discretely Presented Polk County School Department**

<u>Transfers Out</u>	<u>Transfers In</u>	
	<u>General Purpose School Fund</u>	<u>Nonmajor Governmental Funds</u>
General Purpose School Fund	\$ 0	\$ 100,000
Central Cafeteria Fund	46,606	0
Total	<u>\$ 46,606</u>	<u>\$ 100,000</u>

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.

**D. 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, 2010, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Funds</u>
2011	\$ 17,148
2012	8,573
Total Minimum Lease Payments	<u>\$ 25,721</u>
Less: Amount Representing Interest	<u>(1,156)</u>
Present Value of Minimum Lease Payments	<u>\$ 24,565</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, 2010, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Funds</u>
2011	\$ 110,856
Total Minimum Lease Payments	\$ 110,856
Less: Amount Representing Interest	<u>(5,043)</u>
Present Value of Minimum Lease Payments	<u>\$ 105,813</u>

**E. 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. General obligation bonds and the capital note were issued for original terms of up to 18 years for the bonds and up to six years for the note. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. Bonds and the note

included in long-term debt as of June 30, 2010, will be retired from the General Debt Service Fund.

The general obligation bonds, capital outlay note, and capital lease outstanding as of June 30, 2010, for governmental activities are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-10
General Obligation Bonds -			
Refunding	4 to 5 %	\$ 22,100,000	\$ 19,460,000
Capital Outlay Note	3.5	450,000	150,000
Capital Lease	3	47,259	24,565

The annual requirements to amortize the bonds and note outstanding as of June 30, 2010, including interest payments, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
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
2016-2020	6,325,000	2,813,700	9,138,700
2021-2025	7,985,000	1,188,450	9,173,450
Total	<u>\$ 19,460,000</u>	<u>\$ 8,006,650</u>	<u>\$ 27,466,650</u>

Year Ending June 30	Note		
	Principal	Interest	Total
2011	\$ 75,000	\$ 15,619	\$ 90,619
2012	75,000	15,750	90,750
Total	<u>\$ 150,000</u>	<u>\$ 31,369</u>	<u>\$ 181,369</u>

There is \$1,254,164 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$1,212, based on the 2000 federal census. Debt per capita, including the bonds, note, and capital lease totaled \$1,223, based on the 2000 federal census.

Changes in Long-term Liabilities

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

Governmental Activities:

	<u>Bonds</u>	<u>Notes</u>
Balance, July 1, 2009	\$ 20,375,000	\$ 265,000
Deductions	<u>(915,000)</u>	<u>(115,000)</u>
Balance, June 30, 2010	<u>\$ 19,460,000</u>	<u>\$ 150,000</u>
Balance Due Within One Year	<u>\$ 950,000</u>	<u>\$ 75,000</u>

	<u>Capital Lease</u>	<u>Compensated Absences</u>
Balance, July 1, 2009	\$ 39,893	\$ 108,035
Additions	0	118,999
Deductions	<u>(15,328)</u>	<u>(113,619)</u>
Balance, June 30, 2010	<u>\$ 24,565</u>	<u>\$ 113,415</u>
Balance Due Within One Year	<u>\$ 16,160</u>	<u>\$ 113,415</u>

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, 2010	\$ 19,747,980
Less: Balance Due Within One Year	<u>(1,154,575)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 18,593,405</u>

**Discretely Presented Polk County School Department**

The capital leases outstanding as of June 30, 2010, for governmental activities are as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Original Amount of Issue</u>	<u>Balance 6-30-10</u>
Capital Leases	4.64 to 5.93 %	\$ 570,609	\$ 105,813

Debt per capita, including all capital leases totaled \$7, 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, 2010, was as follows:

Governmental Activities:

	<u>Capital Leases</u>
Balance, July 1, 2009	\$ 206,813
Deductions	<u>(101,000)</u>
Balance, June 30, 2010	<u>\$ 105,813</u>
Balance Due Within One Year	<u>\$ 105,813</u>

	<u>Compensated Absences</u>	<u>Other Postemployment Benefits</u>
Balance, July 1, 2009	\$ 29,677	\$ 502,483
Additions	57,371	411,194
Deductions	<u>(40,678)</u>	<u>(218,794)</u>
Balance, June 30, 2010	<u>\$ 46,370</u>	<u>\$ 694,883</u>
Balance Due Within One Year	<u>\$ 46,370</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2010	\$ 847,066
Less: Balance Due Within One Year	<u>(152,183)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 694,883</u>

**F. 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, 2010, were \$118,103 and \$20,216, 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 \$40,359 at June 30, 2010, is being maintained in the Self-Insurance Fund for future use.

## **B. Accounting Changes**

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

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

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by county governments. Derivative instruments are financial arrangements used by governments as investments; hedges against identified financial risks; or to lower the costs of borrowings. Interest rate swaps and locks, options, swaptions, forward contracts, and futures contracts are among the commonly used types of derivatives mentioned in GASB Statement No. 53. Derivative instruments associated with fluctuating financial and commodity prices result in changing cash flows and fair values that can be used as effective risk management or investment tools. For the same reasons, derivative instruments can expose governments to significant risks and liabilities. The requirements of GASB Statement No. 53 are intended to help users of financial information evaluate the effectiveness and associated risks involved with Polk County's derivative transactions. GASB Statement No. 53 requires most derivatives to be reported at fair value in the Statement of Net Assets. Changes in fair value for derivative instruments that are intended for investment purposes or that are reported like investment derivative instruments because of ineffectiveness are reported as investment revenues

in the Statement of Activities. Alternatively, the changes in fair value of derivative instruments that are classified as hedging (i.e., effective) derivative instruments are reported in the Statement of Net Assets as deferrals. Polk County had not participated in derivative transactions as June 30, 2010. However, it is reasonably expected that Polk County may enter into derivative transactions in subsequent years.

**C. Subsequent Event**

On August 31, 2010, Mike Stinnett left the Office of County Executive and was succeeded by Hoyt Firestone.

**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 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 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 were paid by outfitters/operators to Polk County based on records from the Office of Trustee:

Year	Amount
2003	\$ 388,125
2004	308,577
2005	176,540
2006	172
2007	1,582
2008	786
	<hr/>
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 Polk County is ordered to refund these amounts set forth above, 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 \$57,579 in principal, interest, and fees on this bond. However, the county was reimbursed by the medical center for this payment prior to June 30, 2010. The outstanding balance for this bond as of June 30, 2010, was \$235,000 with interest ranging from 5.05 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

outstanding balance for this bond as of June 30, 2010, was \$205,000 with interest ranging from five 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, 2010, 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, TN 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/PS](http://www.tn.gov/treasury/tcrs/PS).

#### **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, 2010, 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, 2010, Polk County’s annual pension cost of \$288,177 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, 2009, which established contribution rates effective July 1, 2010.

**Trend Information**

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-10	\$288,177	100%	\$0
6-30-09	291,117	100	0
6-30-08	281,264	100	0

**Funded Status and Funding Progress**

As of July 1, 2009, the most recent actuarial valuation date, the plan was 72.22 percent funded. The actuarial accrued liability for benefits was \$6.91 million, and the actuarial value of assets was \$4.99 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.92 million. The covered payroll (annual payroll of active employees covered by the plan) was \$4.34 million, and the ratio of the UAAL to the covered payroll was 44.23 percent.

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

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

## **School Teachers**

### **Plan Description**

The 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 SETHEEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at [www.tn.gov/treasury/tcrs/Schools](http://www.tn.gov/treasury/tcrs/Schools).

### **Funding Policy**

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the Polk County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2010, was 6.42 percent of annual covered payroll. The employer contribution requirement for the 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, 2010, 2009, and 2008, were \$605,905, \$681,400, and \$497,088, 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, 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 provides a partial subsidy to Local Education Agency pre-65 teachers. School Department retirees' contributions vary depending on the insurance options they select, ranging from \$0 to \$394 per month for their insurance. During the year, expenditures totaling \$218,794 were recognized by the Polk County School Department for postemployment health care premiums.

Annual OPEB Cost and Net OPEB Obligation

	<u>Local Education Group Plan</u>
ARC	\$ 410,000
Interest on the NPO	22,612
Adjustment to the ARC	<u>(21,418)</u>
Annual OPEB cost	\$ 411,194
Amount of contribution	<u>(218,794)</u>
Increase/decrease in NPO	\$ 192,400
Net OPEB obligation, 7-1-09	<u>502,483</u>
 Net OPEB obligation, 6-30-10	 <u>\$ 694,883</u>

Fiscal Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-08	Local Education Group	\$ 428,000	44.81 %	\$ 236,232
6-30-09	"	433,283	38.55	502,483
6-30-10	"	411,194	53.21	694,883

#### Funded Status and Funding Progress

The funded status of the plan as of July 1, 2009, was as follows:

	<u>Local Education Group Plan</u>
Actuarial valuation date	7-1-09
Actuarial accrued liability (AAL)	\$ 3,254,000
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 3,254,000
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 10,480,806
UAAL as a % of covered payroll	31.05%

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

#### Actuarial Methods and Assumptions

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

In the July 1, 2009, actuarial valuation, the projected unit credit actuarial cost method was used, and the actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses). The annual healthcare cost trend rate for the Local Education Plan was four percent for fiscal year 2010. The trend will rise to ten percent in fiscal year 2011 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. The rate includes a three percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with June 30, 2008.

**I. 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, one retiring employee opted for the lump-sum payment. Expenditures totaling \$5,600 were recognized for lump-sum payments in-lieu-of postemployment health care.

**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, 2010

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2009	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<b>Revenues</b>							
Local Taxes	\$ 4,407,371	\$ 0	\$ 0	\$ 4,407,371	\$ 4,390,962	\$ 4,438,465	\$ (31,094)
Licenses and Permits	68,058	0	0	68,058	70,100	72,871	(4,813)
Fines, Forfeitures, and Penalties	179,041	0	0	179,041	155,510	155,510	23,531
Charges for Current Services	35,656	0	0	35,656	30,725	30,725	4,931
Other Local Revenues	62,878	0	0	62,878	56,960	62,987	(109)
Fees Received from County Officials	709,142	0	0	709,142	669,500	669,500	39,642
State of Tennessee	1,684,235	0	0	1,684,235	1,575,823	1,653,261	30,974
Federal Government	280,465	0	0	280,465	242,295	287,917	(7,452)
Other Governments and Citizens Groups	45,895	0	0	45,895	34,400	34,400	11,495
<b>Total Revenues</b>	<b>\$ 7,472,741</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 7,472,741</b>	<b>\$ 7,226,275</b>	<b>\$ 7,405,636</b>	<b>\$ 67,105</b>
<b>Expenditures</b>							
<b>General Government</b>							
County Commission	\$ 46,827	\$ 0	\$ 0	\$ 46,827	\$ 47,951	\$ 52,691	\$ 5,864
Board of Equalization	827	0	0	827	1,650	1,650	823
County Mayor/Executive	120,700	0	0	120,700	121,599	123,174	2,474
Election Commission	132,893	(119)	380	133,154	107,044	142,964	9,810
Register of Deeds	103,765	0	150	103,915	110,066	111,491	7,576
County Buildings	267,880	(1,164)	1,015	267,731	206,838	281,187	13,456
Other General Administration	325,145	(874)	10,449	334,720	310,935	422,661	87,941
<b>Finance</b>							
Accounting and Budgeting	64,873	0	0	64,873	66,874	66,053	1,180
Property Assessor's Office	217,208	0	1,518	218,726	213,569	235,356	16,630
County Trustee's Office	162,520	0	0	162,520	168,096	168,106	5,586
County Clerk's Office	157,870	0	190	158,060	193,397	193,657	35,597

(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 (GAAP Basis)	Less: Encumbrances 7/1/2009	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Administration of Justice</u>							
Circuit Court	\$ 174,828	\$ (100)	\$ 1,300	\$ 176,028	\$ 179,178	\$ 182,178	\$ 6,150
General Sessions Court	105,768	0	0	105,768	106,549	106,549	781
Drug Court	0	0	0	0	1,500	1,500	1,500
Chancery Court	137,442	(190)	900	138,152	141,488	141,498	3,346
Juvenile Court	61,138	0	0	61,138	62,379	62,390	1,252
<u>Public Safety</u>							
Sheriff's Department	1,269,425	(9,350)	16,913	1,276,988	1,329,191	1,329,591	52,603
Correctional Incentive Program Improvements	1,706,690	(3,119)	8,445	1,712,016	1,814,236	1,824,736	112,720
Fire Prevention and Control	1,000	0	0	1,000	1,000	1,000	0
Civil Defense	78,815	(3,000)	7,100	82,915	82,400	105,211	22,296
Rescue Squad	99,346	(15,378)	27,038	111,006	90,442	113,253	2,247
Other Emergency Management	15,354	(3,700)	86,179	97,833	167,196	167,196	69,363
County Coroner/Medical Examiner	0	0	0	0	300	300	300
<u>Public Health and Welfare</u>							
Local Health Center	49,416	0	2,100	51,516	70,964	87,308	35,792
Ambulance/Emergency Medical Services	716,364	0	0	716,364	735,990	735,990	19,626
Alcohol and Drug Programs	0	0	0	0	4,000	4,000	4,000
Crippled Children Services	0	0	0	0	1,250	1,250	1,250
Other Local Health Services	97,716	0	0	97,716	111,543	111,643	13,927
Sanitation Education/Information	41,656	(6,020)	7,557	43,193	44,087	44,097	904
Other Public Health and Welfare	34,034	0	32,073	66,107	42,656	84,876	18,769
<u>Social, Cultural, and Recreational Services</u>							
Senior Citizens Assistance	33,256	0	0	33,256	30,751	35,537	2,281
Libraries	30,463	0	0	30,463	34,678	36,443	5,980

