

**ANNUAL FINANCIAL REPORT  
POLK COUNTY, TENNESSEE**



**FOR THE YEAR ENDED JUNE 30, 2011**



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

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

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

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

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

***KATHY CLEMENTS, CGFM***  
***JENI PALADENI***  
***State Auditors***

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

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# ***Audit Highlights***

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

## ***Scope***

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

## ***Results***

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

Our audit resulted in 19 findings and recommendations, which we have reviewed with Polk County management. Detailed findings and recommendations are included in the Single Audit section of this report.

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

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

### **OFFICES OF COUNTY EXECUTIVE AND DIRECTOR OF ACCOUNTS AND BUDGETS**

- ◆ The General and General Debt Service funds required material audit adjustments for proper financial statement presentation.
  - ◆ Accrued vacation leave balances exceeded the maximum leave provided by the county's personnel policy.
  - ◆ Deficiencies were noted in a proposed library construction project.
  - ◆ Adequate records were not maintained for state and federal grants.
  - ◆ The Solid Waste/Sanitation Fund was not used to account for solid waste transactions.
  - ◆ Expenditures exceeded appropriations.
  - ◆ General ledger cash accounts were not reconciled with county trustee reports.
  - ◆ Insurance payroll liability accounts were not reconciled monthly.
  - ◆ The offices had weaknesses in posting financial transactions.
  - ◆ Expenditures were misclassified in the accounting records of the General Fund.
  - ◆ Accounting records were not maintained currently.
  - ◆ The director of accounts and budgets did not maintain the accounting records for the Highway Department.
  - ◆ Polk County has a material recurring audit finding.
-

## **OFFICE OF HIGHWAY SUPERINTENDENT**

- ◆ The Highway/Public Works Fund required material audit adjustments for proper financial statement presentation.
  - ◆ A lease-purchase agreement was not executed in compliance with state statutes.
- 

## **OFFICE OF DIRECTOR OF SCHOOLS**

- ◆ Expenditures exceeded appropriations.
- 

## **OFFICES OF COUNTY EXECUTIVE, HIGHWAY SUPERINTENDENT, FOOD SERVICE DEPARTMENT, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF**

- ◆ Duties were not segregated adequately.
- 

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

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

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

- ◆ Some collections were not deposited within three days of receipt.
- 

## **BEST PRACTICE**

Polk County does not have a central system of accounting, budgeting, and purchasing. The Division of County Audit strongly believes that a central system of accounting, budgeting, and purchasing is a best practice that should be adopted by the governing body as a means of significantly improving accountability and the quality of services provided to the citizens of Polk County.

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# INTRODUCTORY SECTION

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# Polk County Officials

## June 30, 2011

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### **Officials**

Hoyt Firestone, 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  
Ruth Allen, Director of Accounts and Budgets

### **Board of County Commissioners**

Mike Curbow, Chairman  
Isaac Bramlett  
Greg Brooks  
Randy Collins  
Sheena Gaddis  
Wendell Lewis  
John Pippenger  
Daren Waters  
James Woody

### **Board of Education**

Harman Harden, Chairman  
Tracy Bishop  
Jayson Lamb  
Gary Silvers  
L.W. Smith  
Mark Stone  
Russell Swafford  
April Trantham  
Mark Williams

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## FINANCIAL SECTION

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

**INDEPENDENT AUDITOR'S REPORT**

January 27, 2012

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, 2011, 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 did not audit the financial statements of the Polk County Emergency Communications District, which represent 3.35 percent and 1.16 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Polk County Emergency Communications District, is based on the report of other auditors

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Polk County, Tennessee, as of June 30, 2011, 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 January 27, 2012, 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. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which became effective for the year ended June 30, 2011.

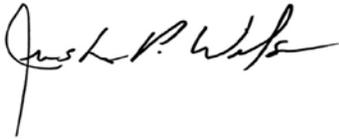
Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required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

Accounting principles generally accepted in the United States of America require that the budgetary comparison, pension, and other postemployment benefits information on pages 63 through 70 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 prominent vertical stroke on the left side.

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, 2011

	Primary Government Governmental Activities	Component Units	
		Polk County School Department	Polk County Emergency Communications District
<u>ASSETS</u>			
Cash	\$ 0	\$ 86,476	\$ 512,519
Equity in Pooled Cash and Investments	5,166,333	1,590,108	0
Accounts Receivable	8,783	478	10,385
Due from Other Governments	419,511	1,326,635	0
Due from Component Units	75,000	0	0
Property Taxes Receivable	5,813,519	2,538,026	0
Allowance for Uncollectible Property Taxes	(584,152)	(255,025)	0
Prepaid Items	82,348	0	1,947
Accrued Interest Receivable	0	0	70
Equipment Deposit	0	0	23,482
Capital Assets:			
Assets Not Depreciated:			
Land	0	1,500	0
Construction in Progress	1,020,324	0	0
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	8,766,346	15,899,523	117,124
Infrastructure	6,674,187	0	0
Other Capital Assets	988,657	1,249,552	112,835
Total Assets	<u>\$ 28,430,856</u>	<u>\$ 22,437,273</u>	<u>\$ 778,362</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 113,109	\$ 133,640	\$ 3,523
Accrued Payroll	0	1,750	0
Payroll Deductions Payable	5,327	358,308	0
Retainage Payable	27,875	0	0
Due to Primary Government	0	75,000	0
Due to State of Tennessee	0	324,579	0
Accrued Interest Payable	153,531	3,689	0
Other Current Liabilities	5,827	0	0
Deferred Revenue - Current Property Taxes	4,888,798	2,134,318	0
Noncurrent Liabilities:			
Due Within One Year	1,229,461	94,918	0
Due in More Than One Year	17,557,092	1,343,259	0
Total Liabilities	<u>\$ 23,981,020</u>	<u>\$ 4,469,461</u>	<u>\$ 3,523</u>

(Continued)

Exhibit A

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

	Primary Government Governmental Activities	Component Units	
		Polk County School Department	Polk County Emergency Communications District
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	\$ 9,515,639	\$ 16,615,067	\$ 0
Invested in Capital Assets	0	0	229,959
Restricted for:			
General Purposes	453,839	42,849	0
Drug Control	72,410	0	0
Highway/Public Works	874,637	0	0
Debt Service	1,309,539	0	0
School Federal Projects	0	156,909	0
Central Cafeteria	0	658,989	0
Capital Projects	91,523	26,264	0
Self Insurance	0	40,826	0
Unrestricted	(7,867,751)	426,908	544,880
Total Net Assets	<u>\$ 4,449,836</u>	<u>\$ 17,967,812</u>	<u>\$ 774,839</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, 2011

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets									
	Program Revenues					Component Units				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Total Governmental Activities	Polk County School Department	Polk County Emergency Communications District			
								Polk County School Department	Polk County Emergency Communications District	
<b>Primary Government:</b>										
<b>Governmental Activities:</b>										
General Government	\$ 1,196,220	\$ 155,749	\$ 17,035	\$ 0	\$ (1,023,436)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Finance	648,757	390,637	0	0	(258,120)	0	0	0	0	0
Administration of Justice	492,454	426,868	9,000	0	(56,586)	0	0	0	0	0
Public Safety	3,720,765	1,314,449	403,693	0	(2,002,623)	0	0	0	0	0
Public Health and Welfare	1,376,526	0	59,313	0	(1,317,213)	0	0	0	0	0
Social, Cultural, and Recreational Services	61,950	278	88,302	0	26,630	0	0	0	0	0
Agriculture and Natural Resources	59,744	0	2,283	0	(57,461)	0	0	0	0	0
Other Operations	213,070	0	245	852,307	639,482	0	0	0	0	0
Highways/Public Works	2,370,183	243,431	1,696,190	288,526	(142,036)	0	0	0	0	0
Interest on Long-term Debt	878,931	0	1,826	0	(877,105)	0	0	0	0	0
Other Debt Service	28,932	0	725,000	0	696,068	0	0	0	0	0
<b>Total Primary Government</b>	<b>\$ 11,047,532</b>	<b>\$ 2,531,412</b>	<b>\$ 3,002,887</b>	<b>\$ 1,140,833</b>	<b>\$ (4,372,400)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Component Units:</b>										
Polk County School Department	\$ 22,444,222	\$ 414,680	\$ 4,159,470	\$ 0	\$ 0	\$ (17,870,072)	\$ 0	\$ 0	\$ 0	\$ 0
Polk County Emergency Communications District	176,805	250,004	0	0	0	0	0	0	0	73,199
<b>Total Component Units</b>	<b>\$ 22,621,027</b>	<b>\$ 664,684</b>	<b>\$ 4,159,470</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (17,870,072)</b>	<b>\$ 73,199</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 73,199</b>

(Continued)

Exhibit B

Polk County, Tennessee  
Statement of Activities (Cont.)

Functions/Programs	Program Revenues				Expenses	Net (Expense) Revenue and Changes in Net Assets				
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Total Governmental Activities		Component Units				
						Polk County School Department	Polk County Emergency Communications District			
General Revenues:										
Taxes:										
Property Taxes Levied for General Purposes				\$ 3,900,118	\$ 2,202,287	\$	0			
Property Taxes Levied for Debt Service				1,114,018	0		0			
Hotel/Motel Tax				71,917	0		0			
Local Option Sales Taxes				0	1,439,343		0			
Litigation Tax - General				56,816	0		0			
Litigation Tax - Jail, Workhouse, or Courthouse				28,146	0		0			
Business Tax				48,308	21,131		0			
Wholesale Beer Tax				262,620	0		0			
Other Local Taxes				5,224	2,405		0			
Grants and Contributions Not Restricted to Specific Programs				750,358	14,035,962		10,000			
Unrestricted Investment Earnings				32,339	595		3,009			
Miscellaneous				104,801	65,096		0			
<b>Total General Revenues</b>				<b>\$ 6,374,665</b>	<b>\$ 17,766,819</b>	<b>\$</b>	<b>13,009</b>			
Change in Net Assets				\$ 2,002,265	\$ (103,253)	\$	86,208			
Net Assets, July 1, 2010				2,447,571	18,071,065		688,631			
Net Assets, June 30, 2011				<b>\$ 4,449,836</b>	<b>\$ 17,967,812</b>	<b>\$</b>	<b>774,839</b>			

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, 2011

	Major Funds			Nonmajor	Total
	General	Highway /	General	Other	
		Public	Debt	Governmental	
	Works	Service	Funds	Governmental	
<b>ASSETS</b>					
Equity in Pooled Cash and Investments	\$ 3,090,952	\$ 600,441	\$ 1,311,007	\$ 163,933	\$ 5,166,333
Accounts Receivable	8,783	0	0	0	8,783
Due from Other Governments	129,199	283,727	6,585	0	419,511
Due from Component Units	0	0	75,000	0	75,000
Property Taxes Receivable	4,510,987	0	1,302,532	0	5,813,519
Allowance for Uncollectible Property Taxes	(453,271)	0	(130,881)	0	(584,152)
Prepaid Items	82,348	0	0	0	82,348
<b>Total Assets</b>	<b>\$ 7,368,998</b>	<b>\$ 884,168</b>	<b>\$ 2,564,243</b>	<b>\$ 163,933</b>	<b>\$ 10,981,342</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts Payable	\$ 107,581	\$ 5,528	\$ 0	\$ 0	\$ 113,109
Payroll Deductions Payable	4,904	423	0	0	5,327
Retainage Payable	27,875	0	0	0	27,875
Matured Interest on Bonds	0	0	5,827	0	5,827
Deferred Revenue - Current Property Taxes	3,793,452	0	1,095,346	0	4,888,798
Deferred Revenue - Delinquent Property Taxes	234,972	0	67,847	0	302,819
Other Deferred Revenues	104,890	137,946	2,000	0	244,836
<b>Total Liabilities</b>	<b>\$ 4,273,674</b>	<b>\$ 143,897</b>	<b>\$ 1,171,020</b>	<b>\$ 0</b>	<b>\$ 5,588,591</b>
<b>Fund Balances</b>					
Nonspendable:					
Prepaid Items	\$ 82,348	\$ 0	\$ 0	\$ 0	\$ 82,348
Restricted:					
Restricted for General Government	219,667	0	0	0	219,667
Restricted for Finance	2,132	0	0	0	2,132
Restricted for Administration of Justice	175,971	0	0	0	175,971
Restricted for Public Safety	39,553	0	0	72,410	111,963
Restricted for Public Health and Welfare	5,205	0	0	0	5,205
Restricted for Social, Cultural, and Recreational Services	11,311	0	0	0	11,311
Restricted for Highways/Public Works	0	740,271	0	0	740,271
Restricted for Debt Service	0	0	1,393,223	0	1,393,223
Committed:					
Committed for Other Operations	0	0	0	91,523	91,523
Assigned:					
Assigned for General Government	200,328	0	0	0	200,328
Assigned for Finance	594	0	0	0	594
Assigned for Administration of Justice	200	0	0	0	200
Assigned for Public Safety	174,847	0	0	0	174,847
Assigned for Public Health and Welfare	21,418	0	0	0	21,418
Unassigned	2,161,750	0	0	0	2,161,750
<b>Total Fund Balances</b>	<b>\$ 3,095,324</b>	<b>\$ 740,271</b>	<b>\$ 1,393,223</b>	<b>\$ 163,933</b>	<b>\$ 5,392,751</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 7,368,998</b>	<b>\$ 884,168</b>	<b>\$ 2,564,243</b>	<b>\$ 163,933</b>	<b>\$ 10,981,342</b>

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, 2011

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$	5,392,751
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: construction in progress	\$	1,020,324	
Add: buildings and improvements net of accumulated depreciation		8,766,346	
Add: infrastructure net of accumulated depreciation		6,674,187	
Add: other capital assets net of accumulated depreciation		<u>988,657</u>	17,449,514
(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	\$	(18,510,000)	
Less: notes payable		(75,000)	
Less: capital leases payable		(123,875)	
Less: compensated absences payable		(77,678)	
Less: accrued interest on bonds, notes, and capital leases		<u>(153,531)</u>	(18,940,084)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>547,655</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>4,449,836</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, 2011