(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 (GAAP Basis)	Less: Encumbrances 7/1/2009	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Social, Cultural, and Recreational Services (Cont.)</u>							
Other Social, Cultural, and Recreational	\$ 5,969	\$ 0	\$ 9,010	\$ 14,979	\$ 11,516	\$ 15,109	\$ 130
<u>Agriculture and Natural Resources</u>							
Agriculture Extension Service	41,065	0	30	41,095	38,765	43,825	2,730
Soil Conservation	18,102	0	0	18,102	18,102	18,102	0
<u>Other Operations</u>							
Other Economic and Community Development	13,822	0	0	13,822	15,826	15,826	2,004
Veterans' Services	21,372	0	0	21,372	19,268	21,372	0
Other Charges	94,880	0	0	94,880	0	94,880	0
Contributions to Other Agencies	42,735	0	0	42,735	56,000	56,000	13,265
Total Expenditures	\$ 6,491,164	\$ (43,014)	\$ 212,347	\$ 6,660,497	\$ 6,759,274	\$ 7,240,650	\$ 580,153
<u>Excess (Deficiency) of Revenues</u> <u>Over Expenditures</u>	\$ 981,577	\$ 43,014	\$ (212,347)	\$ 812,244	\$ 467,001	\$ 164,986	\$ 647,258
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 2,000	\$ 0	\$ 0	\$ 2,000	\$ 0	\$ 0	\$ 2,000
Transfers Out	(418,400)	0	0	(418,400)	(467,000)	(469,000)	50,600
Total Other Financing Sources (Uses)	\$ (416,400)	\$ 0	\$ 0	\$ (416,400)	\$ (467,000)	\$ (469,000)	\$ 52,600
Net Change in Fund Balance	\$ 565,177	\$ 43,014	\$ (212,347)	\$ 395,844	\$ 1	\$ (304,014)	\$ 699,858
Fund Balance, July 1, 2009	2,088,424	(43,014)	0	2,045,410	1,670,339	1,670,339	375,071
Fund Balance, June 30, 2010	\$ 2,653,601	\$ 0	\$ (212,347)	\$ 2,441,254	\$ 1,670,340	\$ 1,366,325	\$ 1,074,929

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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 257,122	\$ 291,000	\$ 291,000	\$ (33,878)
State of Tennessee	1,573,021	1,536,426	1,536,426	36,595
Federal Government	103,410	96,000	96,000	7,410
Total Revenues	<u>\$ 1,933,553</u>	<u>\$ 1,923,426</u>	<u>\$ 1,923,426</u>	<u>\$ 10,127</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 164,856	\$ 167,555	\$ 167,555	\$ 2,699
Highway and Bridge Maintenance	792,318	889,556	939,556	147,238
Operation and Maintenance of Equipment	455,079	477,379	477,380	22,301
Other Charges	48,675	48,123	56,971	8,296
Employee Benefits	346,424	251,000	389,049	42,625
Capital Outlay	76,867	86,000	86,000	9,133
Total Expenditures	<u>\$ 1,884,219</u>	<u>\$ 1,919,613</u>	<u>\$ 2,116,511</u>	<u>\$ 232,292</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 49,334</u>	<u>\$ 3,813</u>	<u>\$ (193,085)</u>	<u>\$ 242,419</u>
Net Change in Fund Balance	\$ 49,334	\$ 3,813	\$ (193,085)	\$ 242,419
Fund Balance, July 1, 2009	<u>762,966</u>	<u>856,792</u>	<u>856,792</u>	<u>(93,826)</u>
Fund Balance, June 30, 2010	<u>\$ 812,300</u>	<u>\$ 860,605</u>	<u>\$ 663,707</u>	<u>\$ 148,593</u>

Exhibit E-3

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

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7-1-09	\$ 4,988	\$ 6,907	\$ 1,919	72.22 %	\$ 4,339	44.23 %
7-1-07	4,170	4,942	772	84.38	3,694	20.90

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

Exhibit E-4

Polk County, Tennessee  
Schedule of Funding Progress – Other Postemployment Benefits Plan  
Discretely Presented Polk County School Department  
June 30, 2010

(Dollar amounts in thousands)

Plan	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	7-1-07	\$ 0	\$ 3,643	\$ 3,643	0 %	\$ 10,072	36.17 %
"	7-1-09	0	3,254	3,254	0	10,480	31.05

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

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

**BUDGETARY INFORMATION**

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

The budgetary level of control is at the major category level established by the County Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, 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.

## Capital Projects Funds

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

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

Ocoee Waterline Project Fund – The Ocoee Waterline Project Fund is used to account for the installation of a waterline in the Ocoee community. This fund was closed during the year.

HUD Grant Projects Fund – The HUD Grant Projects Fund is used to account for the Home investment partnership program. This fund was closed during the year.

Other Capital Projects Fund – The Other Capital Projects Fund is used to account for the Justice Center Facilities capital project. This fund was closed during the year.

Exhibit F-1

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

	<u>Special Revenue Funds</u>			<u>Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Solid Waste / Sanitation</u>	<u>Drug Control</u>	<u>Total</u>	<u>Community Development/ Industrial Park</u>	
<u>ASSETS</u>					
Equity in Pooled Cash and Investments	\$ 0	\$ 66,232	\$ 66,232	\$ 91,523	\$ 157,755
Accounts Receivable	0	1,528	1,528	0	1,528
Due from Other Funds	34,700	0	34,700	0	34,700
<b>Total Assets</b>	<b>\$ 34,700</b>	<b>\$ 67,760</b>	<b>\$ 102,460</b>	<b>\$ 91,523</b>	<b>\$ 193,983</b>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 34,700	\$ 0	\$ 34,700	\$ 0	\$ 34,700
<b>Total Liabilities</b>	<b>\$ 34,700</b>	<b>\$ 0</b>	<b>\$ 34,700</b>	<b>\$ 0</b>	<b>\$ 34,700</b>
<u>Fund Balances</u>					
Unreserved	\$ 0	\$ 67,760	\$ 67,760	\$ 91,523	\$ 159,283
<b>Total Fund Balances</b>	<b>\$ 0</b>	<b>\$ 67,760</b>	<b>\$ 67,760</b>	<b>\$ 91,523</b>	<b>\$ 159,283</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 34,700</b>	<b>\$ 67,760</b>	<b>\$ 102,460</b>	<b>\$ 91,523</b>	<b>\$ 193,983</b>

Exhibit F-2

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

	Special Revenue Funds			Capital Projects Funds					Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Total	Community Development/ Industrial Park	Ocoee Waterline	HUD Grant Projects	Other Capital Projects	Total	
<u>Revenues</u>									
Fines, Forfeitures, and Penalties	\$ 0	\$ 36,641	\$ 36,641	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 36,641
Other Local Revenues	0	1,445	1,445	0	0	0	0	0	1,445
Federal Government	0	0	0	0	500,000	232,535	0	732,535	732,535
Other Governments and Citizens Groups	0	1,000	1,000	0	0	0	0	0	1,000
Total Revenues	\$ 0	\$ 39,086	\$ 39,086	\$ 0	\$ 500,000	\$ 232,535	\$ 0	\$ 732,535	\$ 771,621
<u>Expenditures</u>									
Current:									
Public Safety	\$ 0	\$ 82,145	\$ 82,145	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 82,145
Public Health and Welfare	416,400	0	416,400	0	0	0	0	0	416,400
Other Operations	0	393	393	0	0	234,352	0	234,352	234,745
Capital Projects	0	0	0	0	500,000	0	279	500,279	500,279
Total Expenditures	\$ 416,400	\$ 82,538	\$ 498,938	\$ 0	\$ 500,000	\$ 234,352	\$ 279	\$ 734,631	\$ 1,233,569
Excess (Deficiency) of Revenues Over Expenditures	\$ (416,400)	\$ (43,452)	\$ (459,852)	\$ 0	\$ 0	\$ (1,817)	\$ (279)	\$ (2,096)	\$ (461,948)
<u>Other Financing Sources (Uses)</u>									
Transfers In	\$ 416,400	\$ 0	\$ 416,400	\$ 0	\$ 2,000	\$ 0	\$ 0	\$ 2,000	\$ 418,400
Transfers Out	0	0	0	0	(2,000)	0	0	(2,000)	(2,000)
Total Other Financing Sources (Uses)	\$ 416,400	\$ 0	\$ 416,400	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 416,400
Net Change in Fund Balances	\$ 0	\$ (43,452)	\$ (43,452)	\$ 0	\$ 0	\$ (1,817)	\$ (279)	\$ (2,096)	\$ (45,548)
Fund Balance, July 1, 2009	0	111,212	111,212	91,523	0	1,817	279	93,619	204,831
Fund Balance, June 30, 2010	\$ 0	\$ 67,760	\$ 67,760	\$ 91,523	\$ 0	\$ 0	\$ 0	\$ 91,523	\$ 159,283

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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Total Revenues	\$ 0	\$ 0	\$ 0	\$ 0
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Management	\$ 416,400	\$ 467,000	\$ 467,000	\$ 50,600
Total Expenditures	\$ 416,400	\$ 467,000	\$ 467,000	\$ 50,600
Excess (Deficiency) of Revenues Over Expenditures	\$ (416,400)	\$ (467,000)	\$ (467,000)	\$ 50,600
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 416,400	\$ 467,000	\$ 467,000	\$ (50,600)
Total Other Financing Sources (Uses)	\$ 416,400	\$ 467,000	\$ 467,000	\$ (50,600)
Net Change in Fund Balance	\$ 0	\$ 0	\$ 0	\$ 0
Fund Balance, July 1, 2009	0	50,064	50,064	(50,064)
Fund Balance, June 30, 2010	\$ 0	\$ 50,064	\$ 50,064	\$ (50,064)

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, 2010

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Fines, Forfeitures, and Penalties	\$ 36,641	\$ 0	\$ 36,641	\$ 58,000	\$ 58,000	\$ (21,359)
Other Local Revenues	1,445	0	1,445	20	20	1,425
State of Tennessee	0	0	0	1,300	1,300	(1,300)
Other Governments and Citizens Groups	1,000	0	1,000	50	50	950
Total Revenues	\$ 39,086	\$ 0	\$ 39,086	\$ 59,370	\$ 59,370	\$ (20,284)
<u>Expenditures</u>						
<u>Public Safety</u>						
Drug Enforcement	\$ 82,145	\$ (850)	\$ 81,295	\$ 99,902	\$ 99,902	\$ 18,607
<u>Other Operations</u>	393	0	393	2,000	2,000	1,607
Other Charges	82,538	(850)	81,688	101,902	101,902	20,214
Total Expenditures	\$ (43,452)	\$ 850	\$ (42,602)	\$ (42,532)	\$ (42,532)	\$ (70)
Excess (Deficiency) of Revenues Over Expenditures	\$ (43,452)	\$ 850	\$ (42,602)	\$ (42,532)	\$ (42,532)	\$ (70)
Net Change in Fund Balance Fund Balance, July 1, 2009	111,212	(850)	110,362	116,248	116,248	(5,886)
Fund Balance, June 30, 2010	\$ 67,760	\$ 0	\$ 67,760	\$ 73,716	\$ 73,716	\$ (5,956)

# **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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,206,121	\$ 1,177,670	\$ 1,177,670	\$ 28,451
Other Local Revenues	59,463	40,000	40,000	19,463
State of Tennessee	130,650	64,500	64,500	66,150
Other Governments and Citizens Groups	823,979	869,860	869,860	(45,881)
Total Revenues	<u>\$ 2,220,213</u>	<u>\$ 2,152,030</u>	<u>\$ 2,152,030</u>	<u>\$ 68,183</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 265,000	\$ 735,120	\$ 311,078	\$ 46,078
Education	765,000	1,315,020	765,000	0
<u>Interest on Debt</u>				
General Government	916,700	0	916,700	0
Education	9,406	11,920	11,900	2,494
<u>Other Debt Service</u>				
General Government	83,923	29,200	86,582	2,659
Total Expenditures	<u>\$ 2,040,029</u>	<u>\$ 2,091,260</u>	<u>\$ 2,091,260</u>	<u>\$ 51,231</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 180,184</u>	<u>\$ 60,770</u>	<u>\$ 60,770</u>	<u>\$ 119,414</u>
Net Change in Fund Balance	\$ 180,184	\$ 60,770	\$ 60,770	\$ 119,414
Fund Balance, July 1, 2009	<u>1,073,980</u>	<u>966,106</u>	<u>966,106</u>	<u>107,874</u>
Fund Balance, June 30, 2010	<u>\$ 1,254,164</u>	<u>\$ 1,026,876</u>	<u>\$ 1,026,876</u>	<u>\$ 227,288</u>

# Fiduciary Funds

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

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

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

Exhibit H-1

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

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 714,287	\$ 714,287
Due from Other Governments	65,798	0	65,798
Total Assets	<u>\$ 65,798</u>	<u>\$ 714,287</u>	<u>\$ 780,085</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 65,798	\$ 0	\$ 65,798
Due to Litigants, Heirs, and Others	0	714,287	714,287
Total Liabilities	<u>\$ 65,798</u>	<u>\$ 714,287</u>	<u>\$ 780,085</u>