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 4,496,119	\$ 0	\$ 1,204,763	\$ 0	\$ 5,700,882
Licenses and Permits	75,847	0	0	0	75,847
Fines, Forfeitures, and Penalties	199,475	0	0	62,884	262,359
Charges for Current Services	39,163	0	0	0	39,163
Other Local Revenues	177,722	244,511	32,339	0	454,572
Fees Received from County Officials	660,677	0	0	0	660,677
State of Tennessee	1,800,343	1,902,001	116,312	0	3,818,656
Federal Government	1,133,508	95,843	0	27,888	1,257,239
Other Governments and Citizens Groups	30,230	0	725,000	0	755,230
<b>Total Revenues</b>	<b>\$ 8,613,084</b>	<b>\$ 2,242,355</b>	<b>\$ 2,078,414</b>	<b>\$ 90,772</b>	<b>\$ 13,024,625</b>
<u>Expenditures</u>					
Current:					
General Government	\$ 1,720,065	\$ 0	\$ 0	\$ 0	\$ 1,720,065
Finance	652,891	0	0	0	652,891
Administration of Justice	513,356	0	0	0	513,356
Public Safety	3,650,931	0	0	10,116	3,661,047
Public Health and Welfare	1,309,669	0	0	69,400	1,379,069
Social, Cultural, and Recreational Services	58,241	0	0	0	58,241
Agriculture and Natural Resources	59,744	0	0	0	59,744
Other Operations	187,064	0	0	26,006	213,070
Highways	0	2,472,884	0	0	2,472,884
Debt Service:					
Principal on Debt	0	0	1,025,000	0	1,025,000
Interest on Debt	0	0	885,423	0	885,423
Other Debt Service	0	0	28,932	0	28,932
<b>Total Expenditures</b>	<b>\$ 8,151,961</b>	<b>\$ 2,472,884</b>	<b>\$ 1,939,355</b>	<b>\$ 105,522</b>	<b>\$ 12,669,722</b>
Excess (Deficiency) of Revenues Over Expenditures					
	\$ 461,123	\$ (230,529)	\$ 139,059	\$ (14,750)	\$ 354,903
<u>Other Financing Sources (Uses)</u>					
Capital Leases Issued	\$ 0	\$ 158,500	\$ 0	\$ 0	\$ 158,500
Transfers In	50,000	0	0	69,400	119,400
Transfers Out	(69,400)	0	0	(50,000)	(119,400)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (19,400)</b>	<b>\$ 158,500</b>	<b>\$ 0</b>	<b>\$ 19,400</b>	<b>\$ 158,500</b>
Net Change in Fund Balances					
Fund Balance, July 1, 2010	\$ 2,653,601	\$ (72,029)	\$ 139,059	\$ 4,650	\$ 513,403
Fund Balance, June 30, 2011	\$ 3,095,324	\$ 740,271	\$ 1,393,223	\$ 163,933	\$ 5,392,751

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, 2011

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

Net change in fund balances - total governmental funds (Exhibit C-3)		\$	513,403
(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	\$	1,150,026	
Less: current-year depreciation expense		<u>(654,255)</u>	495,771
(2) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.			
Add: deferred delinquent property taxes and other deferred June 30, 2011	\$	547,655	
Less: deferred delinquent property taxes and other deferred June 30, 2010		<u>(522,483)</u>	25,172
(3) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:			
Less: capital lease proceeds	\$	(158,500)	
Add: principal payments on bonds		950,000	
Add: principal payments on notes		75,000	
Add: principal payments on capital leases		<u>59,190</u>	925,690
(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 accrued interest payable	\$	6,492	
Change in compensated absences payable		<u>35,737</u>	<u>42,229</u>
Change in net assets of governmental activities (Exhibit B)			<u>\$ 2,002,265</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, 2011

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 789,193
Due from Other Governments	<u>64,138</u>
Total Assets	<u><u>\$ 853,331</u></u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 64,138
Due to Litigants, Heirs, and Others	<u>789,193</u>
Total Liabilities	<u><u>\$ 853,331</u></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, 2011**

**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 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. 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, 2011.

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 General Debt Service Fund for payments to be made early in the following year.

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

Proprietary fund and fiduciary 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 recognized 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 special revenue fund accounts for transactions of the county’s Highway Department. Local and state gasoline/fuel taxes are the foundational revenues of this fund.

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

Additionally, 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.

**School Federal Projects Fund** – This special revenue fund is used to account for restricted federal revenues, which must be expended on specific education programs.

**Central Cafeteria Fund** – This special revenue fund is used to account for the cafeteria operations in each of the schools. USDA School Lunch and Breakfast Programs and payments received for the sale of meals are the foundational revenues of this fund.

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

**Capital Projects Fund** – The Education Capital Projects Fund is used to account for building construction and renovation 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 prior years, 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 \$40,826 at June 30, 2011, 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.

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

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

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

**1. Deposits and Investments**

For purposes of the Statement of Cash Flows 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 5.64 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.

Retainage payable in the primary government's General Fund represents amounts withheld from payments made on airport renovations contracts pending completion of the projects. These amounts are held by the county trustee as Equity in Pooled Cash and Investments in the General Fund.

**3. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaids are offset in the nonspendable fund balance account in governmental funds.

**4. Capital Assets**

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$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

**5. 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.

## **6. Long-term Obligations**

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

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

Only the matured portion (the portion that has come due for payment) of long-term indebtedness, including bonds payable, is recognized as a liability and expenditure in the governmental fund financial

statements. Liabilities and expenditures for other long-term obligations, including compensated absences and other postemployment benefits, are recognized to the extent that the liabilities have matured (come due for payment) each period.

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

In the government-wide financial statements and the proprietary fund type (School Department's internal service fund) in the fund financial statements, equity is classified as net assets and displayed in three components:

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

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 \$453,839, with the primary restrictions being for: (1) alcohol and drug treatment (\$56,702); (2) computer systems for various offices (\$123,808); (3) courthouse and jail maintenance (\$86,697); (4) drug control (\$69,205); and courthouse security (\$61,361). For the discretely presented School Department, the account balance in Restricted for General Purposes totaling \$42,849 consists of a restriction for the Career Ladder Program. Also, for the discretely presented School Department, the account balance in Restricted for School Federal Projects totaling \$156,909 consists primarily of a restriction for cash flow assistance from the General Purpose School Fund (\$100,000).

As of June 30, 2011, Polk County had \$10,775,000 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.

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

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

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

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

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

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

## **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.

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

Fund	Description	Amount
Primary Government:		
Major Fund:		
General	Airport renovations	\$ 193,670
"	Communication equipment	115,170
School Department:		
Major Fund:		
General Purpose School	Education supplies	46,158
School Federal Projects	Education equipment	17,734
Central Cafeteria	Kitchen equipment	96,580

**B. Cash Shortage – Prior Years**

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 maintenance employee using a department-owned welding machine and welding materials 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, 2011, no payments had been received.

**C. Expenditures Exceeded Appropriations**

Expenditures of the General Fund and the Discretely Presented Polk County School Department's General Purpose School Fund exceeded appropriations approved by the County Commission in the following major appropriations categories (the legal level of control):

Fund	Major Appropriation Category	Amount Overspent
Primary Government:		
General	Contributions to Other Agencies	\$ 6,639
Discretely Presented		
School Department:		
General Purpose School	Fiscal Services	8,010

Such overexpenditures are a violation of state statutes. These overexpenditures were funded by appropriations exceeding expenditures in other major appropriations categories.

**D. A Lease-purchase Agreement Was Not Issued in Compliance With State Statutes**

On November 5, 2010, the highway superintendent entered into a two-year lease-purchase agreement for a backhoe totaling \$158,500 without prior approval of the County Commission. Section 7-51-904, *Tennessee Code Annotated (TCA)* requires lease-purchase agreements to be approved by resolution of the County Commission. Additionally, the office did not file a Report on Debt Obligation with the state Comptroller's Office. Section 9-21-151, *TCA*, requires that within 45 days following the issuance of debt, the county must provide to the state Comptroller's Office certain information, such as a description of the purchase for which the debt is issued, a description of the debt obligation, and an itemized description of the costs of issuance. Management stated that this deficiency was an oversight.

**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 statements 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, 2011.

### **B. Capital Assets**

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

## Primary Government

### Governmental Activities:

	Balance 7-1-10	Increases	Balance 6-30-11
Capital Assets			
Not Depreciated:			
Construction in Progress	\$ 277,026	\$ 743,298	\$ 1,020,324
Total Capital Assets			
Not Depreciated	\$ 277,026	\$ 743,298	\$ 1,020,324
Capital Assets Depreciated:			
Buildings and			
Improvements	\$ 11,017,680	\$ 0	\$ 11,017,680
Infrastructure	10,586,601	204,046	10,790,647
Other Capital Assets	3,335,378	202,682	3,538,060
Total Capital Assets			
Depreciated	\$ 24,939,659	\$ 406,728	\$ 25,346,387
Less Accumulated			
Depreciation For:			
Buildings and			
Improvements	\$ 2,028,604	\$ 222,730	\$ 2,251,334
Infrastructure	3,863,841	252,619	4,116,460
Other Capital Assets	2,370,497	178,906	2,549,403
Total Accumulated			
Depreciation	\$ 8,262,942	\$ 654,255	\$ 8,917,197
Total Capital Assets			
Depreciated, Net	\$ 16,676,717	\$ (247,527)	\$ 16,429,190
Governmental Activities			
Capital Assets, Net	\$ 16,953,743	\$ 495,771	\$ 17,449,514

There were no decreases in capital assets during the year. Depreciation expense was charged to functions of the primary government as follows:

### Governmental Activities:

General Government	\$ 227,193
Finance	3,647
Public Safety	111,966
Highways	311,449
Total Depreciation Expense -	
Governmental Activities	<u>\$ 654,255</u>

**Discretely Presented Polk County School Department**

**Governmental Activities:**

	Balance 7-1-10	Increases	Balance 6-30-11
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	640,478	2,691,317
Total Capital Assets			
Depreciated	\$ 26,751,297	\$ 640,478	\$ 27,391,775
Less Accumulated			
Depreciation For:			
Buildings and			
Improvements	\$ 8,322,747	\$ 478,188	\$ 8,800,935
Other Capital Assets	1,300,866	140,899	1,441,765
Total Accumulated			
Depreciation	\$ 9,623,613	\$ 619,087	\$ 10,242,700
Total Capital Assets			
Depreciated, Net	\$ 17,127,684	\$ 21,391	\$ 17,149,075
Governmental Activities			
Capital Assets, Net	\$ 17,129,184	\$ 21,391	\$ 17,150,575

There were no decreases in capital assets during the year. Depreciation expense was charged to functions of the discretely presented Polk County School Department, as follows:

**Governmental Activities:**

Support Services	\$ 605,458
Operation of Non-Instructional Services	13,629
Total Depreciation Expense -	
Governmental Activities	<u>\$ 619,087</u>

**C. Construction Commitments**

At June 30, 2011, Polk County had uncompleted construction contracts of approximately \$193,670 for the renovation of the airport. Funding for these future expenditures is expected to be received from federal grants and state grants.

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

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

**Due to/from Other Funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Discretely Presented School		
Department:		
General Purpose School	School Federal Projects	\$ 36,426

This balance 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.

**Due to/from Primary Government and Component Unit:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:	Component Unit:	
General Debt Service	General Purpose School	\$ 75,000

**Interfund Transfers:**

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

**Primary Government**

<u>Transfers Out</u>	<u>Transfers In</u>	
	General Fund	Nonmajor Governmental Funds
General Fund	\$ 0	\$ 69,400
Nonmajor governmental funds	50,000	0
Total	<u>\$ 50,000</u>	<u>\$ 69,400</u>

**Discretely Presented Polk County School Department**

Transfer Out	<u>Transfer In</u> General Purpose School Fund
Central Cafeteria Fund	\$ 42,916

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**E. Capital Leases**

**Primary Government**

On November 5, 2010, Polk County entered into a three-year lease-purchase agreement for a backhoe. The terms of the agreement require total lease payments of \$158,500, plus interest of 6.75 percent. Title to the backhoe transfers to the county at the end of the lease period. The Highway/Public Works Fund is making the lease payments.

On November 17, 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 General Fund is making the lease payments.

The assets acquired through capital leases are as follows:

Asset	Governmental Activities
Machinery and Equipment	\$ 205,759
Less: Accumulated Depreciation	<u>(40,046)</u>
Total Book Value	<u>\$ 165,713</u>

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2011, were as follows:

Year Ending June 30	Governmental Funds
2012	\$ 92,213
2013	37,760
Total Minimum Lease Payments	\$ 129,973
Less: Amount Representing Interest	<u>(6,098)</u>
Present Value of Minimum Lease Payments	<u>\$ 123,875</u>

**Discretely Presented Polk County School Department**

On May 1, 2011, the School Department entered into a seven-year lease-purchase agreement for school buses. The terms of the agreement require total lease payments of \$535,508 plus interest of 4.074 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.

The assets acquired through capital leases are as follows:

Asset	Governmental Activities
Machinery and Equipment	\$ 535,508
Less: Accumulated Depreciation	<u>(13,421)</u>
Total Book Value	<u>\$ 522,087</u>

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2011, were as follows:

Year Ending June 30	Governmental Funds
2012	\$ 89,515
2013	89,515
2014	89,515
2015	89,515
2016	89,515
2017-18	179,030
Total Minimum Lease Payments	\$ 626,605
Less: Amount Representing Interest	<u>(91,097)</u>
Present Value of Minimum Lease Payments	<u>\$ 535,508</u>

**F. Long-term Debt**

**Primary Government**

**General Obligation Bonds and Notes**

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

General obligation bonds and capital outlay notes are direct obligations and pledge the full faith and credit of the government. 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, 2011, will be retired from the General Debt Service Fund.

General obligation bonds, the capital outlay note, and capital leases outstanding as of June 30, 2011, for governmental activities are as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Original Amount of Issue</u>	<u>Balance 6-30-11</u>
General Obligation Bonds -			
Refunding	4 to 5 %	\$ 22,100,000	\$ 18,510,000
Capital Outlay Note	3.5	450,000	75,000
Capital Leases	3 to 6.75	205,759	123,875

The annual requirements to amortize the bonds and note outstanding as of June 30, 2011, including interest payments, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
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
2017-2021	6,635,000	2,509,000	9,144,000
2022-2025	6,520,000	819,050	7,339,050
Total	<u>\$ 18,510,000</u>	<u>\$ 7,126,550</u>	<u>\$ 25,636,550</u>

Year Ending June 30	Note		
	Principal	Interest	Total
2012	\$ 75,000	\$ 15,750	\$ 90,750
Total	<u>\$ 75,000</u>	<u>\$ 15,750</u>	<u>\$ 90,750</u>

There is \$1,393,223 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$1,100, based on the 2010 federal census. Debt per capita, including bonds, the note, and capital leases totaled \$1,105, based on the 2010 federal census.

#### Changes in Long-term Liabilities

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

##### Governmental Activities:

	Bonds	Note
Balance, July 1, 2010	\$ 19,460,000	\$ 150,000
Deductions	<u>(950,000)</u>	<u>(75,000)</u>
Balance, June 30, 2011	<u>\$ 18,510,000</u>	<u>\$ 75,000</u>
Balance Due Within One Year	<u>\$ 990,000</u>	<u>\$ 75,000</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2011	\$ 18,786,553
Less: Balance Due Within One Year	<u>(1,229,461)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 17,557,092</u>

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

**Discretely Presented Polk County School Department**

The capital leases outstanding as of June 30, 2011, for governmental activities are as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Original Amount of Issue</u>	<u>Balance 6-30-11</u>
Capital Lease	4.074 %	\$ 535,508	\$ 535,508

Debt per capita, including all capital leases totaled \$32, based on the 2010 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, 2011, was as follows:

Governmental Activities:

	<u>Capital Leases</u>
Balance, July 1, 2010	\$ 105,813
Additions	535,508
Deductions	<u>(105,813)</u>
Balance, June 30, 2011	<u>\$ 535,508</u>
Balance Due Within One Year	<u>\$ 67,383</u>

Governmental Activities (Cont.):

	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2010	\$ 46,370	\$ 694,883
Additions	36,481	416,651
Deductions	(55,316)	(236,400)
Balance, June 30, 2011	<u>\$ 27,535</u>	<u>\$ 875,134</u>
Balance Due Within One Year	<u>\$ 27,535</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2011	\$ 1,438,177
Less: Balance Due Within One Year	<u>(94,918)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 1,343,259</u>

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

**G. On-Behalf Payments**

**Primary Government**

The State of Tennessee pays health insurance premiums for retired employee's on-behalf of Polk County. These payments are made by the state to the Medicare Supplement Plan. This plan is administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Medicare Supplement Plan for the year ended June 30, 2011, were \$601. Polk County has recognized these on-behalf payments as revenues and expenditures in the General Fund.