Exhibit H-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 342,135	\$ 342,135	\$ 0
Due from Other Governments	63,118	65,798	63,118	65,798
Total Assets	<u>\$ 63,118</u>	<u>\$ 407,933</u>	<u>\$ 405,253</u>	<u>\$ 65,798</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 63,118	\$ 407,933	\$ 405,253	\$ 65,798
Total Liabilities	<u>\$ 63,118</u>	<u>\$ 407,933</u>	<u>\$ 405,253</u>	<u>\$ 65,798</u>
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 812,553	\$ 3,476,875	\$ 3,575,141	\$ 714,287
Total Assets	<u>\$ 812,553</u>	<u>\$ 3,476,875</u>	<u>\$ 3,575,141</u>	<u>\$ 714,287</u>
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 812,553	\$ 3,476,875	\$ 3,575,141	\$ 714,287
Total Liabilities	<u>\$ 812,553</u>	<u>\$ 3,476,875</u>	<u>\$ 3,575,141</u>	<u>\$ 714,287</u>
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 812,553	\$ 3,476,875	\$ 3,575,141	\$ 714,287
Equity in Pooled Cash and Investments	0	342,135	342,135	0
Due from Other Governments	63,118	65,798	63,118	65,798
Total Assets	<u>\$ 875,671</u>	<u>\$ 3,884,808</u>	<u>\$ 3,980,394</u>	<u>\$ 780,085</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 63,118	\$ 407,933	\$ 405,253	\$ 65,798
Due to Litigants, Heirs, and Others	812,553	3,476,875	3,575,141	714,287
Total Liabilities	<u>\$ 875,671</u>	<u>\$ 3,884,808</u>	<u>\$ 3,980,394</u>	<u>\$ 780,085</u>

# 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.

Exhibit I-1

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

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 12,464,930	\$ 0	\$ 1,622,464	\$ (10,842,466)
Support Services	6,965,992	2,739	162,943	(6,800,310)
Operation of Non-Instructional Services	1,682,582	429,991	1,647,630	395,039
Interest on Debt	5,938	0	0	(5,938)
Other Debt Service	766,447	0	0	(766,447)
<b>Total Governmental Activities</b>	<b>\$ 21,885,889</b>	<b>\$ 432,730</b>	<b>\$ 3,433,037</b>	<b>\$ (18,020,122)</b>
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 2,258,102
Local Option Sales Taxes				1,385,411
Business Tax				20,074
Other Local Taxes				2,058
Grants and Contributions Not Restricted to Specific Programs				13,655,790
Unrestricted Investment Earnings				582
Miscellaneous				103,056
<b>Total General Revenues</b>				<b>\$ 17,425,073</b>
Change in Net Assets				\$ (595,049)
Net Assets, July 1, 2009				18,666,114
Net Assets, June 30, 2010				<u>\$ 18,071,065</u>

Exhibit I-2

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

	Major Funds		Nonmajor Funds	Total
	General Purpose School	Central Cafeteria	Other Govern- mental Funds	Govern- mental Funds
<u>ASSETS</u>				
Cash	\$ 0	\$ 42,000	\$ 0	\$ 42,000
Equity in Pooled Cash and Investments	490,168	491,143	57,052	1,038,363
Accounts Receivable	1,523	0	0	1,523
Due from Other Governments	897,977	73,610	124,303	1,095,890
Due from Other Funds	71,279	117	136	71,532
Property Taxes Receivable	2,419,824	0	0	2,419,824
Allowance for Uncollectible Property Taxes	(225,096)	0	0	(225,096)
<b>Total Assets</b>	<b>\$ 3,655,675</b>	<b>\$ 606,870</b>	<b>\$ 181,491</b>	<b>\$ 4,444,036</b>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 72,540	\$ 0	\$ 4,283	\$ 76,823
Accrued Payroll	14,029	0	0	14,029
Payroll Deductions Payable	515,437	0	0	515,437
Due to Other Funds	253	26,000	45,279	71,532
Deferred Revenue - Current Property Taxes	2,013,517	0	0	2,013,517
Deferred Revenue - Delinquent Property Taxes	161,913	0	0	161,913
Other Deferred Revenues	149,401	0	0	149,401
<b>Total Liabilities</b>	<b>\$ 2,927,090</b>	<b>\$ 26,000</b>	<b>\$ 49,562</b>	<b>\$ 3,002,652</b>
<u>Fund Balances</u>				
Reserved for Encumbrances	\$ 133,865	\$ 0	\$ 1,816	\$ 135,681
Reserved for Career Ladder - Extended Contract	18,372	0	0	18,372
Reserved for Career Ladder Program	7,445	0	0	7,445
Reserved for Basic Education Program	198,117	0	0	198,117
Reserved for Title I Grants to Local Education Agencies	0	0	3,116	3,116
Other Federal Reserves	0	0	733	733
Unreserved, Reported In:				
General Fund	370,786	0	0	370,786
Special Revenue Funds	0	580,870	100,000	680,870
Capital Projects Funds	0	0	26,264	26,264
<b>Total Fund Balances</b>	<b>\$ 728,585</b>	<b>\$ 580,870</b>	<b>\$ 131,929</b>	<b>\$ 1,441,384</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,655,675</b>	<b>\$ 606,870</b>	<b>\$ 181,491</b>	<b>\$ 4,444,036</b>

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, 2010

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

Total fund balances - balance sheet - governmental funds (Exhibit I-2)		\$ 1,441,384
(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	16,377,711	
Add: other capital assets net of accumulated depreciation	<u>749,973</u>	17,129,184
(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.		40,359
(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	\$ (105,813)	
Less: compensated absences payable	(46,370)	
Less: other postemployment benefits liability	(694,883)	
Less: accrued interest on capital leases	<u>(4,110)</u>	(851,176)
(4) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>311,314</u>
Net assets of governmental activities (Exhibit A)		<u><u>\$ 18,071,065</u></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, 2010

	Major Funds		Nonmajor Funds	Total Governmental Funds
	General Purpose School	Central Cafeteria	Other Govern- mental Funds	
<u>Revenues</u>				
Local Taxes	\$ 3,698,277	\$ 0	\$ 0	\$ 3,698,277
Licenses and Permits	1,434	0	0	1,434
Charges for Current Services	2,739	407,496	0	410,235
Other Local Revenues	119,505	6,500	0	126,005
State of Tennessee	13,588,310	14,031	0	13,602,341
Federal Government	464,355	981,557	1,990,867	3,436,779
Total Revenues	<u>\$ 17,874,620</u>	<u>\$ 1,409,584</u>	<u>\$ 1,990,867</u>	<u>\$ 21,275,071</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 10,578,837	\$ 0	\$ 1,613,282	\$ 12,192,119
Support Services	6,053,374	0	415,349	6,468,723
Operation of Non-Instructional Services	419,194	1,250,888	0	1,670,082
Capital Outlay	75,833	0	0	75,833
Debt Service:				
Other Debt Service	766,447	0	0	766,447
Total Expenditures	<u>\$ 17,893,685</u>	<u>\$ 1,250,888</u>	<u>\$ 2,028,631</u>	<u>\$ 21,173,204</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (19,065)</u>	<u>\$ 158,696</u>	<u>\$ (37,764)</u>	<u>\$ 101,867</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 46,606	\$ 0	\$ 100,000	\$ 146,606
Transfers Out	(100,000)	(46,606)	0	(146,606)
Total Other Financing Sources (Uses)	<u>\$ (53,394)</u>	<u>\$ (46,606)</u>	<u>\$ 100,000</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ (72,459)	\$ 112,090	\$ 62,236	\$ 101,867
Fund Balance, July 1, 2009	801,044	468,780	69,693	1,339,517
Fund Balance, June 30, 2010	<u>\$ 728,585</u>	<u>\$ 580,870</u>	<u>\$ 131,929</u>	<u>\$ 1,441,384</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, 2010

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

Net change in fund balances - total governmental funds (Exhibit I-4)		\$	101,867
(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:			
Less: current year depreciation expense			(608,508)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Add: deferred delinquent property taxes and other deferred June 30, 2010	\$	311,314	
Less: deferred delinquent property taxes and other deferred June 30, 2009		<u>(296,045)</u>	15,269
(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:			
Add: principal payments on capital leases			101,000
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.			
Change in compensated absences payable	\$	(16,693)	
Change in other postemployment benefits liability		(192,400)	
Change in accrued interest payable		<u>3,916</u>	(205,177)
(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.			<u>500</u>
Change in net assets of governmental activities (Exhibit B)		\$	<u><u>(595,049)</u></u>

Exhibit I-6

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

	Special Revenue Fund School Federal Projects	Capital Projects Fund Education Capital Projects	Total Nonmajor Governmental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 30,788	\$ 26,264	\$ 57,052
Due from Other Governments	124,303	0	124,303
Due from Other Funds	136	0	136
Total Assets	<u>\$ 155,227</u>	<u>\$ 26,264</u>	<u>\$ 181,491</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 4,283	\$ 0	\$ 4,283
Due to Other Funds	45,279	0	45,279
Total Liabilities	<u>\$ 49,562</u>	<u>\$ 0</u>	<u>\$ 49,562</u>
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 1,816	\$ 0	\$ 1,816
Reserved for Title I Grants to Local Education Agencies	3,116	0	3,116
Other Federal Reserves	733	0	733
Unreserved	100,000	26,264	126,264
Total Fund Balances	<u>\$ 105,665</u>	<u>\$ 26,264</u>	<u>\$ 131,929</u>
Total Liabilities and Fund Balances	<u>\$ 155,227</u>	<u>\$ 26,264</u>	<u>\$ 181,491</u>

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, 2010

	Special Revenue Fund School Federal Projects	Capital Projects Fund Education Capital Projects	Total Nonmajor Governmental Funds
<u>Revenues</u>			
Federal Government	\$ 1,990,867	\$ 0	\$ 1,990,867
Total Revenues	<u>\$ 1,990,867</u>	<u>\$ 0</u>	<u>\$ 1,990,867</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 1,613,282	\$ 0	\$ 1,613,282
Support Services	415,349	0	415,349
Total Expenditures	<u>\$ 2,028,631</u>	<u>\$ 0</u>	<u>\$ 2,028,631</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (37,764)</u>	<u>\$ 0</u>	<u>\$ (37,764)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	\$ 100,000	\$ 0	\$ 100,000
Total Other Financing Sources (Uses)	<u>\$ 100,000</u>	<u>\$ 0</u>	<u>\$ 100,000</u>
Net Change in Fund Balances	\$ 62,236	\$ 0	\$ 62,236
Fund Balance, July 1, 2009	43,429	26,264	69,693
Fund Balance, June 30, 2010	<u><u>\$ 105,665</u></u>	<u><u>\$ 26,264</u></u>	<u><u>\$ 131,929</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, 2010

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2009	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 3,698,277	\$ 0	\$ 0	\$ 3,698,277	\$ 3,672,348	\$ 3,672,348	\$ 25,929
Licenses and Permits	1,434	0	0	1,434	1,500	1,500	(66)
Charges for Current Services	2,739	0	0	2,739	4,000	4,000	(1,261)
Other Local Revenues	119,505	0	0	119,505	92,866	112,366	7,139
State of Tennessee	13,588,310	0	0	13,588,310	13,140,210	13,727,130	(138,820)
Federal Government	464,355	0	0	464,355	317,000	626,887	(162,532)
Total Revenues	\$ 17,874,620	\$ 0	\$ 0	\$ 17,874,620	\$ 17,227,924	\$ 18,144,231	\$ (269,611)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 8,889,072	\$ (6,143)	\$ 0	\$ 8,882,929	\$ 8,946,854	\$ 9,094,053	\$ 211,124
Alternative Instruction Program	46,724	0	0	46,724	35,868	52,377	5,653
Special Education Program	819,196	0	0	819,196	859,106	843,006	23,810
Vocational Education Program	729,960	0	0	729,960	663,754	751,689	21,729
Student Body Education Program	54,141	(141)	0	54,000	60,000	54,000	0
Adult Education Program	39,744	0	0	39,744	0	39,744	0
<u>Support Services</u>							
Health Services	78,938	0	0	78,938	85,503	81,243	2,305
Other Student Support	1,140,952	(57,747)	92,395	1,175,600	583,942	1,215,030	39,430
Regular Instruction Program	414,378	(11)	669	415,036	439,637	425,205	10,169
Special Education Program	160,416	0	0	160,416	161,815	161,460	1,044
Vocational Education Program	43,986	0	0	43,986	44,244	44,179	193
Adult Programs	64,306	(8,383)	158	56,081	0	60,143	4,062
Other Programs	138,319	0	0	138,319	0	138,319	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 (GAAP Basis)	Less: Encumbrances 7/1/2009	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Board of Education	\$ 288,658	\$ 0	\$ 0	\$ 288,658	\$ 366,701	\$ 289,309	\$ 651
Director of Schools	281,548	(244)	0	281,304	271,204	284,677	3,373
Office of the Principal	1,034,751	0	0	1,034,751	970,202	1,039,252	4,501
Fiscal Services	91,083	0	0	91,083	96,535	91,935	852
Operation of Plant	1,329,825	(1,371)	10,402	1,338,856	1,362,255	1,383,576	44,720
Maintenance of Plant	132,880	0	0	132,880	122,706	134,886	2,006
Transportation	853,334	(1,651)	1,908	853,591	896,681	892,650	39,059
<u>Operation of Non-Instructional Services</u>							
Food Service	46,922	0	0	46,922	44,327	46,942	20
Early Childhood Education	372,272	(23,710)	28,333	376,895	390,090	392,190	15,295
<u>Capital Outlay</u>							
Regular Capital Outlay	75,833	0	0	75,833	0	76,750	917
Principal on Debt							
Education	0	0	0	0	40,000	0	0
Interest on Debt							
Education	0	0	0	0	1,500	0	0
<u>Other Debt Service</u>							
Education	766,447	0	0	766,447	785,000	826,500	60,053
Total Expenditures	\$ 17,893,685	\$ (99,401)	\$ 133,865	\$ 17,928,149	\$ 17,227,924	\$ 18,419,115	\$ 490,966
Excess (Deficiency) of Revenues Over Expenditures	\$ (19,065)	\$ 99,401	\$ (133,865)	\$ (53,529)	\$ 0	\$ (274,884)	\$ 221,355