**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, 2011, were

\$62,671 and \$21,388, 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 \$40,826 at June 30, 2011, is being maintained in the Self-Insurance Fund for future use.

**B. Accounting Change**

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

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. These classifications include nonspendable,

restricted, committed, assigned, and unassigned and are based on the relative strength of the constraints that control how specific amounts can be spent. Also, Statement No. 54 clarified the definitions of the General Fund and the special revenue, capital projects, debt service, and permanent fund types. Polk County and the Polk County School Department have implemented provisions of this statement in the financial statements of this report for their governmental funds.

**C. 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
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 that 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 balance of the funds unclaimed after 18 months. Upon return, the county would place the balance in the General Fund.

Polk County is contingently liable for a hospital revenue-refunding bond of the Copper Basin Medical Center, a jointly governed organization. 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. The outstanding balance for this bond as of June 30, 2011, was \$180,000 with interest ranging from 5.1 to 5.2 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.

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, 2011, was \$145,000 with interest ranging from 5.1 to 5.3 percent.

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.

**D. Changes in Administration**

On August 31, 2010, Mike Stinnett left the Office of County Executive and was succeeded by Hoyt Firestone, and Rachel Rogers left the office of Director of Accounts and Budgets and was succeeded by Ruth Allen.

**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, 2011, 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**

### **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 <http://www.tn.gov/treasury/tcrs/PS/>.

### **Funding Policy**

Polk County requires employees to contribute five percent of their earnable compensation to the plan. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2011, was 7.85 percent of annual covered payroll. The contribution requirement of

plan members is set by state statute. The contribution requirement for the county is established and may be amended by the TCRS Board of Trustees.

**Annual Pension Cost**

For the year ended June 30, 2011, the county’s annual pension cost of \$357,888 to TCRS was equal to the county’s required and actual contributions. The required contribution was determined as part of the July 1, 2009, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), 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 ten-year period. The county’s unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009, was nine years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

**Trend Information**

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-11	\$357,888	100%	\$0
6-30-10	288,177	100	0
6-30-09	291,117	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 \$7 million, and the actuarial value of assets was \$5 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$2 million. The covered payroll (annual payroll of active employees covered by the plan) was \$4 million, and the ratio of the UAAL to the covered payroll was 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 annual required contribution was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

## SCHOOL TEACHERS

### **Plan Description**

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

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

### **Funding Policy**

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2011, was 9.05 percent of annual

covered payroll. The employer contribution requirement for the School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2011, 2010, and 2009, were \$869,172, \$605,905, and \$681,400, 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. In previous fiscal years, prior to reaching the age of 65, all members had the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. However, as of January 1, 2010, the insurance plan structure was changed, and as a result all members now have the option of choosing between the standard or partnership preferred provider organization (PPO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare Supplement Plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tn.gov/finance/act/cafr.html>.

#### **Funding Policy**

The premium requirements of plan members are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employer 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 and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. The School Department retirees' contributions vary depending on the insurance options they select, ranging from \$0 to \$255 per month for their insurance. During the year, expenditures totaling \$236,400 were recognized by the Polk County School Department for postemployment health care premiums.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan
	<hr/>
ARC	\$ 415,000
Interest on the NPO	31,270
Adjustment to the ARC	(29,619)
Annual OPEB cost	<hr/> \$ 416,651
Amount of contribution	(236,400)
Increase/decrease in NPO	<hr/> \$ 180,251
Net OPEB obligation, 7-1-10	<hr/> 694,883
Net OPEB obligation, 6-30-11	<hr/> <hr/> \$ 875,134

Fiscal Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
<hr/>				
6-30-09	Local Education Group	\$ 433,283	38.55 %	\$ 502,483
6-30-10	"	411,194	53.21	694,883
6-30-11	"	416,651	56.74	875,134

Funded Status and Funding Progress

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

	Local Education Group Plan
	<hr/>
Actuarial valuation date	7-1-10
Actuarial accrued liability (AAL)	\$ 3,287,000
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 3,287,000
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 10,500,345
UAAL as a % of covered payroll	31.3%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required

supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

### Actuarial Methods and Assumptions

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

In the July 1, 2010, actuarial valuation for the Local Education Plan, the projected unit credit actuarial cost method was used and the actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of ten percent for fiscal year 2011. The trend will decrease to 9.5 percent in fiscal year 2012 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. Both rates include a three percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with June 30, 2008.

#### **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 \$6,600 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.

**VI. OTHER NOTES – DISCRETELY PRESENTED POLK COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

**A. General Information**

Public Chapter No. 867 of the 1984 Tennessee Public Acts ("The Emergency Communications District Law") was enacted to establish local emergency telephone services, to fund such services, and to levy a telephone service charge.

**B. Summary of Significant Accounting Policies**

Basis of Accounting

As a government agency, the district is subject to standards prescribed by the Governmental Accounting Standards Board (GASB). The financial statements of Polk County 911 Emergency Communications District are prepared on the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The district applies Financial Accounting

Standards Board (FASB) pronouncements issued before November 30, 1989, unless they conflict with or contradict GASB guidance.

### Cash and Cash Equivalents

Cash and cash equivalents are highly liquid investments, which have original maturities of three months or less.

### Use of Estimates

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

### Capital Assets

Expenditures for capital assets are recorded at historical cost. Capital assets are depreciated using the straight-line method. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

<u>Assets</u>	<u>Years</u>
Communication Equipment	5 - 10
Furniture and Fixtures	5 - 10
Office Equipment	5 - 10
Leasehold Improvements	15

### Component Unit

The Polk County "911" Emergency Communications District is a component of Polk County, Tennessee. As such, Polk County exercises significant influence over the district by controlling the appointment of the district's Board. The district must file a budget with Polk County, and any bonds issued by the district are subject to approval by Polk County.

Budgets and Budgetary Accounting

The district is required by state statute to adopt annual budgets. As such, the district employs a formal budget integration as a management control device during the year. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Then, the budget is legally enacted through passage of an ordinance. Expenditures may not legally exceed appropriations and any revisions authorized by the board. Appropriations lapse at the end of each fiscal year.

**C. Cash on Deposit**

The treasurer of the district is responsible for receiving, disbursing, depositing, and investing the district's funds. The district's policy related to deposits and investment risk is to invest in certificates of deposit usually with a maturity of three years or less. The district's policy is designed to maximize its earnings, while protecting the security and providing maximum liquidity, in accordance with all applicable state laws. All deposits with a bank or other financial institution shall be secured by collateral or in a collateral pool as allowed by state statutes. As of June 30, 2011, all deposits with financial institutions were secured by collateral. A schedule of cash and investments classified by category of credit risk at June 30, 2011, is as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash, Insured by Federal Depository Insurance (FDIC)	\$ 316,624	\$ 324,255
Certificates of Deposit, Insured by Federal Depository Insurance (FDIC)	40,912	40,912
Certificates of Deposit, Insured by Pledged Collateral	154,983	154,983
Total	<u>\$ 512,519</u>	<u>\$ 520,150</u>

**D. Accounts Receivable**

The account receivable balance represents amounts due from the telephone companies' subscriber service charges at June 30, 2011.

**E. Capital Assets**

The following is a schedule of changes to capital assets:

	Balance		Balance	Accumulated
	7-1-10	Additions	6-30-11	Depreciation
				6-30-11
Communications Equipment	\$ 439,373	\$ 0	\$ 439,373	\$ 344,321
Furniture and Fixtures	17,160	0	17,160	5,587
Office Equipment	10,543	1,520	12,063	5,853
Leasehold Improvement	96,515	30,417	126,932	9,808
Total	<u>\$ 563,591</u>	<u>\$ 31,937</u>	<u>\$ 595,528</u>	<u>\$ 365,569</u>

Provision for depreciation totaled \$47,835 for the year ended June 30, 2011.

**F. Risk Management – Claims and Insurance**

Significant losses are covered by commercial insurance for property, liability, and employee dishonesty. There have been no significant reductions in insurance coverage, and settlement amounts have not exceeded insurance coverage for the current or the three prior years.

**G. Lease Commitments**

The district has a Special Use Permit with the U.S. Department of Agriculture, Forest Service, for the building and land in which the district office is located. The Special Use Permit authorizes the district to use the building and land at no cost as long as the district maintains the building in compliance with the Operation and Maintenance Plan. The Special Use Permit expired on December 31, 2009, and a new permit can be obtained at the discretion of the U.S. Department of Agriculture. The district continues to use the building and land in accordance with the expired Special Use Permit.

**H. Subsequent Events**

Subsequent events were evaluated through October 24, 2011, which is the date the financial statements of the district were available to be issued.

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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, 2011

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2010	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 4,496,119	\$ 0	\$ 0	\$ 4,496,119	\$ 4,120,504	\$ 4,120,504	\$ 375,615
Licenses and Permits	75,847	0	0	75,847	67,600	67,600	8,247
Fines, Forfeitures, and Penalties	199,475	0	0	199,475	151,435	170,983	28,492
Charges for Current Services	39,163	0	0	39,163	30,110	24,072	15,091
Other Local Revenues	177,722	0	0	177,722	52,310	72,217	105,505
Fees Received from County Officials	660,677	0	0	660,677	685,000	685,000	(24,323)
State of Tennessee	1,800,343	0	0	1,800,343	1,595,245	2,308,206	(507,863)
Federal Government	1,133,508	0	0	1,133,508	152,585	1,301,946	(168,438)
Other Governments and Citizens Groups	30,230	0	0	30,230	36,000	36,000	(5,770)
Total Revenues	\$ 8,613,084	\$ 0	\$ 0	\$ 8,613,084	\$ 6,890,789	\$ 8,786,528	\$ (173,444)
<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 26,229	\$ 0	\$ 0	\$ 26,229	\$ 59,286	\$ 51,491	\$ 25,262
Board of Equalization	2,906	0	0	2,906	1,650	3,650	744
County Mayor/Executive	115,795	0	0	115,795	125,807	125,807	10,012
Election Commission	143,968	(380)	0	143,588	176,396	176,396	32,808
Register of Deeds	107,025	(150)	1,200	108,075	114,543	114,826	6,751
County Buildings	174,465	(1,015)	860	174,310	198,741	198,741	24,431
Other General Administration	1,149,677	(10,449)	198,268	1,337,496	267,431	1,871,602	534,106
<u>Finance</u>							
Accounting and Budgeting	71,864	0	0	71,864	52,275	72,280	416
Property Assessor's Office	236,232	(1,518)	250	234,964	223,206	249,406	14,442
County Trustee's Office	166,205	0	344	166,549	175,398	175,398	8,849
County Clerk's Office	178,590	(190)	0	178,400	200,685	200,685	22,285

(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 7/1/2010	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original		
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Administration of Justice</u>							
Circuit Court	\$ 198,364	\$ (1,300)	200	\$ 197,264	\$ 192,629	\$ 198,852	\$ 1,588
General Sessions Court	107,293	0	0	107,293	107,915	107,915	622
Drug Court	0	0	0	0	1,500	1,500	1,500
Chancery Court	142,371	(900)	0	141,471	148,073	148,073	6,602
Juvenile Court	65,328	0	0	65,328	69,527	69,527	4,199
<u>Public Safety</u>							
Sheriff's Department	1,371,349	(16,913)	24,809	1,379,245	1,390,376	1,402,843	23,598
Correctional Incentive Program Improvements	1,892,872	(8,445)	415	1,884,842	1,931,036	1,955,277	70,435
Fire Prevention and Control	1,000	0	0	1,000	1,000	1,000	0
Civil Defense	78,391	(7,100)	2,200	73,491	83,383	106,194	32,703
Rescue Squad	107,449	(27,038)	30,703	111,114	91,383	114,194	3,080
Other Emergency Management	199,870	(86,179)	116,720	230,411	77,085	350,824	120,413
County Coroner/Medical Examiner	0	0	0	0	300	300	300
<u>Public Health and Welfare</u>							
Local Health Center	48,132	(2,100)	16,157	62,189	79,964	82,027	19,838
Ambulance/Emergency Medical Services	720,000	0	0	720,000	720,000	720,000	0
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	96,376	0	0	96,376	113,265	113,265	16,889
Sanitation Education/Information	41,084	(7,557)	5,261	38,788	44,951	44,951	6,163
Convenience Centers	347,000	0	0	347,000	467,000	397,000	50,000
Other Public Health and Welfare	57,077	(32,073)	0	25,004	55,599	55,599	30,595
<u>Social, Cultural, and Recreational Services</u>							
Senior Citizens Assistance	18,728	0	0	18,728	18,730	18,730	2

(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 7/1/2010	Add: Encumbrances 6/30/2011	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>							
Libraries	\$ 30,503 \$	0 \$	0 \$	30,503 \$	40,671 \$	37,243 \$	6,740
Other Social, Cultural, and Recreational Agriculture and Natural Resources	9,010	(9,010)	0	0	0	0	0
Agriculture Extension Service	41,642	(30)	0	41,612	39,816	44,598	2,986
Soil Conservation	18,102	0	0	18,102	18,102	18,102	0
<u>Other Operations</u>							
Other Economic and Community Development	14,411	0	0	14,411	15,826	15,826	1,415
Veterans' Services	22,567	0	0	22,567	18,995	22,823	256
Other Charges	98,447	0	0	98,447	0	98,900	453
Contributions to Other Agencies	51,639	0	0	51,639	45,000	45,000	(6,639)
Total Expenditures	\$ 8,151,961 \$	(212,347) \$	397,387 \$	8,337,001 \$	7,372,794 \$	9,416,095 \$	1,079,094
<u>Excess (Deficiency) of Revenues</u>							
Over Expenditures	\$ 461,123 \$	212,347 \$	(397,387) \$	276,083 \$	(482,005) \$	(629,567) \$	905,650
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 50,000 \$	0 \$	0 \$	50,000 \$	0 \$	0 \$	50,000
Transfers Out	(69,400)	0	0	(69,400)	0	(70,000)	600
Total Other Financing Sources (Uses)	\$ (19,400) \$	0 \$	0 \$	(19,400) \$	0 \$	(70,000) \$	50,600
Net Change in Fund Balance	\$ 441,723 \$	212,347 \$	(397,387) \$	256,683 \$	(482,005) \$	(699,567) \$	956,250
Fund Balance, July 1, 2010	2,653,601	(212,347)	0	2,441,254	2,466,759	2,466,759	(25,505)
Fund Balance, June 30, 2011	\$ 3,095,324 \$	0 \$	(397,387) \$	2,697,937 \$	1,984,754 \$	1,767,192 \$	930,745

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, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 244,511	\$ 251,000	\$ 197,711	\$ 46,800
State of Tennessee	1,902,001	1,862,220	1,850,746	51,255
Federal Government	95,843	92,000	95,842	1
Total Revenues	<u>\$ 2,242,355</u>	<u>\$ 2,205,220</u>	<u>\$ 2,144,299</u>	<u>\$ 98,056</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 163,503	\$ 170,397	\$ 175,806	\$ 12,303
Highway and Bridge Maintenance	794,598	989,416	843,243	48,645
Operation and Maintenance of Equipment	491,655	453,912	538,513	46,858
Other Charges	42,037	48,630	69,616	27,579
Employee Benefits	369,135	407,208	396,137	27,002
Capital Outlay	611,956	451,000	613,080	1,124
Total Expenditures	<u>\$ 2,472,884</u>	<u>\$ 2,520,563</u>	<u>\$ 2,636,395</u>	<u>\$ 163,511</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (230,529)</u>	<u>\$ (315,343)</u>	<u>\$ (492,096)</u>	<u>\$ 261,567</u>
<u>Other Financing Sources (Uses)</u>				
Capital Leases Issued	\$ 158,500	\$ 0	\$ 158,500	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 158,500</u>	<u>\$ 0</u>	<u>\$ 158,500</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (72,029)	\$ (315,343)	\$ (333,596)	\$ 261,567
Fund Balance, July 1, 2010	<u>812,300</u>	<u>625,000</u>	<u>625,000</u>	<u>187,300</u>
Fund Balance, June 30, 2011	<u>\$ 740,271</u>	<u>\$ 309,657</u>	<u>\$ 291,404</u>	<u>\$ 448,867</u>

Exhibit E-3

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

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7-1-09	\$ 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 entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the entry age actuarial cost method was a change made during the 2007 actuarial valuation; therefore, only the two most recent valuations are presented.

Exhibit E-4

Polk County, Tennessee  
Schedule of Funding Progress – Other Postemployment Benefits Plan  
Discretely Presented Polk County School Department  
June 30, 2011

(Dollar amounts in thousands)

Plan	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial 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
"	7-1-10	0	3,287	3,287	0	10,500	31.30

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

**A. BUDGETARY INFORMATION**

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

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

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

At June 30, 2011, Polk County reported the following significant encumbrances in the General Fund:

Fund	Description	Amount
General	Airport renovations	\$ 193,670
"	Communication equipment	115,170

**B. EXPENDITURES EXCEEDED APPROPRIATIONS**

Expenditures exceeded appropriations approved by the County Commission in the Contributions to Other Agencies major appropriation category (the legal level of control) of the General Fund by \$6,639. Expenditures that exceed appropriations are a violation of state statutes. This overexpenditure was funded by appropriations exceeding expenditures in other major appropriation categories.

C. **A LEASE-PURCHASE AGREEMENT WAS NOT ISSUED IN COMPLIANCE WITH STATE STATUTES**

On November 5, 2010, the highway superintendent entered into a two-year lease-purchase agreement for a backhoe totaling \$158,500 without prior approval of the County Commission. Section 7-51-904, *Tennessee Code Annotated (TCA)* requires lease-purchase agreements to be approved by resolution of the County Commission. Additionally, the office did not file a Report on Debt Obligation with the state Comptroller's Office. Section 9-21-151, *TCA*, requires that within 45 days following the issuance of debt, the county must provide to the state Comptroller's Office certain information, such as a description of the purchase for which the debt is issued, a description of the debt obligation, and an itemized description of the costs of issuance. Management stated that this deficiency was an oversight.

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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

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Solid Waste/Sanitation Fund – The Solid Waste/Sanitation Fund is used to account for transactions related to solid waste disposal. This fund was closed during the year.

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

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

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

Exhibit F-1

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

	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	
	Drug Control	Community Development/ Industrial Park	Total Nonmajor Governmental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 72,410	\$ 91,523	\$ 163,933
Total Assets	<u>\$ 72,410</u>	<u>\$ 91,523</u>	<u>\$ 163,933</u>
<u>FUND BALANCES</u>			
Restricted:			
Restricted for Public Safety	\$ 72,410	\$ 0	\$ 72,410
Committed:			
Committed for Other Operations	0	91,523	91,523
Total Fund Balances	<u>\$ 72,410</u>	<u>\$ 91,523</u>	<u>\$ 163,933</u>

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, 2011

	Special Revenue Funds			Capital Projects Funds			Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Total	Community Development/ Industrial Park	HUD Grant Projects	Total	
<u>Revenues</u>							
Fines, Forfeitures, and Penalties	\$ 0 \$	62,884 \$	62,884 \$	0 \$	0 \$	0 \$	62,884
Federal Government	0	2,469	2,469	0	25,419	25,419	27,888
Total Revenues	\$ 0 \$	65,353 \$	65,353 \$	0 \$	25,419 \$	25,419 \$	90,772
<u>Expenditures</u>							
Current:							
Public Safety	\$ 0 \$	10,116 \$	10,116 \$	0 \$	0 \$	0 \$	10,116
Public Health and Welfare	69,400	0	69,400	0	0	0	69,400
Other Operations	0	587	587	0	25,419	25,419	26,006
Total Expenditures	\$ 69,400 \$	10,703 \$	80,103 \$	0 \$	25,419 \$	25,419 \$	105,522
Excess (Deficiency) of Revenues Over Expenditures	\$ (69,400) \$	54,650 \$	(14,750) \$	0 \$	0 \$	0 \$	(14,750)
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 69,400 \$	0 \$	69,400 \$	0 \$	0 \$	0 \$	69,400
Transfers Out	0	(50,000)	(50,000)	0	0	0	(50,000)
Total Other Financing Sources (Uses)	\$ 69,400 \$	(50,000) \$	19,400 \$	0 \$	0 \$	0 \$	19,400
Net Change in Fund Balances Fund Balance, July 1, 2010	\$ 0 \$	4,650 \$	4,650 \$	0 \$	0 \$	0 \$	4,650
	0	67,760	67,760	91,523	0	91,523	159,283
Fund Balance, June 30, 2011	\$ 0 \$	72,410 \$	72,410 \$	91,523 \$	0 \$	91,523 \$	163,933

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, 2011

	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	\$ 69,400	\$ 70,000	\$ 70,000	\$ 600
Total Expenditures	\$ 69,400	\$ 70,000	\$ 70,000	\$ 600
Excess (Deficiency) of Revenues Over Expenditures	\$ (69,400)	\$ (70,000)	\$ (70,000)	\$ 600
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 69,400	\$ 70,000	\$ 70,000	\$ (600)
Total Other Financing Sources (Uses)	\$ 69,400	\$ 70,000	\$ 70,000	\$ (600)
Net Change in Fund Balance	\$ 0	\$ 0	\$ 0	\$ 0
Fund Balance, July 1, 2010	0	0	0	0
Fund Balance, June 30, 2011	\$ 0	\$ 0	\$ 0	\$ 0

Exhibit F-4

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 62,884	\$ 65,000	\$ 65,000	\$ (2,116)
State of Tennessee	0	800	800	(800)
Federal Government	2,469	0	0	2,469
Other Governments and Citizens Groups	0	1,000	1,000	(1,000)
Total Revenues	<u>\$ 65,353</u>	<u>\$ 66,800</u>	<u>\$ 66,800</u>	<u>\$ (1,447)</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 10,116	\$ 76,700	\$ 31,700	\$ 21,584
<u>Other Operations</u>				
Other Charges	587	1,000	1,700	1,113
Total Expenditures	<u>\$ 10,703</u>	<u>\$ 77,700</u>	<u>\$ 33,400</u>	<u>\$ 22,697</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 54,650</u>	<u>\$ (10,900)</u>	<u>\$ 33,400</u>	<u>\$ 21,250</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (50,000)	\$ 0	\$ (50,000)	\$ 0
Total Other Financing Sources (Uses)	<u>\$ (50,000)</u>	<u>\$ 0</u>	<u>\$ (50,000)</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 4,650	\$ (10,900)	\$ (16,600)	\$ 21,250
Fund Balance, July 1, 2010	67,760	67,345	67,345	415
Fund Balance, June 30, 2011	<u>\$ 72,410</u>	<u>\$ 56,445</u>	<u>\$ 50,745</u>	<u>\$ 21,665</u>

# **Major Governmental Fund**

## **General Debt Service Fund**

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

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Exhibit 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, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,204,763	\$ 1,162,138	\$ 1,162,138	\$ 42,625
Other Local Revenues	32,339	40,000	40,000	(7,661)
State of Tennessee	116,312	64,500	64,500	51,812
Other Governments and Citizens Groups	725,000	790,889	790,889	(65,889)
Total Revenues	<u>\$ 2,078,414</u>	<u>\$ 2,057,527</u>	<u>\$ 2,057,527</u>	<u>\$ 20,887</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 300,000	\$ 717,929	\$ 355,000	\$ 55,000
Education	725,000	1,253,060	725,000	0
<u>Interest on Debt</u>				
General Government	281,632	0	286,632	5,000
Education	603,791	13,125	617,482	13,691
<u>Other Debt Service</u>				
General Government	28,932	29,200	55,100	26,168
Total Expenditures	<u>\$ 1,939,355</u>	<u>\$ 2,013,314</u>	<u>\$ 2,039,214</u>	<u>\$ 99,859</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 139,059</u>	<u>\$ 44,213</u>	<u>\$ 18,313</u>	<u>\$ 120,746</u>
Net Change in Fund Balance	\$ 139,059	\$ 44,213	\$ 18,313	\$ 120,746
Fund Balance, July 1, 2010	1,254,164	1,222,464	1,222,464	31,700
Fund Balance, June 30, 2011	<u>\$ 1,393,223</u>	<u>\$ 1,266,677</u>	<u>\$ 1,240,777</u>	<u>\$ 152,446</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, 2011

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 789,193	\$ 789,193
Due from Other Governments	64,138	0	64,138
Total Assets	<u>\$ 64,138</u>	<u>\$ 789,193</u>	<u>\$ 853,331</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 64,138	\$ 0	\$ 64,138
Due to Litigants, Heirs, and Others	0	789,193	789,193
Total Liabilities	<u>\$ 64,138</u>	<u>\$ 789,193</u>	<u>\$ 853,331</u>

Exhibit H-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 362,879	\$ 362,879	\$ 0
Due from Other Governments	65,798	64,138	65,798	64,138
Total Assets	\$ 65,798	\$ 427,017	\$ 428,677	\$ 64,138
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 65,798	\$ 427,017	\$ 428,677	\$ 64,138
Total Liabilities	\$ 65,798	\$ 427,017	\$ 428,677	\$ 64,138
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 714,287	\$ 3,647,356	\$ 3,572,450	\$ 789,193
Total Assets	\$ 714,287	\$ 3,647,356	\$ 3,572,450	\$ 789,193
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 714,287	\$ 3,647,356	\$ 3,572,450	\$ 789,193
Total Liabilities	\$ 714,287	\$ 3,647,356	\$ 3,572,450	\$ 789,193
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 714,287	\$ 3,647,356	\$ 3,572,450	\$ 789,193
Equity in Pooled Cash and Investments	0	362,879	362,879	0
Due from Other Governments	65,798	64,138	65,798	64,138
Total Assets	\$ 780,085	\$ 4,074,373	\$ 4,001,127	\$ 853,331
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 65,798	\$ 427,017	\$ 428,677	\$ 64,138
Due to Litigants, Heirs, and Others	714,287	3,647,356	3,572,450	789,193
Total Liabilities	\$ 780,085	\$ 4,074,373	\$ 4,001,127	\$ 853,331

# 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 building construction and renovation of the School Department.

Self-Insurance Fund – The Self-Insurance Fund is an internal service fund used to account for the School Department employees' self-insurance dental program. In prior years, 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, 2011

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 12,377,705	\$ 0	\$ 2,141,652	\$ (10,236,053)
Support Services	7,549,292	2,160	389,046	(7,158,086)
Operation of Non-Instructional Services	1,788,104	412,520	1,628,772	253,188
Interest on Debt	4,121	0	0	(4,121)
Other Debt Service	725,000	0	0	(725,000)
Total Governmental Activities	\$ 22,444,222	\$ 414,680	\$ 4,159,470	\$ (17,870,072)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 2,202,287
Local Option Sales Taxes				1,439,343
Business Tax				21,131
Other Local Taxes				2,405
Grants and Contributions Not Restricted to Specific Programs				14,035,962
Unrestricted Investment Earnings				595
Miscellaneous				65,096
Total General Revenues				\$ 17,766,819
Change in Net Assets				\$ (103,253)
Net Assets, July 1, 2010				18,071,065
Net Assets, June 30, 2011				\$ 17,967,812

Exhibit I-2

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

	Major Funds			Nonmajor	Total
	General Purpose School	School Federal Projects	Central Cafeteria	Fund Education Capital Projects	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 45,650	\$ 0	\$ 45,650
Equity in Pooled Cash and Investments	761,723	196,375	605,746	26,264	1,590,108
Accounts Receivable	0	478	0	0	478
Due from Other Governments	1,181,389	137,653	7,593	0	1,326,635
Due from Other Funds	36,426	0	0	0	36,426
Property Taxes Receivable	2,538,026	0	0	0	2,538,026
Allowance for Uncollectible Property Taxes	(255,025)	0	0	0	(255,025)
<b>Total Assets</b>	<b>\$ 4,262,539</b>	<b>\$ 334,506</b>	<b>\$ 658,989</b>	<b>\$ 26,264</b>	<b>\$ 5,282,298</b>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 69,798	\$ 63,842	\$ 0	\$ 0	\$ 133,640
Accrued Payroll	1,750	0	0	0	1,750
Payroll Deductions Payable	358,308	0	0	0	358,308
Due to Other Funds	0	36,426	0	0	36,426
Due to Primary Government	75,000	0	0	0	75,000
Due to State of Tennessee	247,250	77,329	0	0	324,579
Deferred Revenue - Current Property Taxes	2,134,318	0	0	0	2,134,318
Deferred Revenue - Delinquent Property Taxes	132,202	0	0	0	132,202
Other Deferred Revenues	185,608	0	0	0	185,608
<b>Total Liabilities</b>	<b>\$ 3,204,234</b>	<b>\$ 177,597</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 3,381,831</b>
<u>Fund Balances</u>					
<u>Restricted:</u>					
Restricted for Education	\$ 42,849	\$ 38,062	\$ 562,389	\$ 26,264	\$ 669,564
<u>Committed:</u>					
Committed for Education	0	100,000	0	0	100,000
<u>Assigned:</u>					
Assigned for Education	66,194	18,847	96,600	0	181,641
Unassigned	949,262	0	0	0	949,262
<b>Total Fund Balances</b>	<b>\$ 1,058,305</b>	<b>\$ 156,909</b>	<b>\$ 658,989</b>	<b>\$ 26,264</b>	<b>\$ 1,900,467</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,262,539</b>	<b>\$ 334,506</b>	<b>\$ 658,989</b>	<b>\$ 26,264</b>	<b>\$ 5,282,298</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, 2011