(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 (GAAP Basis)	Less: Encumbrances 7/1/2009	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 46,606	\$ 0	\$ 0	\$ 46,606	\$ 0	\$ 60,000	\$ (13,394)
Transfers Out	(100,000)	0	0	(100,000)	0	(100,000)	0
Total Other Financing Sources (Uses)	\$ (53,394)	\$ 0	\$ 0	\$ (53,394)	\$ 0	\$ (40,000)	\$ (13,394)
Net Change in Fund Balance Fund Balance, July 1, 2009	\$ (72,459)	\$ 99,401	\$ (133,865)	\$ (106,923)	\$ 0	\$ (314,884)	\$ 207,961
	801,044	(99,401)	0	701,643	437,799	437,799	263,844
Fund Balance, June 30, 2010	\$ 728,585	\$ 0	\$ (133,865)	\$ 594,720	\$ 437,799	\$ 122,915	\$ 471,805

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, 2010

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2009	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Federal Government	\$ 1,990,867	\$ 0	\$ 0	\$ 1,990,867	\$ 2,358,213	\$ 2,357,369	\$ (366,502)
Total Revenues	\$ 1,990,867	\$ 0	\$ 0	\$ 1,990,867	\$ 2,358,213	\$ 2,357,369	\$ (366,502)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 811,277	\$ 0	\$ 753	\$ 812,030	\$ 833,003	\$ 860,127	\$ 48,097
Alternative Instruction Program	21,783	0	0	21,783	4,000	26,407	4,624
Special Education Program	750,671	(3,051)	209	747,829	1,010,562	985,627	237,798
Vocational Education Program	29,551	(1,950)	210	27,811	28,933	28,783	972
<u>Support Services</u>							
Health Services	84,039	0	0	84,039	94,136	99,083	15,044
Other Student Support	26,604	(78)	176	26,702	40,209	29,595	2,893
Regular Instruction Program	156,505	(1,050)	0	155,455	186,955	158,985	3,530
Special Education Program	92,484	(44)	468	92,908	98,348	113,044	20,136
Vocational Education Program	2,067	0	0	2,067	2,067	2,067	0
Transportation	53,650	0	0	53,650	60,000	53,650	0
Total Expenditures	\$ 2,028,631	\$ (6,173)	\$ 1,816	\$ 2,024,274	\$ 2,358,213	\$ 2,357,368	\$ 333,094
Excess (Deficiency) of Revenues Over Expenditures	\$ (37,764)	\$ 6,173	\$ (1,816)	\$ (33,407)	\$ 0	\$ 1	\$ (33,408)
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 100,000	\$ 0	\$ 0	\$ 100,000	\$ 108,958	\$ 105,618	\$ (5,618)
Transfers Out	0	0	0	0	(108,958)	(105,619)	105,619
Total Other Financing Sources (Uses)	\$ 100,000	\$ 0	\$ 0	\$ 100,000	\$ 0	\$ (1)	\$ 100,001
Net Change in Fund Balance Fund Balance, July 1, 2009	\$ 62,236	\$ 6,173	\$ (1,816)	\$ 66,593	\$ 0	\$ 0	\$ 66,593
	43,429	(6,173)	0	37,256	0	0	37,256
Fund Balance, June 30, 2010	\$ 105,665	\$ 0	\$ (1,816)	\$ 103,849	\$ 0	\$ 0	\$ 103,849

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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 407,496	\$ 587,011	\$ 587,011	\$ (179,515)
Other Local Revenues	6,500	5,360	5,360	1,140
State of Tennessee	14,031	18,000	18,000	(3,969)
Federal Government	981,557	761,400	842,151	139,406
Total Revenues	<u>\$ 1,409,584</u>	<u>\$ 1,371,771</u>	<u>\$ 1,452,522</u>	<u>\$ (42,938)</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 1,250,888	\$ 1,371,771	\$ 1,505,916	\$ 255,028
Total Expenditures	<u>\$ 1,250,888</u>	<u>\$ 1,371,771</u>	<u>\$ 1,505,916</u>	<u>\$ 255,028</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 158,696</u>	<u>\$ 0</u>	<u>\$ (53,394)</u>	<u>\$ 212,090</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (46,606)	\$ 0	\$ (46,606)	\$ 0
Total Other Financing Sources (Uses)	<u>\$ (46,606)</u>	<u>\$ 0</u>	<u>\$ (46,606)</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 112,090	\$ 0	\$ (100,000)	\$ 212,090
Fund Balance, July 1, 2009	<u>468,780</u>	<u>303,801</u>	<u>303,801</u>	<u>164,979</u>
Fund Balance, June 30, 2010	<u>\$ 580,870</u>	<u>\$ 303,801</u>	<u>\$ 203,801</u>	<u>\$ 377,069</u>

Exhibit I-11

Polk County, Tennessee  
Statement of Net Assets  
Discretely Presented Polk County School Department  
Proprietary Fund  
June 30, 2010

	<u>Governmental Activities - Internal Service Fund Self-Insurance Fund</u>
<u>ASSETS</u>	
Current Assets:	
Cash in Bank	\$ 40,359
Total Assets	<u>\$ 40,359</u>
<u>NET ASSETS</u>	
Unrestricted	<u>\$ 40,359</u>
Total Net Assets	<u><u>\$ 40,359</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, 2010

	Governmental Activities - Internal Service Fund <hr/> Self-Insurance Fund <hr/>
<u>Non-operating Revenues</u>	
Investment Income	\$ 500
Total Non-operating Revenues	<hr/> \$ 500 <hr/>
Change in Net Assets	\$ 500
Net Assets, July 1, 2009	<hr/> 39,859 <hr/>
Net Assets, June 30, 2010	<hr/> <hr/> \$ 40,359 <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, 2010

	Governmental Activities - Internal Service Fund <u>Self-Insurance Fund</u>
<u>Cash Flows from Investing Activities</u>	
Interest on Investments	\$ 500
Net Cash Provided By (Used In) Investing Activities	<u>\$ 500</u>
Net Increase (Decrease) in Cash	\$ 500
Cash, July 1, 2009	<u>39,859</u>
Cash, June 30, 2010	<u><u>\$ 40,359</u></u>

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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, 2010

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-09	Paid and/or Matured During Period	Outstanding 6-30-10
<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	\$ 40,000	\$ 40,000	\$ 0
Athletic Complex	450,000	3.5	9-1-05	9-1-11	225,000	75,000	150,000
Total Notes Payable					\$ 265,000	\$ 115,000	\$ 150,000
<u>CAPITAL LEASES PAYABLE</u>							
Payable through General Fund							
Patrol Cars	47,259	3	11-17-08	11-17-11	\$ 39,893	\$ 15,328	\$ 24,565
Total Capital Leases Payable					\$ 39,893	\$ 15,328	\$ 24,565
<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	\$ 20,375,000	\$ 915,000	\$ 19,460,000
Total Bonds Payable					\$ 20,375,000	\$ 915,000	\$ 19,460,000
<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	\$ 188,996	\$ 92,355	\$ 96,641
Payable through School Federal Projects Fund							
Computers	27,277	5.93	9-8-08	9-8-10	\$ 17,817	\$ 8,645	\$ 9,172
Total Capital Leases Payable					\$ 206,813	\$ 101,000	\$ 105,813

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 Ending June 30	Notes		
	Principal	Interest	Total
2011	\$ 75,000	\$ 15,619	\$ 90,619
2012	75,000	15,750	90,750
Total	<u>\$ 150,000</u>	<u>\$ 31,369</u>	<u>\$ 181,369</u>

Year Ending June 30	Capital Leases		
	Principal	Interest	Total
2011	\$ 16,160	\$ 988	\$ 17,148
2012	8,405	168	8,573
Total	<u>\$ 24,565</u>	<u>\$ 1,156</u>	<u>\$ 25,721</u>

Year Ending June 30	Bonds		
	Principal	Interest	Total
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	<u>\$ 19,460,000</u>	<u>\$ 8,006,650</u>	<u>\$ 27,466,650</u>

(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 Ending June 30	Capital Lease		
	Principal	Interest	Total
2011	\$ 105,813	\$ 5,043	\$ 110,856
Total	\$ 105,813	\$ 5,043	\$ 110,856

Exhibit J-3

Polk County, Tennessee  
Schedule of Transfers  
Primary Government and Discretely Presented Polk County School Department  
For the Year Ended June 30, 2010

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
General	Solid Waste/Sanitation	Operations	\$ 416,400
General	Ocoee Waterline	Operations	2,000
Ocoee Waterline	General	Reimbursement	<u>2,000</u>
Total Transfers			<u>\$ 420,400</u>
<u>DISCRETELY PRESENTED POLK</u> <u>COUNTY SCHOOL DEPARTMENT</u>			
General Purpose School	School Federal Projects	Operations	\$ 100,000
Central Cafeteria	General Purpose School	Indirect cost	<u>46,606</u>
Total Transfers			<u>\$ 146,606</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, 2010

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	100,961 (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	31,675	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	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 \$4,373 for unused vacation days and a negotiated annual allowance of \$7,800 for in-county travel.

(2) The director of schools is covered by the employee blanket bond.

Exhibit J-5

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

	Special Revenue Funds			Debt Service Fund		Capital Projects Funds			Total
	General	Highway / Public Works		General	Debt Service	Ocoee Waterline Project	HUD Grant Projects		
		Drug Control							
<u>Local Taxes</u>									
<u>County Property Taxes</u>									
Current Property Tax	\$ 3,445,796	\$ 0	\$ 0	\$ 1,039,991	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,485,787
Trustee's Collections - Prior Year	195,554	0	0	55,155	0	0	0	0	250,709
Circuit/Clerk & Master Collections - Prior Years	177,792	0	0	35,783	0	0	0	0	213,575
Interest and Penalty	33,948	0	0	9,732	0	0	0	0	43,680
Payments in-Lieu-of Taxes - T.V.A.	59,241	0	0	16,276	0	0	0	0	75,517
Payments in-Lieu-of Taxes - Other	26,564	0	0	8,015	0	0	0	0	34,579
<u>County Local Option Taxes</u>									
Hotel/Motel Tax	46,428	0	0	23,214	0	0	0	0	69,642
Litigation Tax - General	68,022	0	0	0	0	0	0	0	68,022
Litigation Tax - Jail, Workhouse, or Courthouse	36,138	0	0	0	0	0	0	0	36,138
Litigation Tax - Courtroom Security	2,112	0	0	0	0	0	0	0	2,112
Business Tax	34,710	0	0	10,328	0	0	0	0	45,038
<u>Statutory Local Taxes</u>									
Bank Excise Tax	25,269	0	0	7,627	0	0	0	0	32,896
Wholesale Beer Tax	252,995	0	0	0	0	0	0	0	252,995
Beer Privilege Tax	2,802	0	0	0	0	0	0	0	2,802
<u>Total Local Taxes</u>	<u>\$ 4,407,371</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,206,121</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5,613,492</u>
<u>Licenses and Permits</u>									
<u>Licenses</u>									
Cable TV Franchise	\$ 54,771	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 54,771
<u>Permits</u>									
Beer Permits	1,710	0	0	0	0	0	0	0	1,710
Building Permits	2,775	0	0	0	0	0	0	0	2,775
Electrical Permits	8,802	0	0	0	0	0	0	0	8,802
<u>Total Licenses and Permits</u>	<u>\$ 68,058</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 68,058</u>

(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	Highway / Public Works		Debt Service	General	Ocoee Waterline Project	HUD Grant Projects			
		Drug Control								
<u>Circuit Court</u>										
Fines	\$ 25,817	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	25,817
Officers Costs	3,258	0	0	0	0	0	0	0	0	3,258
Drug Control Fines	0	15,633	0	0	0	0	0	0	0	15,633
Drug Court Fees	1,644	0	0	0	0	0	0	0	0	1,644
Jail Fees	1,766	0	0	0	0	0	0	0	0	1,766
DUI Treatment Fines	765	0	0	0	0	0	0	0	0	765
Data Entry Fee - Circuit Court	374	0	0	0	0	0	0	0	0	374
<u>General Sessions Court</u>										
Fines	49,637	0	0	0	0	0	0	0	0	49,637
Officers Costs	29,389	0	0	0	0	0	0	0	0	29,389
Game and Fish Fines	155	0	0	0	0	0	0	0	0	155
Drug Control Fines	0	20,508	0	0	0	0	0	0	0	20,508
Drug Court Fees	10,478	0	0	0	0	0	0	0	0	10,478
Jail Fees	12,818	0	0	0	0	0	0	0	0	12,818
DUI Treatment Fines	3,135	0	0	0	0	0	0	0	0	3,135
Data Entry Fee - General Sessions Court	6,542	0	0	0	0	0	0	0	0	6,542
Courtroom Security Fee	28,982	0	0	0	0	0	0	0	0	28,982
<u>Juvenile Court</u>										
Data Entry Fee - Juvenile Court	170	0	0	0	0	0	0	0	0	170
<u>Chancery Court</u>										
Officers Costs	238	0	0	0	0	0	0	0	0	238
Data Entry Fee - Chancery Court	148	0	0	0	0	0	0	0	0	148
<u>Judicial District Drug Program</u>										
Courtroom Security Fee	41	0	0	0	0	0	0	0	0	41
<u>Other Fines, Forfeitures, and Penalties</u>										
Proceeds from Confiscated Property	3,684	500	0	0	0	0	0	0	0	4,184
Total Fines, Forfeitures, and Penalties	\$ 179,041	\$ 36,641	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 215,682