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

Total fund balances - balance sheet - governmental funds (Exhibit I-2)		\$ 1,900,467	
(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		15,899,523	
Add: other capital assets net of accumulated depreciation		<u>1,249,552</u>	17,150,575
(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.			40,826
(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	\$	(535,508)	
Less: compensated absences payable		(27,535)	
Less: other postemployment benefits liability		(875,134)	
Less: accrued interest on capital leases		<u>(3,689)</u>	(1,441,866)
(4) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>317,810</u>
Net assets of governmental activities (Exhibit A)			<u><u>\$ 17,967,812</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, 2011

	Major Funds			Nonmajor	Total
	General	School	Central	Fund	
	Purpose	Federal	Central	Education	Governmental
	School	Projects	Cafeteria	Projects	Funds
<u>Revenues</u>					
Local Taxes	\$ 3,767,616	\$ 0	\$ 0	\$ 0	\$ 3,767,616
Licenses and Permits	1,644	0	0	0	1,644
Charges for Current Services	2,160	0	397,432	0	399,592
Other Local Revenues	72,976	3,000	4,836	0	80,812
State of Tennessee	14,138,169	0	14,039	0	14,152,208
Federal Government	470,417	2,465,973	995,744	0	3,932,134
<b>Total Revenues</b>	<b>\$ 18,452,982</b>	<b>\$ 2,468,973</b>	<b>\$ 1,412,051</b>	<b>\$ 0</b>	<b>\$ 22,334,006</b>
<u>Expenditures</u>					
Current:					
Instruction	\$ 10,558,972	\$ 1,575,512	\$ 0	\$ 0	\$ 12,134,484
Support Services	6,931,361	842,217	0	0	7,773,578
Operation of Non-Instructional Services	481,215	0	1,291,016	0	1,772,231
Capital Outlay	5,138	0	0	0	5,138
Debt Service:					
Other Debt Service	725,000	0	0	0	725,000
<b>Total Expenditures</b>	<b>\$ 18,701,686</b>	<b>\$ 2,417,729</b>	<b>\$ 1,291,016</b>	<b>\$ 0</b>	<b>\$ 22,410,431</b>
Excess (Deficiency) of Revenues					
Over Expenditures	\$ (248,704)	\$ 51,244	\$ 121,035	\$ 0	\$ (76,425)
<u>Other Financing Sources (Uses)</u>					
Capital Leases Issued	\$ 535,508	\$ 0	\$ 0	\$ 0	\$ 535,508
Transfers In	42,916	0	0	0	42,916
Transfers Out	0	0	(42,916)	0	(42,916)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 578,424</b>	<b>\$ 0</b>	<b>\$ (42,916)</b>	<b>\$ 0</b>	<b>\$ 535,508</b>
Net Change in Fund Balances					
Fund Balance, July 1, 2010	\$ 329,720	\$ 51,244	\$ 78,119	\$ 0	\$ 459,083
Fund Balance, June 30, 2011	728,585	105,665	580,870	26,264	1,441,384
Fund Balance, June 30, 2011	\$ 1,058,305	\$ 156,909	\$ 658,989	\$ 26,264	\$ 1,900,467

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, 2011

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

Net change in fund balances - total governmental funds (Exhibit I-4)		\$	459,083
(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		\$	640,478
Less: current-year depreciation expense			<u>(619,087)</u>
			21,391
(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, 2011		\$	317,810
Less: deferred delinquent property taxes and other deferred June 30, 2010			<u>(311,314)</u>
			6,496
(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:			
Less: capital lease proceeds		\$	(535,508)
Add: principal payments on capital leases			<u>105,813</u>
			(429,695)
(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		\$	18,835
Change in other postemployment benefits liability			(180,251)
Change in accrued interest payable			<u>421</u>
			(160,995)
(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>467</u>
Change in net assets of governmental activities (Exhibit B)		\$	<u>(103,253)</u>

Exhibit I-6

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, 2011

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2010	Add: Encumbrances 6/30/2011	Actual		Budgeted Amounts	Variance with Final Budget - Positive (Negative)
				Revenues/ Expenditures			
				Original	Final		
<u>Revenues</u>							
Local Taxes	\$ 3,767,616	\$ 0	\$ 0	\$ 3,767,616	\$ 3,685,603	\$ 3,729,013	\$ 38,603
Licenses and Permits	1,644	0	0	1,644	1,500	1,500	144
Charges for Current Services	2,160	0	0	2,160	5,000	5,000	(2,840)
Other Local Revenues	72,976	0	0	72,976	46,504	50,319	22,657
State of Tennessee	14,138,169	0	0	14,138,169	13,112,001	14,177,417	(39,248)
Federal Government	470,417	0	0	470,417	317,000	651,082	(180,665)
Total Revenues	\$ 18,452,982	\$ 0	\$ 0	\$ 18,452,982	\$ 17,167,608	\$ 18,614,331	\$ (161,349)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 8,821,200	\$ 0	\$ 290	\$ 8,821,490	\$ 8,917,448	\$ 8,914,028	\$ 92,538
Alternative Instruction Program	3,754	0	0	3,754	127,214	4,276	522
Special Education Program	856,064	0	0	856,064	875,683	903,004	46,940
Vocational Education Program	727,069	0	0	727,069	761,307	735,433	8,364
Student Body Education Program	114,220	0	0	114,220	121,000	114,500	280
Adult Education Program	36,665	0	0	36,665	0	40,417	3,752
<u>Support Services</u>							
Health Services	84,693	0	0	84,693	80,999	86,364	1,671
Other Student Support	1,188,745	(92,395)	46,158	1,142,508	543,980	1,152,192	9,684
Regular Instruction Program	437,109	(669)	0	436,440	374,315	440,944	4,504
Special Education Program	166,269	0	0	166,269	164,917	166,993	724
Vocational Education Program	47,138	0	0	47,138	45,745	47,185	47
Adult Programs	61,680	(158)	1,024	62,546	0	65,415	2,869
Other Programs	331,309	0	0	331,309	0	331,309	0
Board of Education	384,745	0	95	384,840	397,327	407,127	22,287
Director of Schools	294,990	0	735	295,725	306,526	330,049	34,324
Office of the Principal	842,712	0	0	842,712	1,042,510	859,466	16,754

(Continued)

Exhibit I-6

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:		Add:	Actual Revenues/ Expenditures (Budgetary Basis)		Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		7/1/2010	6/30/2011		Original	Final			
<u>Expenditures (Cont.)</u>									
<u>Support Services (Cont.)</u>									
Fiscal Services	\$ 118,197	\$ 0	\$ 142	\$ 118,339	\$ 83,132	\$ 110,329	\$ (8,010)		
Operation of Plant	1,424,715	(10,402)	879	1,415,192	1,511,652	1,603,145	187,953		
Maintenance of Plant	135,953	0	0	135,953	103,159	141,425	5,472		
Transportation	1,413,106	(1,908)	5,522	1,416,720	918,437	1,597,038	180,318		
<u>Operation of Non-Instructional Services</u>									
Food Service	46,800	0	0	46,800	49,172	50,395	3,595		
Community Services	0	0	0	0	0	2,000	2,000		
Early Childhood Education	434,415	(28,333)	3,192	409,274	0	409,995	721		
<u>Capital Outlay</u>									
Regular Capital Outlay	5,138	0	8,157	13,295	1,000	18,500	5,205		
<u>Other Debt Service</u>									
Education	725,000	0	0	725,000	785,000	736,375	11,375		
Total Expenditures	\$ 18,701,686	\$ (133,865)	\$ 66,194	\$ 18,634,015	\$ 17,210,523	\$ 19,267,904	\$ 633,889		
<u>Excess (Deficiency) of Revenues</u> <u>Over Expenditures</u>	\$ (248,704)	\$ 133,865	\$ (66,194)	\$ (181,033)	\$ (42,915)	\$ (653,573)	\$ 472,540		
<u>Other Financing Sources (Uses)</u>									
Capital Leases Issued	\$ 535,508	\$ 0	\$ 0	\$ 535,508	\$ 0	\$ 535,508	\$ 0		
Transfers In	42,916	0	0	42,916	42,916	42,916	0		
Total Other Financing Sources (Uses)	\$ 578,424	\$ 0	\$ 0	\$ 578,424	\$ 42,916	\$ 578,424	\$ 0		
Net Change in Fund Balance	\$ 329,720	\$ 133,865	\$ (66,194)	\$ 397,391	\$ 1	\$ (75,149)	\$ 472,540		
Fund Balance, July 1, 2010	728,585	(133,865)	0	594,720	637,682	637,682	(42,962)		
Fund Balance, June 30, 2011	\$ 1,058,305	\$ 0	\$ (66,194)	\$ 992,111	\$ 637,683	\$ 562,533	\$ 429,578		

Exhibit I-7

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, 2011

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2010	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Other Local Revenues	\$ 3,000	\$ 0	\$ 0	\$ 3,000	\$ 0	\$ 0	\$ 3,000
Federal Government	2,465,973	0	0	2,465,973	2,631,147	2,632,661	(166,688)
Total Revenues	\$ 2,468,973	\$ 0	\$ 0	\$ 2,468,973	\$ 2,631,147	\$ 2,632,661	\$ (163,688)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 840,213	(753)	937	\$ 840,397	\$ 872,723	\$ 876,200	\$ 35,803
Alternative Instruction Program	100,025	0	0	100,025	129,750	116,795	16,770
Special Education Program	614,073	(209)	6,868	620,732	775,361	704,970	84,238
Vocational Education Program	21,201	(210)	10,867	31,858	30,745	31,945	87
<u>Support Services</u>							
Health Services	2,501	0	0	2,501	1,500	4,700	2,199
Other Student Support	131,182	(176)	0	131,006	132,505	133,416	2,410
Regular Instruction Program	261,267	0	175	261,442	286,187	288,782	27,340
Special Education Program	79,508	(468)	0	79,040	69,523	83,950	4,910
Vocational Education Program	1,882	0	0	1,882	2,196	2,196	314
Office of the Principal	241,057	0	0	241,057	252,498	255,077	14,020
Operation of Plant	56,711	0	0	56,711	64,239	65,580	8,869
Transportation	68,109	0	0	68,109	12,526	69,050	941
Total Expenditures	\$ 2,417,729	\$ (1,816)	\$ 18,847	\$ 2,434,760	\$ 2,629,753	\$ 2,632,661	\$ 197,901
Excess (Deficiency) of Revenues Over Expenditures	\$ 51,244	\$ 1,816	\$ (18,847)	\$ 34,213	\$ 1,394	\$ 0	\$ 34,213

(Continued)

Exhibit I-7

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 (Cont.)

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2010	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 0 \$	0 \$	0 \$	0 \$	119,858 \$	0 \$	0
Transfers Out	0	0	0	0	(121,252)	0	0
Total Other Financing Sources (Uses)	\$ 0 \$	0 \$	0 \$	0 \$	(1,394) \$	0 \$	0
Net Change in Fund Balance	\$ 51,244 \$	1,816 \$	(18,847) \$	34,213 \$	0 \$	0 \$	34,213
Fund Balance, July 1, 2010	105,665	(1,816)	0	103,849	0	0	103,849
Fund Balance, June 30, 2011	\$ 156,909 \$	0 \$	(18,847) \$	138,062 \$	0 \$	0 \$	138,062

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  
Central Cafeteria Fund  
For the Year Ended June 30, 2011

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Charges for Current Services	\$ 397,432	\$ 0	\$ 397,432	\$ 425,000	\$ 425,000	\$ (27,568)
Other Local Revenues	4,836	0	4,836	5,300	5,300	(464)
State of Tennessee	14,039	0	14,039	15,000	15,000	(961)
Federal Government	995,744	0	995,744	845,000	907,586	88,158
Total Revenues	\$ 1,412,051	\$ 0	\$ 1,412,051	\$ 1,290,300	\$ 1,352,886	\$ 59,165
<u>Expenditures</u>						
<u>Operation of Non-Instructional Services</u>						
Food Service	\$ 1,291,016	\$ 96,600	\$ 1,387,616	\$ 1,245,300	\$ 1,455,386	\$ 67,770
Total Expenditures	\$ 1,291,016	\$ 96,600	\$ 1,387,616	\$ 1,245,300	\$ 1,455,386	\$ 67,770
<u>Excess (Deficiency) of Revenues</u>						
Over Expenditures	\$ 121,035	\$ (96,600)	\$ 24,435	\$ 45,000	\$ (102,500)	\$ 126,935
<u>Other Financing Sources (Uses)</u>						
Transfers Out	\$ (42,916)	\$ 0	\$ (42,916)	\$ (45,000)	\$ (52,000)	\$ 9,084
Total Other Financing Sources (Uses)	\$ (42,916)	\$ 0	\$ (42,916)	\$ (45,000)	\$ (52,000)	\$ 9,084
<u>Net Change in Fund Balance</u>						
Fund Balance, July 1, 2010	\$ 78,119	\$ (96,600)	\$ (18,481)	\$ 0	\$ (154,500)	\$ 136,019
	580,870	0	580,870	0	154,500	426,370
Fund Balance, June 30, 2011	\$ 658,989	\$ (96,600)	\$ 562,389	\$ 0	\$ 0	\$ 562,389

Exhibit I-9

Polk County, Tennessee  
Statement of Net Assets  
Discretely Presented Polk County School Department  
Proprietary Fund  
June 30, 2011

	<u>Governmental Activities - Internal Service Fund Self-Insurance Fund</u>
<u>ASSETS</u>	
Current Assets:	
Cash in Bank	\$ 40,826
Total Assets	<u>\$ 40,826</u>
<u>NET ASSETS</u>	
Unrestricted	<u>\$ 40,826</u>
Total Net Assets	<u>\$ 40,826</u>

Exhibit I-10

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, 2011

	Governmental Activities - Internal Service Fund <hr/> Self-Insurance Fund <hr/>
<u>Non-operating Revenues</u>	
Investment Income	\$          467
Total Non-operating Revenues	<hr/> \$          467 <hr/>
Change in Net Assets	\$          467
Net Assets, July 1, 2010	<hr/> 40,359 <hr/>
Net Assets, June 30, 2011	<hr/> \$          40,826 <hr/> <hr/>

Exhibit I-11

Polk County, Tennessee  
Statement of Cash Flows  
Discretely Presented Polk County School Department  
Proprietary Fund  
For the Year Ended June 30, 2011

	Governmental Activities - Internal Service Fund <u>Self-Insurance Fund</u>
<u>Cash Flows from Investing Activities</u>	
Interest on Investments	\$ 467
Net Cash Provided By (Used In) Investing Activities	<u>\$ 467</u>
Net Increase (Decrease) in Cash	\$ 467
Cash, July 1, 2010	<u>40,359</u>
Cash, June 30, 2011	<u><u>\$ 40,826</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, 2011