(Continued)

Exhibit J-5

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

	Debt										Total	
	Special Revenue Funds					Service Fund		Capital Projects Funds				
	General	Drug Control	Highway / Public Works	General	Debt Service	Ocoee	Waterline Project	HUD Grant	Projects			
<u>Charges for Current Services</u>												
<u>Fees</u>												
Copy Fees	1,518	0	0	0	0	0	0	0	0	0	0	1,518
Library Fees	149	0	0	0	0	0	0	0	0	0	0	149
Telephone Commissions	22,662	0	0	0	0	0	0	0	0	0	0	22,662
Data Processing Fee - Register	6,200	0	0	0	0	0	0	0	0	0	0	6,200
Data Processing Fee - Sheriff	2,158	0	0	0	0	0	0	0	0	0	0	2,158
Sexual Offender Registration Fees - Sheriff	2,125	0	0	0	0	0	0	0	0	0	0	2,125
Data Processing Fee - County Clerk	844	0	0	0	0	0	0	0	0	0	0	844
<b>Total Charges for Current Services</b>	<b>35,656</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>35,656</b>
<u>Other Local Revenues</u>												
<u>Recurring Items</u>												
Investment Income	0	0	0	0	59,463	0	0	0	0	0	0	59,463
Lease/Rentals	11,586	0	0	0	0	0	0	0	0	0	0	11,586
Sale of Materials and Supplies	0	0	735	0	0	0	0	0	0	0	0	735
Commissary Sales	44,822	0	0	0	0	0	0	0	0	0	0	44,822
Sale of Gasoline	0	0	244,389	0	0	0	0	0	0	0	0	244,389
Sale of Recycled Materials	92	0	0	0	0	0	0	0	0	0	0	92
Miscellaneous Refunds	156	1,445	11,998	0	0	0	0	0	0	0	0	13,599
<u>Nonrecurring Items</u>												
Damages Recovered from Individuals	6,222	0	0	0	0	0	0	0	0	0	0	6,222
<b>Total Other Local Revenues</b>	<b>62,878</b>	<b>1,445</b>	<b>257,122</b>	<b>0</b>	<b>59,463</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>380,908</b>
<u>Fees Received from County Officials</u>												
<u>Fees in-Lieu-of Salary</u>												
County Clerk	156,994	0	0	0	0	0	0	0	0	0	0	156,994
Circuit Court Clerk	55,342	0	0	0	0	0	0	0	0	0	0	55,342
General Sessions Court Clerk	101,207	0	0	0	0	0	0	0	0	0	0	101,207
Clerk and Master	83,860	0	0	0	0	0	0	0	0	0	0	83,860
Register	68,204	0	0	0	0	0	0	0	0	0	0	68,204
Sheriff	5,632	0	0	0	0	0	0	0	0	0	0	5,632
Trustee	237,903	0	0	0	0	0	0	0	0	0	0	237,903
<b>Total Fees Received from County Officials</b>	<b>709,142</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>709,142</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	Highway / Public Works	General Debt Service	Ocoee Waterline Project	HUD Grant Projects		
<u>State of Tennessee</u>								
<u>General Government Grants</u>								
Juvenile Services Program	\$ 7,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,000
Aging Programs	7,734	0	0	0	0	0	0	7,734
<u>Public Safety Grants</u>								
Law Enforcement Training Programs	10,800	0	0	0	0	0	0	10,800
Other Public Safety Grants	1,137	0	0	0	0	0	0	1,137
<u>Public Works Grants</u>								
Litter Program	27,958	0	0	0	0	0	0	27,958
<u>Other State Revenues</u>								
Income Tax	38,484	0	0	11,050	0	0	0	49,534
Beer Tax	44,808	0	0	0	0	0	0	44,808
Alcoholic Beverage Tax	9,055	0	0	0	0	0	0	9,055
State Revenue Sharing - T.V.A.	396,386	0	0	119,600	0	0	0	515,986
Contracted Prisoner Boarding	1,066,666	0	0	0	0	0	0	1,066,666
Gasoline and Motor Fuel Tax	0	0	1,560,131	0	0	0	0	1,560,131
Petroleum Special Tax	0	0	12,890	0	0	0	0	12,890
Reappraisal Program Reimbursement	6,249	0	0	0	0	0	0	6,249
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	16,380
Other State Grants	49,628	0	0	0	0	0	0	49,628
Other State Revenues	1,950	0	0	0	0	0	0	1,950
<b>Total State of Tennessee</b>	<b>\$ 1,684,235</b>	<b>\$ 0</b>	<b>\$ 1,573,021</b>	<b>\$ 130,650</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 3,387,906</b>
<u>Federal Government</u>								
<u>Federal Through State</u>								
Community Development	\$ 0	\$ 0	\$ 0	\$ 0	\$ 500,000	\$ 0	\$ 0	\$ 500,000
Law Enforcement Grants	5,000	0	0	0	0	0	0	5,000
Other Federal through State	167,901	0	0	0	0	232,535	0	400,436
<u>Direct Federal Revenue</u>								
Forest Service	45,623	0	103,410	0	0	0	0	149,033
Other Direct Federal Revenue	61,941	0	0	0	0	0	0	61,941
<b>Total Federal Government</b>	<b>\$ 280,465</b>	<b>\$ 0</b>	<b>\$ 103,410</b>	<b>\$ 0</b>	<b>\$ 500,000</b>	<b>\$ 232,535</b>	<b>\$ 0</b>	<b>\$ 1,116,410</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	Highway / Public Works	General	Debt Service	Ocoee Waterline Project	HUD Grant Projects	
<u>Other Governments and Citizens Groups</u>								
<u>Other Governments</u>								
Contributions	\$ 0	\$ 0	\$ 0	\$ 823,979	\$ 0	\$ 0	\$ 0	\$ 823,979
Contracted Services	45,895	0	0	0	0	0	0	45,895
<u>Citizens Groups</u>								
Donations	0	1,000	0	0	0	0	0	1,000
Total Other Governments and Citizens Groups	\$ 45,895	\$ 1,000	\$ 0	\$ 823,979	\$ 0	\$ 0	\$ 0	\$ 870,874
Total	\$ 7,472,741	\$ 39,086	\$ 1,933,553	\$ 2,220,213	\$ 500,000	\$ 232,535	\$ 12,398,128	

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, 2010

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 1,990,852	\$ 0	\$ 0	\$ 1,990,852
Trustee's Collections - Prior Year	113,744	0	0	113,744
Circuit/Clerk & Master Collections - Prior Years	109,583	0	0	109,583
Interest and Penalty	18,245	0	0	18,245
Payments in-Lieu-of Taxes - T.V.A.	31,363	0	0	31,363
Payments in-Lieu-of Taxes - Other	15,343	0	0	15,343
<u>County Local Option Taxes</u>				
Local Option Sales Tax	1,382,125	0	0	1,382,125
Business Tax	20,074	0	0	20,074
<u>Statutory Local Taxes</u>				
Bank Excise Tax	14,683	0	0	14,683
Interstate Telecommunications Tax	2,265	0	0	2,265
<b>Total Local Taxes</b>	<b>\$ 3,698,277</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 3,698,277</b>
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 1,434	\$ 0	\$ 0	\$ 1,434
<b>Total Licenses and Permits</b>	<b>\$ 1,434</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,434</b>
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Lunch Payments - Children	\$ 0	\$ 0	\$ 194,876	\$ 194,876
Lunch Payments - Adults	0	0	38,614	38,614
Income from Breakfast	0	0	34,269	34,269
A la carte Sales	0	0	139,737	139,737
TBI Criminal Background Fees	2,739	0	0	2,739
<b>Total Charges for Current Services</b>	<b>\$ 2,739</b>	<b>\$ 0</b>	<b>\$ 407,496</b>	<b>\$ 410,235</b>
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 24	\$ 0	\$ 58	\$ 82
Lease/Rentals	15,960	0	0	15,960
Sale of Recycled Materials	93	0	0	93
Retirees' Insurance Payments	16,205	0	0	16,205
Miscellaneous Refunds	86,826	0	0	86,826
<u>Nonrecurring Items</u>				
Damages Recovered from Individuals	25	0	0	25
<u>Other Local Revenues</u>				
Other Local Revenues	372	0	6,442	6,814
<b>Total Other Local Revenues</b>	<b>\$ 119,505</b>	<b>\$ 0</b>	<b>\$ 6,500</b>	<b>\$ 126,005</b>
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-Behalf Contributions for OPEB	\$ 138,319	\$ 0	\$ 0	\$ 138,319
<u>State Education Funds</u>				
Basic Education Program	11,785,028	0	0	11,785,028
Basic Education Program - ARRA	486,600	0	0	486,600
Early Childhood Education	652,042	0	0	652,042

(Continued)

Exhibit J-6

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>State of Tennessee (Cont.)</u>				
<u>State Education Funds (Cont.)</u>				
School Food Service	\$ 0	\$ 0	\$ 14,031	\$ 14,031
Driver Education	6,712	0	0	6,712
Other State Education Funds	1,813	0	0	1,813
Coordinated School Health - ARRA	105,000	0	0	105,000
Internet Connectivity - ARRA	7,621	0	0	7,621
Family Resource Centers - ARRA	33,300	0	0	33,300
Statewide Student Management System (SSMS) - ARRA	6,709	0	0	6,709
Career Ladder Program	80,863	0	0	80,863
Career Ladder - Extended Contract - ARRA	24,525	0	0	24,525
<u>Other State Revenues</u>				
Income Tax	22,331	0	0	22,331
State Revenue Sharing - T.V.A.	228,947	0	0	228,947
Safe Schools - ARRA	8,500	0	0	8,500
Total State of Tennessee	\$ 13,588,310	\$ 0	\$ 14,031	\$ 13,602,341
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 651,977	\$ 651,977
USDA - Commodities	0	0	80,751	80,751
Breakfast	0	0	218,638	218,638
USDA - Other	0	0	10,191	10,191
USDA Food Service Equipment Grant - ARRA	0	0	20,000	20,000
Adult Education State Grant Program	98,811	0	0	98,811
Vocational Education - Basic Grants to States	0	41,332	0	41,332
Other Vocational	429	0	0	429
Title I Grants to Local Education Agencies	0	789,743	0	789,743
Special Education - Grants to States	0	946,797	0	946,797
Special Education Preschool Grants	0	25,056	0	25,056
Safe and Drug-free Schools - State Grants	0	8,900	0	8,900
Eisenhower Professional Development State Grants	0	178,285	0	178,285
Other Federal through State	210,000	754	0	210,754
<u>Direct Federal Revenue</u>				
Forest Service	155,115	0	0	155,115
Total Federal Government	\$ 464,355	\$ 1,990,867	\$ 981,557	\$ 3,436,779
Total	\$ 17,874,620	\$ 1,990,867	\$ 1,409,584	\$ 21,275,071

Exhibit J-7

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

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	16,450	
Social Security		1,232	
Employee and Dependent Insurance		28,935	
Unemployment Compensation		10	
Workers' Compensation Insurance		200	
Total County Commission			\$ 46,827

Board of Equalization

Board and Committee Members Fees	\$	827	
Total Board of Equalization			827

County Mayor/Executive

County Official/Administrative Officer	\$	66,702	
Secretary(ies)		18,133	
Social Security		6,120	
State Retirement		5,413	
Employee and Dependent Insurance		18,245	
Travel		2,400	
Workers' Compensation Insurance		332	
Data Processing Equipment		3,060	
Furniture and Fixtures		295	
Total County Mayor/Executive			120,700

Election Commission

County Official/Administrative Officer	\$	46,788	
Clerical Personnel		16,005	
Election Commission		7,500	
Election Workers		16,970	
In-Service Training		6,070	
Social Security		5,219	
State Retirement		4,022	
Employee and Dependent Insurance		3,732	
Unemployment Compensation		150	
Communication		1,609	
Dues and Memberships		175	
Legal Notices, Recording, and Court Costs		1,453	
Maintenance and Repair Services - Equipment		501	
Printing, Stationery, and Forms		2,802	
Rentals		861	
Other Contracted Services		14,579	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Office Supplies	\$	80	
Other Supplies and Materials		3,686	
Workers' Compensation Insurance		295	
Furniture and Fixtures		396	
Total Election Commission			\$ 132,893

Register of Deeds

County Official/Administrative Officer	\$	57,751	
Clerical Personnel		21,843	
Social Security		6,089	
State Retirement		5,078	
Employee and Dependent Insurance		3,566	
Dues and Memberships		100	
Maintenance Agreements		5,191	
Printing, Stationery, and Forms		1,508	
Workers' Compensation Insurance		352	
Data Processing Equipment		2,287	
Total Register of Deeds			103,765

County Buildings

Custodial Personnel	\$	28,265	
Maintenance Personnel		26,184	
Social Security		4,147	
State Retirement		3,700	
Employee and Dependent Insurance		12,689	
Maintenance and Repair Services - Buildings		18,134	
Travel		2,077	
Other Contracted Services		4,000	
Custodial Supplies		4,989	
Utilities		122,872	
Workers' Compensation Insurance		2,500	
Disabilities Act Improvements		38,323	
Total County Buildings			267,880

Other General Administration

Life Insurance	\$	3,592	
Audit Services		3,261	
Communication		44,074	
Contributions		13,625	
Dues and Memberships		2,182	

(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.)