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-10	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-11
<u>PRIMARY GOVERNMENT</u>								
<u>NOTES PAYABLE</u>								
Payable through General Debt Service Fund Athletic Complex	\$ 450,000	3.5 %	9-1-05	9-1-11	\$ 150,000	\$ 0	\$ 75,000	\$ 75,000
Total Notes Payable					\$ 150,000	\$ 0	\$ 75,000	\$ 75,000
<u>CAPITAL LEASES PAYABLE</u>								
Payable through General Fund Patrol Cars	47,259	3	11-17-08	11-17-11	\$ 24,565	\$ 0	\$ 16,160	\$ 8,405
Payable through Highway/Public Works Fund Backhoe	158,500	6.75	11-5-10	12-5-12	\$ 0	\$ 158,500	\$ 43,030	\$ 115,470
Total Capital Leases Payable					\$ 24,565	\$ 158,500	\$ 59,190	\$ 123,875
<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	\$ 19,460,000	\$ 0	\$ 950,000	\$ 18,510,000
Total Bonds Payable					\$ 19,460,000	\$ 0	\$ 950,000	\$ 18,510,000
<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	\$ 96,641	\$ 0	\$ 96,641	\$ 0
School Buses	535,508	4.074	5-1-11	5-1-18	0	535,508	0	535,508
Total Payable through General Purpose School Fund					\$ 96,641	\$ 535,508	\$ 96,641	\$ 535,508
Payable through School Federal Projects Fund Computers	27,277	5.93	9-8-08	9-8-10	\$ 9,172	\$ 0	\$ 9,172	\$ 0
Total Capital Leases Payable					\$ 105,813	\$ 535,508	\$ 105,813	\$ 535,508

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
2012	\$ 75,000	\$ 15,750	\$ 90,750
Total	\$ 75,000	\$ 15,750	\$ 90,750

Year Ending June 30	Capital Leases		
	Principal	Interest	Total
2012	\$ 86,783	\$ 5,430	\$ 92,213
2013	37,092	668	37,760
Total	\$ 123,875	\$ 6,098	\$ 129,973

Year Ending June 30	Bonds		
	Principal	Interest	Total
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	\$ 18,510,000	\$ 7,126,550	\$ 25,636,550

(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
2012	\$ 67,383	\$ 22,132	\$ 89,515
2013	70,444	19,071	89,515
2014	73,314	16,201	89,515
2015	76,301	13,214	89,515
2016	79,409	10,106	89,515
2017	82,645	6,870	89,515
2018	86,012	3,503	89,515
Total	\$ 535,508	\$ 91,097	\$ 626,605

Exhibit J-3

Polk County, Tennessee  
Schedule of Transfers  
Primary Government and Discretely Presented Polk County School Department  
For the Year Ended June 30, 2011

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
General	Solid Waste/Sanitation	Operations	\$ 69,400
Drug Control	General	Reimbursement for salaries	50,000
Total Transfers Primary Government			<u>\$ 119,400</u>
<u>DISCRETELY PRESENTED POLK COUNTY SCHOOL DEPARTMENT</u>			
Central Cafeteria	General Purpose School	Indirect cost	\$ 42,916
Total Transfers Discretely Presented Polk County School Department			<u>\$ 42,916</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, 2011

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
<b>County Executive:</b>				
Mike Stinnett (7-1-10 through 8-31-10)	Section 8-24-102, TCA	\$ 14,622	\$ 50,000	Travelers Casualty and Surety Company
Hoyt Firestone (9-1-10 through 6-30-11)	Section 8-24-102, TCA	52,080	50,000	"
Highway Superintendent	Section 8-24-102, TCA	63,527	100,000	"
Director of Schools	State Board of Education and Polk County Board of Education	101,204 (1)	(2)	
<b>Trustee</b>				
Assessor of Property	Section 8-24-102, TCA	57,751	741,705	"
Director of Accounts and Budgets:	Section 8-24-102, TCA	57,751	10,000	"
Rachel Rogers (7-1-10 through 8-31-10)	County Commission	14,011	15,000	"
Ruth Allen (9-1-10 through 6-30-11)	County Commission	24,732	(3)	"
County Clerk	Section 8-24-102, TCA	57,751	50,000	"
Circuit and General Sessions Courts Clerk	Section 8-24-102, TCA	57,751	50,000	"
Clerk and Master	Section 8-24-102, TCA	57,751	25,000	State Farm Insurance Company
Register	Section 8-24-102, TCA	57,751	50,000	Travelers Casualty and Surety Company
Sheriff	Section 8-24-102, TCA	63,527	25,000	"
<b>Other Bonds:</b>				
Public Employee Dishonesty			150,000	Tennessee Risk Management Trust

- (1) Does not include \$3,373 for unused vacation days, bonus of \$429, and a negotiated annual allowance of \$8,100 for in-county travel.
- (2) The director of schools is covered by the employee blanket bond.
- (3) The director of accounts and budgets 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, 2011

	Special Revenue Funds					Debt Service Fund		Capital Projects Fund		Total
	General	Drug Control	Highway/ Public Works	General Debt Service		HUD Grant	Projects			
				General	Debt Service					
<u>Local Taxes</u>										
<u>County Property Taxes</u>										
Current Property Tax	\$ 3,525,743	\$ 0	\$ 0	\$ 1,026,505	\$ 0	\$ 0	\$ 0	\$ 4,552,248		
Trustee's Collections - Prior Year	242,149	0	0	64,188	0	0	0	306,337		
Circuit/Clerk & Master Collections - Prior Years	146,381	0	0	30,683	0	0	0	177,064		
Interest and Penalty	31,200	0	0	9,377	0	0	0	40,577		
Payments in-Lieu-of Taxes - T.V.A.	59,900	0	0	15,979	0	0	0	75,879		
Payments in-Lieu-of Taxes - Other	33,832	0	0	17,785	0	0	0	51,617		
<u>County Local Option Taxes</u>										
Hotel/Motel Tax	47,945	0	0	23,972	0	0	0	71,917		
Litigation Tax - General	56,816	0	0	0	0	0	0	56,816		
Litigation Tax - Jail, Workhouse, or Courthouse	28,146	0	0	0	0	0	0	28,146		
Litigation Tax - Courtroom Security	1,986	0	0	0	0	0	0	1,986		
Business Tax	37,440	0	0	10,868	0	0	0	48,308		
<u>Statutory Local Taxes</u>										
Bank Excise Tax	18,723	0	0	5,406	0	0	0	24,129		
Wholesale Beer Tax	262,620	0	0	0	0	0	0	262,620		
Beer Privilege Tax	3,238	0	0	0	0	0	0	3,238		
<b>Total Local Taxes</b>	<b>\$ 4,496,119</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,204,763</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 5,700,882</b>		
<u>Licenses and Permits</u>										
<u>Licenses</u>										
Cable TV Franchise	\$ 60,850	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 60,850		
<u>Permits</u>										
Beer Permits	1,188	0	0	0	0	0	0	1,188		
Building Permits	3,981	0	0	0	0	0	0	3,981		
Electrical Permits	9,828	0	0	0	0	0	0	9,828		
<b>Total Licenses and Permits</b>	<b>\$ 75,847</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 75,847</b>		

(Continued)

Exhibit J-5

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

	General	Special Revenue Funds			Highway / Public Works	Debt Service Fund		Capital Projects Fund		Total
		General	Drug Control	0 \$		0 \$	General Debt Service	HUD Grant Projects	0 \$	
<u>Fines, Forfeitures, and Penalties</u>										
<u>Circuit Court</u>										
Fines	\$ 19,199	\$ 384	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 19,583	
Officers Costs	2,512	0	0	0	0	0	0	0	2,512	
Drug Control Fines	212	17,115	0	0	0	0	0	0	17,327	
Drug Court Fees	1,330	0	0	0	0	0	0	0	1,330	
Jail Fees	1,168	0	0	0	0	0	0	0	1,168	
DUI Treatment Fines	765	0	0	0	0	0	0	0	765	
Data Entry Fee - Circuit Court	294	0	0	0	0	0	0	0	294	
<u>General Sessions Court</u>										
Fines	60,148	0	0	0	0	0	0	0	60,148	
Officers Costs	31,103	0	0	0	0	0	0	0	31,103	
Game and Fish Fines	756	0	0	0	0	0	0	0	756	
Drug Control Fines	0	20,531	0	0	0	0	0	0	20,531	
Drug Court Fees	11,624	0	0	0	0	0	0	0	11,624	
Jail Fees	13,184	0	0	0	0	0	0	0	13,184	
Judicial Commissioner Fees	848	0	0	0	0	0	0	0	848	
DUI Treatment Fines	5,224	0	0	0	0	0	0	0	5,224	
Data Entry Fee - General Sessions Court	2,566	0	0	0	0	0	0	0	2,566	
Courtroom Security Fee	26,869	0	0	0	0	0	0	0	26,869	
<u>Juvenile Court</u>										
Data Entry Fee - Juvenile Court	115	0	0	0	0	0	0	0	115	
<u>Chancery Court</u>										
Officers Costs	159	0	0	0	0	0	0	0	159	
Data Entry Fee - Chancery Court	168	0	0	0	0	0	0	0	168	
<u>Judicial District Drug Program</u>										
Courtroom Security Fee	24	0	0	0	0	0	0	0	24	
<u>Other Fines, Forfeitures, and Penalties</u>										
Proceeds from Confiscated Property	21,207	24,854	0	0	0	0	0	0	46,061	
Total Fines, Forfeitures, and Penalties	\$ 199,475	\$ 62,884	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 262,359	

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service Fund		Capital Projects Fund		Total
	General	Drug Control	Highway / Public Works		General Debt Service	HUD Grant	Projects			
<u>Charges for Current Services</u>										
<u>Fees</u>										
Copy Fees	\$ 1,473	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	1,473
Library Fees	278	0	0	0	0	0	0	0	0	278
Telephone Commissions	28,105	0	0	0	0	0	0	0	0	28,105
Data Processing Fee - Register	5,572	0	0	0	0	0	0	0	0	5,572
Data Processing Fee - Sheriff	2,067	0	0	0	0	0	0	0	0	2,067
Sexual Offender Registration Fees - Sheriff	600	0	0	0	0	0	0	0	0	600
Data Processing Fee - County Clerk	1,068	0	0	0	0	0	0	0	0	1,068
Total Charges for Current Services	\$ 39,163	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 39,163
<u>Other Local Revenues</u>										
<u>Recurring Items</u>										
Investment Income	0	0	0	0	32,339	0	0	0	0	32,339
Lease/Rentals	12,947	0	0	0	0	0	0	0	0	12,947
Commissary Sales	51,535	0	0	0	0	0	0	0	0	51,535
Sale of Gasoline	0	0	243,431	0	0	0	0	0	0	243,431
Sale of Recycled Materials	748	0	0	0	0	0	0	0	0	748
Cobra Insurance Payments	3,116	0	0	0	0	0	0	0	0	3,116
Miscellaneous Refunds	103,721	0	1,080	0	0	0	0	0	0	104,801
<u>Nonrecurring Items</u>										
Damages Recovered from Individuals	835	0	0	0	0	0	0	0	0	835
Contributions and Gifts	4,820	0	0	0	0	0	0	0	0	4,820
Total Other Local Revenues	\$ 177,722	\$ 0	\$ 244,511	\$ 0	\$ 32,339	\$ 0	\$ 0	\$ 0	\$ 0	\$ 454,572
<u>Fees Received from County Officials</u>										
<u>Fees in-Lieu-of Salary</u>										
County Clerk	\$ 164,502	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 164,502
Circuit Court Clerk	44,338	0	0	0	0	0	0	0	0	44,338

(Continued)

Exhibit J-5

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

	General	Special Revenue Funds			Debt Service Fund		Capital Projects Fund	Total	
		Drug Control	Highway / Public Works	General Debt Service		HUD Grant			
<u>Fees Received from County Officials (Cont.)</u>									
<u>Fees in-Lieu-of Salary (Cont.)</u>									
Criminal Court Clerk	1	\$	0	\$	0	\$	0	\$	1
General Sessions Court Clerk	94,549		0		0		0		94,549
Clerk and Master	67,047		0		0		0		67,047
Register	59,846		0		0		0		59,846
Sheriff	5,327		0		0		0		5,327
Trustee	225,067		0		0		0		225,067
<b>Total Fees Received from County Officials</b>	<b>\$ 660,677</b>	<b>\$</b>	<b>0</b>	<b>\$</b>	<b>0</b>	<b>\$</b>	<b>0</b>	<b>\$</b>	<b>660,677</b>
<u>State of Tennessee</u>									
<u>General Government Grants</u>									
Juvenile Services Program	9,000	\$	0	\$	0	\$	0	\$	9,000
Airport Maintenance Program	245		0		0		0		245
Child Restraint Program	2,063		0		0		0		2,063
Aging Programs	34,345		0		0		0		34,345
On-Behalf Contributions for OPEB	601		0		0		0		601
<u>Public Safety Grants</u>									
Law Enforcement Training Programs	10,800		0		0		0		10,800
Other Public Safety Grants	20,000		0		0		0		20,000
<u>Health and Welfare Grants</u>									
Health Department Programs	44,111		0		0		0		44,111
<u>Public Works Grants</u>									
State Aid Program	0		0		288,526		0		288,526
Litter Program	13,139		0		0		0		13,139
<u>Other State Revenues</u>									
Income Tax	15,878		0		0		4,585		20,463
Beer Tax	56,351		0		0		0		56,351

(Continued)

Exhibit J-5

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

	Special Revenue Funds			Debt Service Fund		Capital Projects Fund		Total
	General	Drug Control	Highway / Public Works	General Debt Service		HUD Grant Projects		
<u>State of Tennessee (Cont.)</u>								
<u>Other State Revenues (Cont.)</u>								
State Revenue Sharing - T.V.A.	\$ 409,692	\$ 0	\$ 0	\$ 111,727	\$ 0	\$ 0	\$ 0	\$ 521,419
Contracted Prisoner Boarding	1,152,620	0	0	0	0	0	0	1,152,620
Gasoline and Motor Fuel Tax	0	0	1,600,585	0	0	0	0	1,600,585
Petroleum Special Tax	0	0	12,890	0	0	0	0	12,890
Registrar's Salary Supplement	15,164	0	0	0	0	0	0	15,164
Other State Grants	13,594	0	0	0	0	0	0	13,594
Other State Revenues	2,740	0	0	0	0	0	0	2,740
<u>Total State of Tennessee</u>	<u>\$ 1,800,343</u>	<u>\$ 0</u>	<u>\$ 1,902,001</u>	<u>\$ 116,312</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,818,656</u>
<u>Federal Government</u>								
<u>Federal Through State</u>								
Homeland Security Grants	\$ 220,878	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 220,878
Other Federal through State	869,534	0	0	0	0	25,419	0	894,953
<u>Direct Federal Revenue</u>								
Forest Service	42,283	0	95,843	0	0	0	0	138,126
Other Direct Federal Revenue	813	2,469	0	0	0	0	0	3,282
<u>Total Federal Government</u>	<u>\$ 1,133,508</u>	<u>\$ 2,469</u>	<u>\$ 95,843</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 25,419</u>	<u>\$ 0</u>	<u>\$ 1,257,239</u>
<u>Other Governments and Citizens Groups</u>								
<u>Other Governments</u>								
Contributions	\$ 1,826	\$ 0	\$ 0	\$ 725,000	\$ 0	\$ 0	\$ 0	\$ 726,826
Contracted Services	28,134	0	0	0	0	0	0	28,134
<u>Other</u>								
Other	270	0	0	0	0	0	0	270
<u>Total Other Governments and Citizens Groups</u>	<u>\$ 30,230</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 725,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 755,230</u>
<u>Total</u>	<u>\$ 8,613,084</u>	<u>\$ 65,353</u>	<u>\$ 2,242,355</u>	<u>\$ 2,078,414</u>	<u>\$ 0</u>	<u>\$ 25,419</u>	<u>\$ 0</u>	<u>\$ 13,024,625</u>

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, 2011

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 1,983,211	\$ 0	\$ 0	\$ 1,983,211
Trustee's Collections - Prior Year	138,804	0	0	138,804
Circuit/Clerk & Master Collections - Prior Years	89,734	0	0	89,734
Interest and Penalty	20,249	0	0	20,249
Payments in-Lieu-of Taxes - T.V.A.	36,665	0	0	36,665
Payments in-Lieu-of Taxes - Other	19,037	0	0	19,037
<u>County Local Option Taxes</u>				
Local Option Sales Tax	1,445,846	0	0	1,445,846
Business Tax	21,131	0	0	21,131
<u>Statutory Local Taxes</u>				
Bank Excise Tax	10,534	0	0	10,534
Interstate Telecommunications Tax	2,405	0	0	2,405
Total Local Taxes	\$ 3,767,616	\$ 0	\$ 0	\$ 3,767,616
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 1,644	\$ 0	\$ 0	\$ 1,644
Total Licenses and Permits	\$ 1,644	\$ 0	\$ 0	\$ 1,644
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Lunch Payments - Children	\$ 0	\$ 0	\$ 191,270	\$ 191,270
Lunch Payments - Adults	0	0	35,600	35,600
Income from Breakfast	0	0	39,485	39,485
A la carte Sales	0	0	131,077	131,077
TBI Criminal Background Fees	2,160	0	0	2,160
Total Charges for Current Services	\$ 2,160	\$ 0	\$ 397,432	\$ 399,592
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 19	\$ 0	\$ 109	\$ 128
Lease/Rentals	14,576	0	0	14,576
Sale of Recycled Materials	512	0	0	512
Retirees' Insurance Payments	11,806	0	0	11,806
Miscellaneous Refunds	42,175	0	0	42,175
<u>Nonrecurring Items</u>				
Sale of Equipment	3,257	3,000	0	6,257
Contributions and Gifts	500	0	0	500
<u>Other Local Revenues</u>				
Other Local Revenues	131	0	4,727	4,858
Total Other Local Revenues	\$ 72,976	\$ 3,000	\$ 4,836	\$ 80,812

(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</u>				
<u>General Government Grants</u>				
On-Behalf Contributions for OPEB	\$ 84,059	\$ 0	\$ 0	\$ 84,059
<u>State Education Funds</u>				
Basic Education Program	11,541,007	0	0	11,541,007
Basic Education Program - ARRA	1,348,992	0	0	1,348,992
Early Childhood Education	403,539	0	0	403,539
School Food Service	0	0	14,039	14,039
Driver Education	9,761	0	0	9,761
Other State Education Funds	216,904	0	0	216,904
Coordinated School Health - ARRA	100,000	0	0	100,000
Internet Connectivity - ARRA	7,926	0	0	7,926
Family Resource Centers - ARRA	33,300	0	0	33,300
Statewide Student Management System (SSMS) - ARRA	6,760	0	0	6,760
Career Ladder Program	83,551	0	0	83,551
Career Ladder - Extended Contract - ARRA	45,784	0	0	45,784
<u>Other State Revenues</u>				
Income Tax	8,933	0	0	8,933
State Revenue Sharing - T.V.A.	230,506	0	0	230,506
Other State Grants	4,607	0	0	4,607
Safe Schools - ARRA	12,040	0	0	12,040
Other State Revenues	500	0	0	500
Total State of Tennessee	\$ 14,138,169	\$ 0	\$ 14,039	\$ 14,152,208
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 673,494	\$ 673,494
USDA - Commodities	0	0	62,586	62,586
Breakfast	0	0	250,385	250,385
USDA - Other	0	0	9,279	9,279
Adult Education State Grant Program	97,133	0	0	97,133
Vocational Education - Basic Grants to States	0	43,459	0	43,459
Title I Grants to Local Education Agencies	0	608,687	0	608,687
Special Education - Grants to States	0	726,590	0	726,590
Special Education Preschool Grants	0	26,174	0	26,174
Rural Education	0	66,410	0	66,410
Eisenhower Professional Development State Grants	0	133,124	0	133,124
Race to the Top - ARRA	0	230,076	0	230,076
Other Federal through State	229,520	631,453	0	860,973
<u>Direct Federal Revenue</u>				
Forest Service	143,764	0	0	143,764
Total Federal Government	\$ 470,417	\$ 2,465,973	\$ 995,744	\$ 3,932,134
Total	\$ 18,452,982	\$ 2,468,973	\$ 1,412,051	\$ 22,334,006

Exhibit J-7

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

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	21,000	
Social Security		1,607	
Employee and Dependent Insurance		3,115	
Unemployment Compensation		7	
Workers' Compensation Insurance		500	
Total County Commission	\$		26,229

Board of Equalization

Board and Committee Members Fees	\$	2,906	
Total Board of Equalization			2,906

County Mayor/Executive

County Official/Administrative Officer	\$	66,702	
Secretary(ies)		18,800	
Social Security		6,465	
State Retirement		6,712	
Employee and Dependent Insurance		14,042	
Unemployment Compensation		70	
Travel		2,336	
Workers' Compensation Insurance		282	
Furniture and Fixtures		386	
Total County Mayor/Executive			115,795

Election Commission

County Official/Administrative Officer	\$	36,039	
Clerical Personnel		18,723	
Election Commission		9,200	
Election Workers		24,994	
In-Service Training		7,698	
Social Security		5,281	
State Retirement		4,903	
Employee and Dependent Insurance		3,957	
Unemployment Compensation		5,184	
Communication		2,469	
Dues and Memberships		150	
Legal Notices, Recording, and Court Costs		1,886	
Maintenance and Repair Services - Equipment		331	
Printing, Stationery, and Forms		2,165	
Rentals		1,272	
Other Contracted Services		13,750	

(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	\$	2,742	
Other Supplies and Materials		812	
Furniture and Fixtures		2,412	
Total Election Commission			\$ 143,968

Register of Deeds

County Official/Administrative Officer	\$	57,751	
Clerical Personnel		23,714	
Social Security		6,307	
State Retirement		6,237	
Employee and Dependent Insurance		3,889	
Unemployment Compensation		99	
Maintenance Agreements		6,753	
Printing, Stationery, and Forms		1,419	
Workers' Compensation Insurance		240	
Data Processing Equipment		616	
Total Register of Deeds			107,025

County Buildings

Custodial Personnel	\$	28,120	
Social Security		2,935	
State Retirement		3,085	
Employee and Dependent Insurance		4,112	
Unemployment Compensation		197	
Communication		302	
Maintenance and Repair Services - Buildings		18,601	
Travel		399	
Other Contracted Services		50	
Custodial Supplies		4,287	
Utilities		110,724	
Workers' Compensation Insurance		1,653	
Total County Buildings			174,465

Other General Administration

Life Insurance	\$	4,070	
On-Behalf Payments to OPEB		601	
Audit Services		4,815	
Communication		42,426	
Contracts with Private Agencies		35	
Contributions		15,000	

(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.)

Dues and Memberships	\$	1,582	
Legal Services		53,226	
Legal Notices, Recording, and Court Costs		824	
Licenses		810	
Maintenance and Repair Services - Equipment		15,518	
Medical and Dental Services		16,603	
Pest Control		4,545	
Postal Charges		21,930	
Permits		615	
Contracts for Development Costs		906,967	
Other Contracted Services		21,364	
Office Supplies		3,895	
Other Supplies and Materials		3,437	
Building and Contents Insurance		5,000	
Liability Insurance		7,200	
Other Charges		1,341	
Heating and Air Conditioning Equipment		17,873	
Total Other General Administration			\$ 1,149,677

Finance

Accounting and Budgeting

County Official/Administrative Officer	\$	38,743	
Social Security		3,296	
State Retirement		3,638	
Employee and Dependent Insurance		10,508	
Unemployment Compensation		200	
Data Processing Services		7,179	
Building and Contents Insurance		4,500	
Liability Insurance		2,400	
Workers' Compensation Insurance		150	
Data Processing Equipment		1,250	
Total Accounting and Budgeting			71,864

Property Assessor's Office

County Official/Administrative Officer	\$	57,751	
Assistant(s)		40,219	
Deputy(ies)		20,729	
Social Security		8,644	
State Retirement		9,269	
Employee and Dependent Insurance		35,547	

(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.)

Unemployment Compensation	\$	199	
Data Processing Services		11,145	
Dues and Memberships		1,300	
Travel		2,595	
Permits		9,701	
Other Contracted Services		17,733	
Office Supplies		1,222	
Other Supplies and Materials		1,439	
Workers' Compensation Insurance		353	
Motor Vehicles		18,386	
Total Property Assessor's Office			\$ 236,232

County Trustee's Office

County Official/Administrative Officer	\$	57,751	
Deputy(ies)		53,475	
In-Service Training		438	
Social Security		7,313	
State Retirement		7,849	
Employee and Dependent Insurance		26,052	
Unemployment Compensation		200	
Communication		434	
Data Processing Services		7,620	
Dues and Memberships		300	
Printing, Stationery, and Forms		899	
Rentals		789	
Travel		1,295	
Data Processing Supplies		470	
Office Supplies		435	
Workers' Compensation Insurance		336	
Data Processing Equipment		549	
Total County Trustee's Office			166,205

County Clerk's Office

County Official/Administrative Officer	\$	57,751	
Deputy(ies)		52,272	
Social Security		7,940	
State Retirement		8,365	
Employee and Dependent Insurance		35,547	
Unemployment Compensation		174	
Communication		1,203	

(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.)

Dues and Memberships	\$	275	
Legal Notices, Recording, and Court Costs		249	
Maintenance Agreements		9,683	
Rentals		718	
Travel		1,518	
Office Supplies		2,599	
Workers' Compensation Insurance		296	
Total County Clerk's Office			\$ 178,590

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	57,751	
Deputy(ies)		82,027	
Jury and Witness Expense		3,975	
Social Security		10,265	
State Retirement		9,637	
Employee and Dependent Insurance		22,236	
Unemployment Compensation		275	
Maintenance Agreements		6,952	
Printing, Stationery, and Forms		2,313	
Other Supplies and Materials		2,542	
Workers' Compensation Insurance		391	
Total Circuit Court			198,364

General Sessions Court

Judge(s)	\$	82,326	
Social Security		6,068	
State Retirement		6,067	
Employee and Dependent Insurance		4,470	
Travel		912	
Building and Contents Insurance		5,400	
Liability Insurance		1,800	
Workers' Compensation Insurance		250	
Total General Sessions Court			107,293

Chancery Court

County Official/Administrative Officer	\$	57,751	
Deputy(ies)		40,218	
Social Security		7,238	
State Retirement		7,689	

(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.)

Employee and Dependent Insurance	\$	21,855	
Unemployment Compensation		165	
Data Processing Services		4,267	
Dues and Memberships		100	
Legal Notices, Recording, and Court Costs		1,219	
Printing, Stationery, and Forms		673	
Workers' Compensation Insurance		296	
Data Processing Equipment		900	
Total Chancery Court			\$ 142,371

Juvenile Court

Assistant(s)	\$	18,172	
Youth Service Officer(s)		24,523	
Attendants		3,392	
Social Security		2,779	
State Retirement		3,065	
Employee and Dependent Insurance		10,142	
Unemployment Compensation		200	
Maintenance and Repair Services - Buildings		118	
Travel		2,149	
Other Supplies and Materials		663	
Workers' Compensation Insurance		125	
Total Juvenile Court			65,328

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	63,527	
Deputy(ies)		396,037	
Investigator(s)		84,543	
Salary Supplements		12,000	
Dispatchers/Radio Operators		52,524	
Clerical Personnel		20,109	
Overtime Pay		45,000	
Other Salaries and Wages		55,608	
In-Service Training		1,000	
Social Security		54,617	
State Retirement		53,380	
Employee and Dependent Insurance		180,212	
Unemployment Compensation		2,199	
Communication		288	

(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.)

Dues and Memberships	\$	1,100	
Evaluation and Testing		140	
Maintenance and Repair Services - Equipment		1,663	
Maintenance and Repair Services - Vehicles		31,986	
Printing, Stationery, and Forms		1,166	
Travel		545	
Gasoline		81,862	
Law Enforcement Supplies		33,376	
Office Supplies		990	
Tires and Tubes		9,022	
Uniforms		4,194	
Other Supplies and Materials		24,067	
Building and Contents Insurance		14,052	
Liability Insurance		50,825	
Vehicle and Equipment Insurance		27,000	
Workers' Compensation Insurance		16,803	
Principal on Capital Leases		16,160	
Interest on Capital Leases		988	
Data Processing Equipment		2,680	
Motor Vehicles		31,686	
Total Sheriff's Department			\$ 1,371,349

Correctional Incentive Program Improvements

Assistant(s)	\$	24,270
Dispatchers/Radio Operators		156,041
Guards		536,405
Maintenance Personnel		26,184
Overtime Pay		118,345
In-Service Training		2,029
Social Security		63,536
State Retirement		60,990
Employee and Dependent Insurance		206,401
Unemployment Compensation		3,505
Evaluation and Testing		1,120
Maintenance Agreements		22,371
Maintenance and Repair Services - Buildings		10,988
Maintenance and Repair Services - Equipment		17,766
Medical and Dental Services		197,962
Postal Charges		1,496
Printing, Stationery, and Forms		712

(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.)