Legal Services	\$	39,847	
Legal Notices, Recording, and Court Costs		1,164	
Licenses		390	
Maintenance and Repair Services - Equipment		21,719	
Medical and Dental Services		12,247	
Pest Control		3,550	
Postal Charges		27,519	
Permits		1,070	
Contracts for Development Costs		60,465	
Other Contracted Services		12,811	
Office Supplies		3,780	
Other Supplies and Materials		143	
Building and Contents Insurance		5,000	
Liability Insurance		7,200	
Other Charges		61,506	
Total Other General Administration			\$ 325,145

Finance

Accounting and Budgeting

County Official/Administrative Officer	\$	31,675	
Assistant(s)		9,993	
Social Security		3,188	
State Retirement		2,154	
Employee and Dependent Insurance		435	
Unemployment Compensation		2	
Communication		1,614	
Data Processing Services		6,552	
Building and Contents Insurance		4,500	
Liability Insurance		2,400	
Workers' Compensation Insurance		225	
Data Processing Equipment		2,135	
Total Accounting and Budgeting			64,873

Property Assessor's Office

County Official/Administrative Officer	\$	57,751
Assistant(s)		39,230
Deputy(ies)		20,109
Social Security		8,551
State Retirement		7,470
Employee and Dependent Insurance		28,376

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Data Processing Services	\$	107	
Dues and Memberships		100	
Travel		1,636	
Permits		13,447	
Other Contracted Services		14,741	
Office Supplies		1,023	
Other Supplies and Materials		3,905	
Workers' Compensation Insurance		500	
Motor Vehicles		20,262	
Total Property Assessor's Office			\$ 217,208

County Trustee's Office

County Official/Administrative Officer	\$	57,751	
Deputy(ies)		53,107	
In-Service Training		600	
Social Security		7,344	
State Retirement		6,379	
Employee and Dependent Insurance		21,722	
Communication		840	
Data Processing Services		7,476	
Dues and Memberships		100	
Legal Notices, Recording, and Court Costs		500	
Printing, Stationery, and Forms		1,200	
Rentals		804	
Travel		2,053	
Data Processing Supplies		800	
Office Supplies		644	
Workers' Compensation Insurance		500	
Data Processing Equipment		700	
Total County Trustee's Office			162,520

County Clerk's Office

County Official/Administrative Officer	\$	57,751	
Deputy(ies)		41,703	
Social Security		7,393	
State Retirement		6,345	
Employee and Dependent Insurance		24,282	
Unemployment Compensation		5	
Communication		516	
Dues and Memberships		110	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

Legal Notices, Recording, and Court Costs	\$	90	
Maintenance Agreements		11,713	
Rentals		804	
Travel		4,080	
Office Supplies		1,789	
Workers' Compensation Insurance		540	
Office Equipment		749	
Total County Clerk's Office			\$ 157,870

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	57,751	
Deputy(ies)		70,346	
Jury and Witness Expense		7,473	
Social Security		9,669	
State Retirement		7,753	
Employee and Dependent Insurance		9,327	
Unemployment Compensation		48	
Maintenance Agreements		6,862	
Printing, Stationery, and Forms		3,158	
Other Supplies and Materials		2,177	
Workers' Compensation Insurance		264	
Total Circuit Court			174,828

General Sessions Court

Judge(s)	\$	82,326	
Social Security		6,068	
State Retirement		5,253	
Employee and Dependent Insurance		3,738	
Dues and Memberships		50	
Travel		793	
Building and Contents Insurance		5,400	
Liability Insurance		1,800	
Workers' Compensation Insurance		340	
Total General Sessions Court			105,768

Chancery Court

County Official/Administrative Officer	\$	57,751
Deputy(ies)		40,218
Social Security		7,201

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court (Cont.)

State Retirement	\$	6,250	
Employee and Dependent Insurance		18,804	
Unemployment Compensation		64	
Data Processing Services		3,742	
Dues and Memberships		100	
Legal Notices, Recording, and Court Costs		1,184	
Printing, Stationery, and Forms		1,708	
Workers' Compensation Insurance		420	
Total Chancery Court			\$ 137,442

Juvenile Court

Assistant(s)	\$	17,164	
Youth Service Officer(s)		23,392	
Attendants		3,448	
Social Security		2,620	
State Retirement		2,346	
Employee and Dependent Insurance		9,327	
Unemployment Compensation		56	
Travel		2,200	
Other Supplies and Materials		410	
Workers' Compensation Insurance		175	
Total Juvenile Court			61,138

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	63,527	
Deputy(ies)		389,943	
Investigator(s)		68,813	
Salary Supplements		10,510	
Dispatchers/Radio Operators		51,129	
Clerical Personnel		20,109	
Overtime Pay		55,981	
Other Salaries and Wages		36,769	
Social Security		56,227	
State Retirement		45,272	
Employee and Dependent Insurance		144,723	
Unemployment Compensation		945	
Dues and Memberships		100	
Evaluation and Testing		85	
Maintenance Agreements		306	

(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.)

Maintenance and Repair Services - Equipment	\$	1,159	
Maintenance and Repair Services - Vehicles		22,983	
Printing, Stationery, and Forms		359	
Travel		1,032	
Gasoline		68,926	
Law Enforcement Supplies		20,072	
Office Supplies		1,290	
Tires and Tubes		6,935	
Uniforms		2,079	
Other Supplies and Materials		17,986	
Building and Contents Insurance		14,100	
Liability Insurance		57,362	
Vehicle and Equipment Insurance		27,000	
Workers' Compensation Insurance		15,171	
Principal on Capital Leases		15,328	
Interest on Capital Leases		1,820	
Data Processing Equipment		2,855	
Motor Vehicles		48,529	
Total Sheriff's Department			\$ 1,269,425

Correctional Incentive Program Improvements

Assistant(s)	\$	23,603
Dispatchers/Radio Operators		156,042
Guards		510,807
Overtime Pay		111,291
In-Service Training		1,920
Social Security		59,882
State Retirement		46,944
Employee and Dependent Insurance		154,714
Unemployment Compensation		757
Evaluation and Testing		1,482
Maintenance Agreements		15,008
Maintenance and Repair Services - Buildings		6,842
Maintenance and Repair Services - Equipment		14,800
Medical and Dental Services		175,469
Postal Charges		1,012
Printing, Stationery, and Forms		583
Travel		2,456
Custodial Supplies		8,257
Food Supplies		210,454

(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.)

Prisoners Clothing	\$	4,800	
Uniforms		3,157	
Utilities		150,004	
Other Supplies and Materials		23,736	
Workers' Compensation Insurance		22,083	
Furniture and Fixtures		587	
Total Correctional Incentive Program Improvements			\$ 1,706,690

Fire Prevention and Control

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

Civil Defense

Maintenance and Repair Services - Vehicles	\$	4,574	
Gasoline		4,298	
Utilities		3,803	
Other Supplies and Materials		1,297	
Building and Contents Insurance		10,000	
Vehicle and Equipment Insurance		2,775	
Communication Equipment		4,500	
Other Equipment		47,568	
Total Civil Defense			78,815

Rescue Squad

In-Service Training	\$	2,855	
Dues and Memberships		895	
Maintenance and Repair Services - Equipment		2,593	
Maintenance and Repair Services - Vehicles		20,020	
Medical and Dental Services		650	
Gasoline		12,619	
Instructional Supplies and Materials		338	
Office Supplies		500	
Utilities		5,531	
Other Supplies and Materials		3,126	
Building and Contents Insurance		10,000	
Vehicle and Equipment Insurance		3,004	
Other Equipment		37,215	
Total Rescue Squad			99,346

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Other Emergency Management

County Official/Administrative Officer	\$	4,700	
Social Security		318	
State Retirement		300	
Unemployment Compensation		5	
Communication		4,548	
Maintenance and Repair Services - Equipment		446	
Travel		70	
Gasoline		300	
Other Supplies and Materials		4,467	
Workers' Compensation Insurance		200	
Total Other Emergency Management			\$ 15,354

Public Health and Welfare

Local Health Center

Contracts with Government Agencies	\$	27,618	
Other Supplies and Materials		18,909	
Other Charges		2,889	
Total Local Health Center			49,416

Ambulance/Emergency Medical Services

Contracts with Private Agencies	\$	716,364	
Total Ambulance/Emergency Medical Services			716,364

Other Local Health Services

Assistant(s)	\$	52,513	
Attendants		14,421	
Social Security		4,582	
State Retirement		2,501	
Employee and Dependent Insurance		13,208	
Unemployment Compensation		227	
Travel		8,764	
Workers' Compensation Insurance		1,500	
Total Other Local Health Services			97,716

Sanitation Education/Information

Supervisor/Director	\$	23,760	
Social Security		1,775	
State Retirement		1,531	
Employee and Dependent Insurance		3,242	
Unemployment Compensation		20	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Sanitation Education/Information (Cont.)

Maintenance and Repair Services - Vehicles	\$	286	
Gasoline		2,372	
Instructional Supplies and Materials		5,216	
Other Supplies and Materials		2,534	
Workers' Compensation Insurance		920	
Total Sanitation Education/Information			\$ 41,656

Other Public Health and Welfare

Assistant(s)	\$	24,953	
Social Security		1,909	
State Retirement		1,366	
Employee and Dependent Insurance		182	
Unemployment Compensation		98	
Travel		4,943	
Other Supplies and Materials		181	
Workers' Compensation Insurance		402	
Total Other Public Health and Welfare			34,034

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Supervisor/Director	\$	21,666	
Social Security		1,443	
State Retirement		1,147	
Employee and Dependent Insurance		8,879	
Unemployment Compensation		40	
Workers' Compensation Insurance		81	
Total Senior Citizens Assistance			33,256

Libraries

Assistant(s)	\$	17,708	
Social Security		1,239	
State Retirement		1,130	
Employee and Dependent Insurance		5,596	
Unemployment Compensation		65	
Other Supplies and Materials		4,425	
Workers' Compensation Insurance		300	
Total Libraries			30,463

Other Social, Cultural, and Recreational

Other Supplies and Materials	\$	5,969	
Total Other Social, Cultural, and Recreational			5,969

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Agriculture and Natural Resources

Agriculture Extension Service

County Official/Administrative Officer	\$	10,411	
Supervisor/Director		8,060	
Secretary(ies)		4,385	
Social Security		1,748	
State Retirement		3,307	
Communication		46	
Data Processing Services		322	
Maintenance and Repair Services - Buildings		2,486	
Travel		1,800	
Other Supplies and Materials		8,500	
Total Agriculture Extension Service			\$ 41,065

Soil Conservation

Secretary(ies)	\$	15,272	
Social Security		1,168	
Dues and Memberships		300	
Instructional Supplies and Materials		538	
Office Supplies		674	
Premiums on Corporate Surety Bonds		150	
Total Soil Conservation			18,102

Other Operations

Other Economic and Community Development

Contracts with Government Agencies	\$	9,250	
Contracts with Other Public Agencies		3,188	
Travel		1,384	
Total Other Economic and Community Development			13,822

Veterans' Services

Supervisor/Director	\$	8,040	
Clerical Personnel		6,280	
Social Security		1,018	
State Retirement		401	
Employee and Dependent Insurance		3,731	
Unemployment Compensation		61	
Travel		1,841	
Total Veterans' Services			21,372

Other Charges

Trustee's Commission	\$	94,880	
Total Other Charges			94,880

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations (Cont.)

Contributions to Other Agencies

Remittance of Revenue Collected	\$ 42,735	
Total Contributions to Other Agencies	<u>42,735</u>	\$ 42,735

Total General Fund		\$ 6,491,164
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Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Contracts with Private Agencies	\$ 416,400	
Total Sanitation Management	<u>416,400</u>	\$ 416,400

Total Solid Waste/Sanitation Fund		416,400
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Drug Control Fund

Public Safety

Drug Enforcement

Investigator(s)	\$ 67,900	
Salary Supplements	4,000	
Communication	3,056	
Law Enforcement Supplies	2,462	
Tires and Tubes	500	
Uniforms	374	
Other Supplies and Materials	<u>3,853</u>	
Total Drug Enforcement		\$ 82,145

Other Operations

Other Charges

Trustee's Commission	\$ 393	
Total Other Charges	<u>393</u>	

Total Drug Control Fund		82,538
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Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 63,527	
Accountants/Bookkeepers	31,046	
Clerical Personnel	30,990	
Social Security	7,144	
Employer Medicare	1,825	

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Communication	\$	11,439	
Data Processing Services		4,604	
Dues and Memberships		3,298	
Legal Notices, Recording, and Court Costs		209	
Postal Charges		860	
Travel		1,983	
Drugs and Medical Supplies		307	
Office Supplies		2,655	
Uniforms		4,934	
Other Charges		35	
Total Administration			\$ 164,856

Highway and Bridge Maintenance

Foremen	\$	75,303	
Equipment Operators - Heavy		90,940	
Equipment Operators - Light		77,305	
Truck Drivers		106,422	
Laborers		144,205	
Overtime Pay		13,650	
Social Security		32,506	
Employer Medicare		7,603	
Contracts with Private Agencies		23,648	
Asphalt - Liquid		36,341	
Crushed Stone		171,996	
Pipe		6,543	
Road Signs		5,856	
Total Highway and Bridge Maintenance			792,318

Operation and Maintenance of Equipment

Mechanic(s)	\$	33,385	
Social Security		2,038	
Employer Medicare		477	
Diesel Fuel		174,302	
Equipment and Machinery Parts		70,280	
Garage Supplies		12,201	
Gasoline		146,709	
Lubricants		4,151	
Tires and Tubes		11,536	
Total Operation and Maintenance of Equipment			455,079

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Other Charges

Electricity	\$	6,013	
Water and Sewer		1,060	
Building and Contents Insurance		2,224	
Liability Insurance		6,667	
Trustee's Commission		15,662	
Vehicle and Equipment Insurance		17,049	
Total Other Charges			\$ 48,675

Employee Benefits

Social Security	\$	33	
State Retirement		36,143	
Employee and Dependent Insurance		231,378	
Workers' Compensation Insurance		78,870	
Total Employee Benefits			346,424

Capital Outlay

Bridge Construction	\$	16,717	
Highway Equipment		60,150	
Total Capital Outlay			76,867

Total Highway/Public Works Fund \$ 1,884,219

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	265,000	
Total General Government			\$ 265,000

Education

Principal on Bonds	\$	650,000	
Principal on Notes		115,000	
Total Education			765,000

Interest on Debt

General Government

Interest on Bonds	\$	916,700	
Total General Government			916,700

Education

Interest on Notes	\$	9,406	
Total Education			9,406

(Continued)

Exhibit J-7

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

<u>General Debt Service Fund (Cont.)</u>			
<u>Other Debt Service</u>			
<u>General Government</u>			
Trustee's Commission	\$	25,379	
Other Debt Service		58,544	
Total General Government		<u>83,923</u>	\$ 83,923
Total General Debt Service Fund			\$ 2,040,029
<u>Ocoee Waterline Project Fund</u>			
<u>Capital Projects</u>			
<u>Public Utility Projects</u>			
Other Construction	\$	500,000	
Total Public Utility Projects		<u>500,000</u>	\$ 500,000
Total Ocoee Waterline Project Fund			500,000
<u>HUD Grant Projects Fund</u>			
<u>Other Operations</u>			
<u>Housing and Urban Development</u>			
Other Construction	\$	234,352	
Total Housing and Urban Development		<u>234,352</u>	\$ 234,352
Total HUD Grant Projects Fund			234,352
<u>Other Capital Projects Fund</u>			
<u>Capital Projects</u>			
<u>Public Safety Projects</u>			
Other Charges	\$	279	
Total Public Safety Projects		<u>279</u>	\$ 279
Total Other Capital Projects Fund			<u>279</u>
Total Governmental Funds - Primary Government			<u>\$ 11,648,981</u>

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, 2010

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 6,281,065	
Career Ladder Program	45,100	
Career Ladder Extended Contracts	19,500	
Homebound Teachers	7,349	
Educational Assistants	131,607	
Other Salaries and Wages	127,539	
Certified Substitute Teachers	9,837	
Non-certified Substitute Teachers	93,195	
Social Security	397,606	
State Retirement	405,529	
Life Insurance	3,605	
Medical Insurance	972,521	
Dental Insurance	74,528	
Unemployment Compensation	234	
Employer Medicare	94,170	
Payments to Retirees	5,600	
Instructional Supplies and Materials	77,181	
Textbooks	120,002	
Other Charges	22,904	
Total Regular Instruction Program		\$ 8,889,072

Alternative Instruction Program

Teachers	\$ 39,079	
Career Ladder Program	1,000	
Social Security	1,363	
State Retirement	1,457	
Life Insurance	12	
Medical Insurance	2,830	
Dental Insurance	274	
Employer Medicare	571	
Other Supplies and Materials	138	
Total Alternative Instruction Program		46,724

Special Education Program

Teachers	\$ 521,146
Career Ladder Program	6,000
Homebound Teachers	9,538
Educational Assistants	76,260
Non-certified Substitute Teachers	3,848

(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.)

Social Security	\$	35,991	
State Retirement		38,672	
Life Insurance		407	
Medical Insurance		107,164	
Dental Insurance		6,465	
Employer Medicare		8,515	
Instructional Supplies and Materials		5,190	
Total Special Education Program			\$ 819,196

Vocational Education Program

Teachers	\$	535,367	
Career Ladder Program		5,000	
Non-certified Substitute Teachers		5,600	
Social Security		31,536	
State Retirement		34,692	
Life Insurance		291	
Medical Insurance		78,773	
Dental Insurance		6,568	
Employer Medicare		7,338	
Other Contracted Services		3,884	
Instructional Supplies and Materials		17,252	
Vocational Instruction Equipment		3,659	
Total Vocational Education Program			729,960

Student Body Education Program

Other Contracted Services	\$	54,000	
Other Supplies and Materials		141	
Total Student Body Education Program			54,141

Adult Education Program

Other Salaries and Wages	\$	36,919	
Social Security		2,289	
Employer Medicare		536	
Total Adult Education Program			39,744

Support Services

Health Services

Medical Personnel	\$	58,004	
Social Security		3,551	

(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.)

Health Services (Cont.)

State Retirement	\$	3,716	
Life Insurance		48	
Medical Insurance		10,846	
Dental Insurance		1,095	
Employer Medicare		830	
Other Contracted Services		848	
Total Health Services			\$ 78,938

Other Student Support

Supervisor/Director	\$	28,359	
Career Ladder Program		800	
Guidance Personnel		120,373	
Other Salaries and Wages		344,877	
Non-certified Substitute Teachers		2,442	
Social Security		25,601	
State Retirement		22,230	
Life Insurance		54	
Medical Insurance		10,169	
Dental Insurance		1,781	
Employer Medicare		7,299	
Communication		786	
Contracts with Government Agencies		75,000	
Evaluation and Testing		16,266	
Postal Charges		50	
Travel		10,357	
Other Contracted Services		15,460	
Instructional Supplies and Materials		500	
Other Supplies and Materials		441,625	
In Service/Staff Development		2,810	
Other Charges		14,113	
Total Other Student Support			1,140,952

Regular Instruction Program

Supervisor/Director	\$	130,421
Career Ladder Program		5,500
Librarians		136,573
Education Media Personnel		35,105
Non-certified Substitute Teachers		1,462
Social Security		18,989

(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.)

Regular Instruction Program (Cont.)

State Retirement	\$	19,592	
Life Insurance		214	
Medical Insurance		41,251	
Dental Insurance		2,664	
Employer Medicare		4,474	
Travel		7,814	
In Service/Staff Development		2,816	
Other Charges		7,503	
Total Regular Instruction Program			\$ 414,378

Special Education Program

Supervisor/Director	\$	72,048	
Career Ladder Program		2,000	
Psychological Personnel		52,020	
Social Security		7,417	
State Retirement		8,094	
Life Insurance		48	
Medical Insurance		14,874	
Dental Insurance		1,095	
Employer Medicare		1,735	
Travel		1,085	
Total Special Education Program			160,416

Vocational Education Program

Supervisor/Director	\$	35,118	
Career Ladder Program		1,000	
Social Security		2,164	
State Retirement		2,319	
Life Insurance		12	
Medical Insurance		2,593	
Dental Insurance		274	
Employer Medicare		506	
Total Vocational Education Program			43,986

Adult Programs

Supervisor/Director	\$	33,850	
Clerical Personnel		2,400	
Social Security		2,210	
State Retirement		153	

(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.)

Adult Programs (Cont.)

Life Insurance	\$	16	
Medical Insurance		5,659	
Unemployment Compensation		235	
Employer Medicare		517	
In Service/Staff Development		1,099	
Other Charges		18,167	
Total Adult Programs			\$ 64,306

Other Programs

On-Behalf Payments to OPEB	\$	138,319	
Total Other Programs			138,319

Board of Education

Secretary to Board	\$	1,200	
Board and Committee Members Fees		10,300	
Social Security		705	
State Retirement		77	
Employer Medicare		165	
Audit Services		11,900	
Dues and Memberships		12,459	
Legal Services		8,905	
Travel		1,515	
Other Supplies and Materials		50	
Liability Insurance		33,307	
Premiums on Corporate Surety Bonds		1,709	
Trustee's Commission		89,284	
Workers' Compensation Insurance		114,250	
Criminal Investigation of Applicants - TBI		2,832	
Total Board of Education			288,658

Director of Schools

County Official/Administrative Officer	\$	100,961	
Secretary(ies)		32,686	
Other Salaries and Wages		4,373	
Social Security		8,658	
State Retirement		8,893	
Life Insurance		48	
Medical Insurance		10,846	
Dental Insurance		547	

(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 (Cont.)

Unemployment Compensation	\$	2,070	
Employer Medicare		2,108	
Communication		73,000	
Dues and Memberships		109	
Postal Charges		3,256	
Travel		11,012	
Other Contracted Services		21,871	
In Service/Staff Development		1,110	
Total Director of Schools			\$ 281,548

Office of the Principal

Principals	\$	427,175	
Career Ladder Program		4,000	
Accountants/Bookkeepers		100,283	
Assistant Principals		190,306	
Clerical Personnel		86,206	
Social Security		48,767	
State Retirement		49,074	
Life Insurance		495	
Medical Insurance		108,014	
Dental Insurance		4,897	
Employer Medicare		11,405	
Travel		2,879	
Other Contracted Services		1,250	
Total Office of the Principal			1,034,751

Fiscal Services

Supervisor/Director	\$	21,038	
Accountants/Bookkeepers		12,743	
Clerical Personnel		33,168	
Social Security		3,908	
State Retirement		4,271	
Life Insurance		33	
Medical Insurance		10,691	
Employer Medicare		914	
Office Supplies		4,317	
Total Fiscal Services			91,083

(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.)

Operation of Plant

Supervisor/Director	\$	35,179	
Custodial Personnel		253,893	
Other Salaries and Wages		5,911	
Social Security		16,036	
State Retirement		9,701	
Life Insurance		373	
Medical Insurance		81,669	
Unemployment Compensation		9,045	
Employer Medicare		4,228	
Other Contracted Services		65,055	
Custodial Supplies		37,419	
Electricity		527,791	
Fuel Oil		70,702	
Water and Sewer		57,323	
Other Supplies and Materials		50,453	
Boiler Insurance		5,466	
Building and Contents Insurance		99,581	
Total Operation of Plant			\$ 1,329,825

Maintenance of Plant

Maintenance Personnel	\$	96,367	
Social Security		5,238	
State Retirement		5,499	
Life Insurance		97	
Medical Insurance		21,692	
Unemployment Compensation		2,613	
Employer Medicare		1,374	
Total Maintenance of Plant			132,880

Transportation

Supervisor/Director	\$	10,000
Mechanic(s)		60,664
Bus Drivers		323,795
Other Salaries and Wages		42,000
In-Service Training		2,931
Social Security		26,975
State Retirement		12,734
Life Insurance		390
Medical Insurance		29,402

(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 (Cont.)

Unemployment Compensation	\$	1	
Employer Medicare		6,333	
Medical and Dental Services		3,350	
Gasoline		104,848	
Tires and Tubes		16,786	
Vehicle Parts		80,506	
Vehicle and Equipment Insurance		30,745	
In Service/Staff Development		750	
Principal on Capital Leases		92,355	
Interest on Capital Leases		8,769	
Total Transportation			\$ 853,334

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	29,807	
Clerical Personnel		4,141	
Social Security		2,098	
State Retirement		2,166	
Life Insurance		25	
Medical Insurance		6,288	
Employer Medicare		491	
Travel		1,906	
Total Food Service			46,922

Early Childhood Education

Teachers	\$	151,017	
Clerical Personnel		12,743	
Educational Assistants		53,707	
Other Salaries and Wages		7,999	
Non-certified Substitute Teachers		6,750	
Social Security		13,779	
State Retirement		13,103	
Life Insurance		204	
Medical Insurance		45,858	
Dental Insurance		2,189	
Employer Medicare		3,223	
Travel		5,134	
Instructional Supplies and Materials		56,566	
Total Early Childhood Education			372,272

(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.)

Capital Outlay

Regular Capital Outlay

Engineering Services	\$	750	
Building Improvements		<u>75,083</u>	
Total Regular Capital Outlay	\$		75,833

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$	<u>766,447</u>	
Total Education			<u>766,447</u>

Total General Purpose School Fund \$ 17,893,685

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	254,903	
Educational Assistants		131,923	
Non-certified Substitute Teachers		65,620	
Social Security		26,588	
State Retirement		23,722	
Life Insurance		360	
Medical Insurance		86,161	
Dental Insurance		3,284	
Employer Medicare		6,253	
Travel		606	
Other Contracted Services		1,000	
Instructional Supplies and Materials		94,609	
Other Supplies and Materials		10,013	
Special Education Equipment		<u>106,235</u>	
Total Regular Instruction Program	\$		811,277

Alternative Instruction Program

Teachers	\$	16,868	
Social Security		930	
State Retirement		963	
Life Insurance		12	
Medical Insurance		2,793	
Employer Medicare		<u>217</u>	
Total Alternative Instruction Program			21,783

(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

Teachers	\$	56,465	
Educational Assistants		217,637	
Other Salaries and Wages		4,997	
Non-certified Substitute Teachers		78,652	
Social Security		21,963	
State Retirement		17,841	
Life Insurance		410	
Medical Insurance		92,464	
Dental Insurance		821	
Employer Medicare		5,133	
Contracts with Private Agencies		66,837	
Other Contracted Services		68,891	
Instructional Supplies and Materials		42,428	
Other Supplies and Materials		5,877	
Other Charges		7,823	
Special Education Equipment		62,432	
Total Special Education Program			\$ 750,671

Vocational Education Program

Instructional Supplies and Materials	\$	50	
Other Supplies and Materials		5,849	
Principal on Capital Leases		8,645	
Interest on Capital Leases		1,085	
Vocational Instruction Equipment		13,922	
Total Vocational Education Program			29,551

Support Services

Health Services

Medical Personnel	\$	55,165	
Other Salaries and Wages		3,607	
Social Security		3,658	
State Retirement		3,555	
Life Insurance		72	
Medical Insurance		16,353	
Employer Medicare		817	
Drugs and Medical Supplies		812	
Total Health Services			84,039

(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

Bus Drivers	\$	188	
Other Salaries and Wages		14,150	
Social Security		889	
State Retirement		240	
Employer Medicare		208	
Travel		10,131	
Other Contracted Services		150	
Other Supplies and Materials		648	
Total Other Student Support			\$ 26,604

Regular Instruction Program

Supervisor/Director	\$	68,116	
Secretary(ies)		10,519	
Other Salaries and Wages		8,885	
Social Security		4,921	
State Retirement		5,453	
Life Insurance		30	
Medical Insurance		7,824	
Dental Insurance		547	
Employer Medicare		1,121	
Travel		6,084	
Other Supplies and Materials		3,217	
In Service/Staff Development		39,788	
Total Regular Instruction Program			156,505

Special Education Program

Clerical Personnel	\$	10,519	
Other Salaries and Wages		10,445	
Social Security		1,294	
State Retirement		1,144	
Life Insurance		6	
Medical Insurance		1,415	
Employer Medicare		304	
Travel		12,172	
Other Contracted Services		48,756	
Other Supplies and Materials		1,312	
In Service/Staff Development		5,117	
Total Special Education Program			92,484

(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.)

Vocational Education Program

In Service/Staff Development	\$ 2,067	
Total Vocational Education Program		\$ 2,067

Transportation

Transportation Equipment	\$ 53,650	
Total Transportation		<u>53,650</u>

Total School Federal Projects Fund		\$ 2,028,631
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Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Cafeteria Personnel	\$ 399,601	
Social Security	24,731	
Life Insurance	720	
Medical Insurance	26,001	
Unemployment Compensation	753	
Employer Medicare	5,784	
Communication	1,603	
Dues and Memberships	199	
Maintenance and Repair Services - Equipment	25,732	
Travel	86	
Penalties	261	
Other Contracted Services	10,232	
Food Supplies	536,196	
USDA - Commodities	80,751	
Other Supplies and Materials	45,213	
Refunds	85	
In Service/Staff Development	1,740	
Food Service Equipment	91,200	
Total Food Service		<u>\$ 1,250,888</u>

Total Central Cafeteria Fund		<u>1,250,888</u>
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Total Governmental Funds - Polk County School Department		<u>\$ 21,173,204</u>
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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, 2010

	<u>Cities - Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 342,135
Total Cash Receipts	<u>\$ 342,135</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 338,714
Trustee's Commission	<u>3,421</u>
Total Cash Disbursements	<u>\$ 342,135</u>
 Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ 0
Cash Balance, July 1, 2009	<u>0</u>
 Cash Balance, June 30, 2010	<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 17, 2010

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, 2010, which collectively comprise Polk County's basic financial statements and have issued our report thereon dated December 17, 2010. Our report on the aggregate discretely presented component units was qualified due to not including the financial statements of the Polk County Emergency Communications District, 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies: 10.02, 10.03, and 10.08.

### 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 10.01, 10.04, 10.05, and 10.06.

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

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

This report is intended solely for the information and use of management, the county executive, director of schools, commissioner of highways, County Commission, 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 on the left side.

Justin P. Wilson  
Comptroller of the Treasury

JPW/sb



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

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

December 17, 2010

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, 2010. 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, 2010.

### 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Polk County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over the Child Nutrition Discretionary Grants Limited Availability (CFDA No. 10.579), a nonmajor federal program, as described in the accompanying Schedule of Findings and Questioned Costs as items 10.03 and 10.09. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

### Schedule of Expenditures of Federal Awards

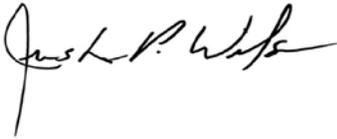
We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Polk County as of and for the year ended June 30, 2010, and have issued our report thereon dated December 17, 2010. Our report on the aggregate discretely presented component units was qualified due to not including the financial statements of the Polk

County Emergency Communications District, 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.

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

This report is intended solely for the information and use of management, the county executive, County Commission, highway 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 prominent vertical stroke on the left side.

Justin P. Wilson  
Comptroller of the Treasury

JPW/sb

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Passed-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	\$ 80,751 (3)
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	218,638
National School Lunch Program	10.555	N/A	662,168 (3)
Child Nutrition Grants Limited Availability (ARRA)	10.579	N/A	20,000
Total U.S. Department of Agriculture			\$ 981,557
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/State's Program	14.228	GG-09-27650-00	\$ 500,000
Passed-through State Housing Development Agency:			
HOME Investment Partnerships Program	14.239	HM-07-32	232,535
Total U.S. Department of Housing and Urban Development			\$ 732,535
U.S. Department of Interior:			
Direct Program:			
Payments in-Lieu-of Taxes	15.226	N/A	\$ 49,922
Total U.S. Department of Interior			\$ 49,922
U.S. Department of Justice:			
Direct Program:			
Bulletproof Vest Partnership Program	16.607	N/A	\$ 6,743
Total U.S. Department of Justice			\$ 6,743
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Airport Improvement Program	20.106	(4)	\$ 88,094
State and Community Highway Safety	20.600	Z-09-214342-00	5,000
Total U.S. Department of Transportation			\$ 93,094
Appalachian Regional Commission:			
Direct Program:			
Appalachian Area Development	23.002	N/A	\$ 55,198
Total Appalachian Regional Commission			\$ 55,198
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	Z-10-218539-00	\$ 98,811
Passed-through State Department of Education:			
Title I Cluster:			
Title I Grants to Local Educational Agencies	84.010	N/A	522,998
Title I Grants to Local Educational Agencies, Recovery Act	84.389	S389A090042	264,504
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	533,338
Special Education - Preschool Grants	84.173	N/A	16,718
Special Education - Grants to States, Recovery Act	84.391	H391A090052	449,857
Special Education - Preschool Grants, Recovery Act	84.392	H392A090095	8,338
Career and Technical Education - Basic Grants to States	84.048	N/A	42,765
Safe and Drug-free Schools and Communities - State Grants	84.186	(2)	8,148
Twenty-first Century Community Learning Centers	84.287	N/A	210,000
Educational Technology State Grants Cluster:			
Education Technology State Grants	84.318	N/A	5,043
Education Technology State Grants, Recovery Act	34.386	N/A	11,623
Improving Teacher Quality State Grants	84.367	N/A	165,299
State Fiscal Stabilization Fund Cluster:			
State Fiscal Stabilization Fund (SFSF) - Education			
State Grants, Recovery Act	84.394	S394A090043	486,600
State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	S397A090043	185,655
Total U.S. Department of Education			\$ 3,009,697

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Passed-through Entity Identifying Number	Expenditures
U.S. Department of Health and Human Services:			
Passed-through State Commission on Aging:			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	(2)	\$ 52,173
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	(2)	27,634
Total U.S. Department of Health and Human Services			\$ 79,807
Total Expenditures of Federal Awards			\$ 5,008,553
<u>State Grants</u>			
		Contract Number	
Senior Center - Tennessee Commission on Aging	N/A	(2)	\$ 7,734
Juvenile Services Program - State Commission on Children and Youth	N/A	(5)	7,000
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	1,137
Litter Program - State Department of Transportation	N/A	(6)	27,958
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	6,249
Local Health Services - State Department of Health	N/A	(7)	43,322
Child Safety Seat Grant - State Department of Health	N/A	(2)	1,826
Agriculture Enhancement Program - State Department of Agriculture	N/A	(2)	2,486
Airport Maintenance Grant - State Department of Transportation	N/A	(2)	1,994
Voluntary Pre-K for Tennessee - Lottery Commission	N/A	(2)	392,192
Lottery Education After School Programs - Lottery Commission	N/A	(2)	259,850
ConnectTN - State Department of Education	N/A	(2)	1,813
Total State Grants			\$ 753,561

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 \$742,919.
- (4) Z-08-200810-00: \$14,991; GG-10-229290-00: \$73,103.
- (5) Z-09-022894-00: \$2,500; GG-10-29957-00: \$4,500.
- (6) Z-09-212788-00: \$10,086; Z-10-220370-00: \$17,872.
- (7) Z-09-213786: \$9,341; Z-10-219817-00: \$33,981.

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

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

**OFFICE OF COUNTY EXECUTIVE**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
09.01	166	Accrued vacation leave balances exceeded the maximum leave provided by the county's personnel policy
09.02	166	Deficiencies were noted in a proposed library construction project

**OFFICES OF COUNTY CLERK AND SHERIFF**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
09.04	167	Collections were not deposited within three days of receipt

**OTHER FINDINGS**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
09.05	168	The director of accounts and budgets did not maintain accounting records for the Highway Department
09.06	168	Duties were not segregated adequately in the Offices of County Executive, Highway Superintendent, 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, 2010**

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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. One 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 one finding that is required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555); the Community Development Block Grants/State's Program (CFDA No. 14.228); the Title I Cluster: Title I Grants to Local Educational Agencies and Title I Grants to Local Educational Agencies, Recovery Act (CFDA Nos. 84.010 and 84.389); the Special Education Cluster: Special Education – Grants to States, Special Education – Preschool Grants, Special Education – Grants to States, Recovery Act, and Special Education – Preschool Grants, Recovery Act, (CFDA Nos. 84.027, 84.173, 84.391, and 84.392); and the State Fiscal Stabilization Cluster: State Fiscal Stabilization Funds (SFSF) – Education State Grants, Recovery Act and State Fiscal Stabilization Funds (SFSF) – Governmental Services, Recovery Act (CFDA Nos. 84.394 and 84.397) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. 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. The director of schools provided a written response, which has been paraphrased in this report.

### OFFICE OF COUNTY EXECUTIVE

FINDING 10.01      **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 10.02      **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 \$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 \$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 DIRECTOR OF SCHOOLS

### FINDING 10.03      **AMERICAN RECOVERY AND REINVESTMENT ACT GRANT FUNDS WERE USED TO PURCHASE AN OVEN BASED ON AN EXPIRED BID**

(Internal Control – Significant Deficiency Under Government Auditing Standards and OMB Circular A-133)

Polk County utilized an expired bid to purchase one combi-oven. Polk County piggy-backed their purchase off of a bid solicited by the Metropolitan Government of Nashville and Davidson County (Metro) in May 2006; however, according to Metro, the bid lapsed December 31, 2006. The oven was purchased on October 22, 2009, with American Recovery and Reinvestment Act funds under a Child Nutrition Discretionary Grant, CFDA Number 10.579, and local funding for \$39,816. Grant administrators failed to confirm the validity of the bid prior to purchasing the equipment, which indicates a significant deficiency in internal controls. In effect, this internal control deficiency allowed the purchase of the equipment without accepting a valid bid and created a situation that could result in the United States Department of Agriculture requesting repayment for the purchase price of the equipment. Section 49-2-203, Tennessee Code Annotated, requires competitive bids for purchases over \$10,000. It was not possible to determine the amount, if any, that the actual purchase price exceeded (or was less than) the amount that would have been paid had current bids been accepted.

### RECOMMENDATION

Grant administrators should not piggy-back their purchases off of bids solicited by other governments without confirming the validity of the bid. Grant administrators should contact the Tennessee Department of Education School Nutrition Program to determine whether further action is required.

## MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

Grant administrators will not piggy-back their purchases off of bids solicited by other governments without confirming the validity of the bid.

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### FINDING 10.04      **THE OFFICE HAD DEFICIENCIES IN COMPUTER SYSTEM BACKUP PROCEDURES** (Noncompliance Under Government Auditing Standards)

System backups were not performed and stored off-site regularly. Section 10-7-121, Tennessee Code Annotated, provides that records required to be retained by any government official may be maintained on a computer or removable storage media as long as certain standards are met. One of these standards requires that all data generated and stored within the computer system be copied to storage media daily, and media more than one week old be stored at an off-site location. This deficiency is the result of management's failure to implement adequate disaster recovery planning procedures. In the event of a disaster, all backup data could be destroyed, resulting in costly delays in generating and recording information accounted for through the automated process.

### RECOMMENDATION

Backups should be performed on a daily basis. In addition to daily backups, a weekly backup should be performed, and two copies of this backup should be maintained. These backups should be rotated off-site on a weekly basis. Year-end backups should be stored off-site as well. Some possibilities for an off-site storage location would be another county office building with a fireproof vault or a safe-deposit box at a local bank.

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## OFFICES OF COUNTY CLERK AND SHERIFF

### FINDING 10.05      **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 10.06      THE DIRECTOR OF ACCOUNTS AND BUDGET 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 budget to maintain accounting records for funds administered by the county executive and the highway superintendent. However, the director of accounts and budget 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 audit reports.

**RECOMMENDATION**

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

---

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

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

<u>Finding Numbers</u>	<u>Description</u>
10.06, 09.05, 08.15	The director of accounts and budgets did not maintain the accounting records for the Highway Department

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

RECOMMENDATION

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

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FINDING 10.08      **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF COUNTY EXECUTIVE, HIGHWAY SUPERINTENDENT, FOOD SERVICE DEPARTMENT, 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, Food Service Department, 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, FINDINGS AND QUESTIONED  
COSTS FOR FEDERAL AWARDS**

Federal Agency	Finding Number	Federal CFDA Number	Criteria	Explanation	Amount Questioned
U.S. Department of Agriculture Passed-through State Department of Agriculture: Child Nutrition Discretionary Grants Limited Availability	10.09	10.579	Circular A-133, Section 500(c)(3)	Significant Deficiency in Internal Control - See Finding 10.03 - American Recovery and Reinvestment Act Grant funds were used to purchase ovens based on an expired bid	\$ 20,000

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

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

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

**FINDINGS 10.03 and 10.09**

Contact person: James Jones

Corrective action planned: The Polk County School System will verify bids and make sure they are valid bids before making purchases. Grant administrators will not piggy-back their purchases off of bids solicited by other governments without confirming the validity of the bid.

Anticipated completion date: 2010-11