Travel	\$	1,258	
Custodial Supplies		14,387	
Food Supplies		206,964	
Prisoners Clothing		5,156	
Uniforms		1,347	
Utilities		161,999	
Other Supplies and Materials		24,874	
Workers' Compensation Insurance		26,766	
Total Correctional Incentive Program Improvements	\$		1,892,872

Fire Prevention and Control

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

Civil Defense

Maintenance and Repair Services - Equipment	\$	925	
Maintenance and Repair Services - Vehicles		3,780	
Gasoline		3,239	
Utilities		4,097	
Other Supplies and Materials		8,785	
Building and Contents Insurance		10,983	
Vehicle and Equipment Insurance		1,696	
Communication Equipment		3,150	
Other Equipment		41,736	
Total Civil Defense			78,391

Rescue Squad

In-Service Training	\$	5,497	
Dues and Memberships		698	
Maintenance and Repair Services - Equipment		4,187	
Maintenance and Repair Services - Vehicles		13,135	
Medical and Dental Services		37	
Gasoline		16,424	
Instructional Supplies and Materials		694	
Office Supplies		483	
Utilities		13,730	
Other Supplies and Materials		2,691	
Building and Contents Insurance		10,983	
Vehicle and Equipment Insurance		5,000	
Other Equipment		33,890	
Total Rescue Squad			107,449

(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	\$	3,986	
Unemployment Compensation		17	
Communication		240	
Gasoline		1,120	
Other Supplies and Materials		194,307	
Workers' Compensation Insurance		200	
Total Other Emergency Management			\$ 199,870

Public Health and Welfare

Local Health Center

Contracts with Government Agencies	\$	39,047	
Other Supplies and Materials		6,124	
Other Charges		2,961	
Total Local Health Center			48,132

Ambulance/Emergency Medical Services

Contracts with Private Agencies	\$	720,000	
Total Ambulance/Emergency Medical Services			720,000

Other Local Health Services

Assistant(s)	\$	52,898	
Attendants		16,300	
Social Security		4,379	
State Retirement		3,099	
Employee and Dependent Insurance		14,309	
Unemployment Compensation		350	
Travel		4,741	
Workers' Compensation Insurance		300	
Total Other Local Health Services			96,376

Sanitation Education/Information

Supervisor/Director	\$	21,420	
Social Security		1,594	
State Retirement		1,681	
Employee and Dependent Insurance		2,891	
Unemployment Compensation		90	
Maintenance and Repair Services - Vehicles		2,587	
Gasoline		3,156	
Instructional Supplies and Materials		5,412	
Tires and Tubes		532	

(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.)

Other Supplies and Materials	\$	1,083	
Workers' Compensation Insurance		638	
Total Sanitation Education/Information			\$ 41,084

Convenience Centers

Contracts with Private Agencies	\$	347,000	
Total Convenience Centers			347,000

Other Public Health and Welfare

Assistant(s)	\$	21,212	
Social Security		1,878	
State Retirement		1,402	
Unemployment Compensation		110	
Workers' Compensation Insurance		402	
Other Charges		32,073	
Total Other Public Health and Welfare			57,077

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Supervisor/Director	\$	16,079	
Social Security		1,230	
State Retirement		1,262	
Unemployment Compensation		108	
Workers' Compensation Insurance		49	
Total Senior Citizens Assistance			18,728

Libraries

Assistant(s)	\$	18,684	
Social Security		1,300	
State Retirement		1,446	
Employee and Dependent Insurance		6,294	
Unemployment Compensation		99	
Other Supplies and Materials		2,164	
Workers' Compensation Insurance		516	
Total Libraries			30,503

Other Social, Cultural, and Recreational

Other Supplies and Materials	\$	9,010	
Total Other Social, Cultural, and Recreational			9,010

(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	\$	10,723	
Supervisor/Director		8,301	
Secretary(ies)		4,695	
Social Security		1,815	
State Retirement		3,427	
Data Processing Services		99	
Maintenance and Repair Services - Buildings		30	
Travel		1,800	
Other Supplies and Materials		10,752	
Total Agriculture Extension Service			\$ 41,642

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		4,365	
Travel		796	
Total Other Economic and Community Development			14,411

Veterans' Services

Supervisor/Director	\$	8,040	
Clerical Personnel		6,914	
Social Security		1,049	
State Retirement		526	
Employee and Dependent Insurance		3,828	
Unemployment Compensation		100	
Travel		2,000	
Office Supplies		20	
Workers' Compensation Insurance		90	
Total Veterans' Services			22,567

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations (Cont.)

Other Charges

Trustee's Commission	\$ 98,447	
Total Other Charges		\$ 98,447

Contributions to Other Agencies

Remittance of Revenue Collected	\$ 51,639	
Total Contributions to Other Agencies		<u>51,639</u>

Total General Fund		\$ 8,151,961
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Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Contracts with Private Agencies	\$ 69,400	
Total Sanitation Management		<u>\$ 69,400</u>

Total Solid Waste/Sanitation Fund		69,400
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Drug Control Fund

Public Safety

Drug Enforcement

Communication	\$ 1,289	
Confidential Drug Enforcement Payments	5,000	
Other Supplies and Materials	<u>3,827</u>	
Total Drug Enforcement		\$ 10,116

Other Operations

Other Charges

Trustee's Commission	\$ 587	
Total Other Charges		<u>587</u>

Total Drug Control Fund		10,703
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Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 63,527
Accountants/Bookkeepers	34,941
Clerical Personnel	24,793
Social Security	7,340
Employer Medicare	1,738

(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	\$	11,796	
Data Processing Services		5,793	
Dues and Memberships		3,141	
Legal Notices, Recording, and Court Costs		88	
Postal Charges		616	
Travel		1,168	
Drugs and Medical Supplies		562	
Office Supplies		2,063	
Uniforms		5,664	
Other Charges		273	
Total Administration			\$ 163,503

Highway and Bridge Maintenance

Foremen	\$	83,203	
Equipment Operators - Heavy		100,660	
Equipment Operators - Light		85,090	
Truck Drivers		113,641	
Laborers		143,411	
Overtime Pay		23,481	
Social Security		32,303	
Employer Medicare		7,548	
Contracts with Private Agencies		23,410	
Asphalt - Liquid		41,508	
Crushed Stone		126,229	
Pipe		7,018	
Road Signs		6,904	
Other Supplies and Materials		192	
Total Highway and Bridge Maintenance			794,598

Operation and Maintenance of Equipment

Mechanic(s)	\$	28,977	
Laborers		541	
Social Security		1,726	
Employer Medicare		404	
Diesel Fuel		225,398	
Equipment and Machinery Parts		55,181	
Garage Supplies		12,848	
Gasoline		147,290	
Lubricants		7,150	
Tires and Tubes		12,140	
Total Operation and Maintenance of Equipment			491,655

(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	\$	7,467	
Water and Sewer		1,276	
Trustee's Commission		16,182	
Vehicle and Equipment Insurance		17,112	
Total Other Charges			\$ 42,037

Employee Benefits

State Retirement	\$	46,117	
Employee and Dependent Insurance		234,951	
Workers' Compensation Insurance		88,067	
Total Employee Benefits			369,135

Capital Outlay

Principal on Capital Leases	\$	43,030	
Interest on Capital Leases		5,760	
Building Improvements		5,327	
Highway Equipment		158,500	
State Aid Projects		399,339	
Total Capital Outlay			611,956

Total Highway/Public Works Fund \$ 2,472,884

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	300,000	
Total General Government			\$ 300,000

Education

Principal on Bonds	\$	650,000	
Principal on Notes		75,000	
Total Education			725,000

Interest on Debt

General Government

Interest on Bonds	\$	281,632	
Total General Government			281,632

Education

Interest on Bonds	\$	598,468	
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(Continued)

Exhibit J-7

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

<u>General Debt Service Fund (Cont.)</u>		
<u>Interest on Debt (Cont.)</u>		
<u>Education (Cont.)</u>		
Interest on Notes	\$ 5,323	
Total Education		\$ 603,791
<u>Other Debt Service</u>		
<u>General Government</u>		
Trustee's Commission	\$ 25,345	
Other Debt Service	3,587	
Total General Government		<u>28,932</u>
Total General Debt Service Fund		\$ 1,939,355
<u>HUD Grant Projects Fund</u>		
<u>Other Operations</u>		
<u>Housing and Urban Development</u>		
Other Construction	\$ 25,419	
Total Housing and Urban Development		<u>\$ 25,419</u>
Total HUD Grant Projects Fund		<u>25,419</u>
Total Governmental Funds - Primary Government		<u>\$ 12,669,722</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, 2011

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 6,135,549	
Career Ladder Program	33,000	
Career Ladder Extended Contracts	28,656	
Homebound Teachers	26,868	
Educational Assistants	83,737	
Other Salaries and Wages	199,482	
Certified Substitute Teachers	6,260	
Non-certified Substitute Teachers	85,978	
Social Security	389,144	
State Retirement	573,283	
Life Insurance	3,474	
Medical Insurance	921,723	
Dental Insurance	79,409	
Unemployment Compensation	3,776	
Employer Medicare	92,151	
Payments to Retirees	6,600	
Travel	682	
Other Contracted Services	1,500	
Instructional Supplies and Materials	71,594	
Textbooks	76,978	
Other Supplies and Materials	1,206	
Other Charges	150	
Total Regular Instruction Program		\$ 8,821,200

Alternative Instruction Program

Career Ladder Program	\$ 1,000	
Other Salaries and Wages	2,389	
Social Security	150	
State Retirement	91	
Employer Medicare	49	
Other Supplies and Materials	75	
Total Alternative Instruction Program		3,754

Special Education Program

Teachers	\$ 537,248
Career Ladder Program	3,000
Homebound Teachers	150
Educational Assistants	61,008
Other Salaries and Wages	17,865

(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.)

Non-certified Substitute Teachers	\$	5,310	
Social Security		37,063	
State Retirement		55,059	
Life Insurance		400	
Medical Insurance		109,883	
Dental Insurance		6,655	
Unemployment Compensation		2,862	
Employer Medicare		8,672	
Instructional Supplies and Materials		10,889	
Total Special Education Program			\$ 856,064

Vocational Education Program

Teachers	\$	514,465	
Career Ladder Program		5,000	
Career Ladder Extended Contracts		3,499	
Other Salaries and Wages		4,600	
Non-certified Substitute Teachers		6,322	
Social Security		30,520	
State Retirement		47,745	
Life Insurance		264	
Medical Insurance		75,850	
Dental Insurance		6,101	
Employer Medicare		7,139	
Operating Lease Payments		3,484	
Other Contracted Services		3,796	
Instructional Supplies and Materials		18,284	
Total Vocational Education Program			727,069

Student Body Education Program

Other Contracted Services	\$	58,743	
Other Supplies and Materials		55,477	
Total Student Body Education Program			114,220

Adult Education Program

Other Salaries and Wages	\$	34,059	
Social Security		2,112	
Employer Medicare		494	
Total Adult Education Program			36,665

(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

Health Services

Medical Personnel	\$	58,449	
Other Salaries and Wages		1,055	
Social Security		3,641	
State Retirement		4,816	
Life Insurance		48	
Medical Insurance		11,230	
Dental Insurance		1,109	
Employer Medicare		852	
Other Contracted Services		2,338	
Drugs and Medical Supplies		1,155	
Total Health Services			\$ 84,693

Other Student Support

Teachers	\$	46,966	
Career Ladder Program		1,000	
Guidance Personnel		136,852	
Career Ladder Extended Contracts		1,250	
Other Salaries and Wages		350,262	
Non-certified Substitute Teachers		14,858	
Social Security		27,414	
State Retirement		33,067	
Life Insurance		72	
Medical Insurance		21,288	
Dental Insurance		1,664	
Employer Medicare		7,862	
Communication		1,597	
Contracts with Government Agencies		75,000	
Evaluation and Testing		15,238	
Travel		10,660	
Other Contracted Services		23,888	
Other Supplies and Materials		392,560	
In Service/Staff Development		13,635	
Other Charges		13,612	
Total Other Student Support			1,188,745

Regular Instruction Program

Supervisor/Director	\$	107,166
Career Ladder Program		5,000
Career Ladder Extended Contracts		3,000

(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.)

Librarians	\$	149,621	
Education Media Personnel		35,327	
Other Salaries and Wages		6,765	
Non-certified Substitute Teachers		3,105	
Social Security		18,436	
State Retirement		26,565	
Life Insurance		204	
Medical Insurance		47,852	
Dental Insurance		2,496	
Employer Medicare		4,312	
Travel		8,574	
In Service/Staff Development		2,308	
Other Charges		16,378	
Total Regular Instruction Program			\$ 437,109

Special Education Program

Supervisor/Director	\$	72,048	
Career Ladder Program		2,000	
Psychological Personnel		52,020	
Other Salaries and Wages		1,920	
Social Security		7,515	
State Retirement		11,583	
Life Insurance		48	
Medical Insurance		15,510	
Dental Insurance		1,109	
Employer Medicare		1,758	
Travel		758	
Total Special Education Program			166,269

Vocational Education Program

Supervisor/Director	\$	35,118	
Career Ladder Program		1,000	
Career Ladder Extended Contracts		1,000	
Other Salaries and Wages		730	
Social Security		2,268	
State Retirement		3,425	
Life Insurance		12	
Medical Insurance		2,778	
Dental Insurance		277	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Vocational Education Program (Cont.)

Employer Medicare	\$ 530	
Total Vocational Education Program		\$ 47,138

Adult Programs

Supervisor/Director	\$ 34,000	
Clerical Personnel	2,400	
Social Security	2,227	
State Retirement	188	
Life Insurance	16	
Medical Insurance	5,675	
Unemployment Compensation	305	
Employer Medicare	521	
In Service/Staff Development	3,467	
Other Charges	12,881	
Total Adult Programs		61,680

Other Programs

On-Behalf Payments to OPEB	\$ 84,059	
Judgments	247,250	
Total Other Programs		331,309

Board of Education

Secretary to Board	\$ 200	
Board and Committee Members Fees	11,900	
Social Security	670	
State Retirement	16	
Employer Medicare	165	
Other Fringe Benefits	87,148	
Audit Services	11,982	
Dues and Memberships	11,877	
Legal Services	9,369	
Travel	905	
Liability Insurance	32,605	
Premiums on Corporate Surety Bonds	1,672	
Trustee's Commission	90,646	
Workers' Compensation Insurance	122,505	
Criminal Investigation of Applicants - TBI	2,736	
Other Charges	349	
Total Board of Education		384,745

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools

County Official/Administrative Officer	\$	101,204	
Secretary(ies)		35,405	
Other Salaries and Wages		8,989	
Social Security		8,762	
State Retirement		12,146	
Life Insurance		48	
Medical Insurance		11,350	
Dental Insurance		555	
Employer Medicare		2,151	
Other Fringe Benefits		3,373	
Communication		82,587	
Postal Charges		3,380	
Travel		3,463	
Other Contracted Services		18,091	
Other Supplies and Materials		1,580	
In Service/Staff Development		993	
Office Equipment		913	
Total Director of Schools			\$ 294,990

Office of the Principal

Principals	\$	428,455	
Career Ladder Program		6,000	
Accountants/Bookkeepers		95,239	
Clerical Personnel		87,193	
Other Salaries and Wages		19,104	
Non-certified Substitute Teachers		1,440	
Social Security		38,956	
State Retirement		50,678	
Life Insurance		424	
Medical Insurance		98,596	
Dental Insurance		3,272	
Employer Medicare		9,110	
Travel		4,245	
Total Office of the Principal			842,712

Fiscal Services

Supervisor/Director	\$	21,038	
Clerical Personnel		45,329	
Other Salaries and Wages		1,380	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Fiscal Services (Cont.)

Social Security	\$	4,009	
State Retirement		5,080	
Life Insurance		48	
Medical Insurance		11,399	
Employer Medicare		937	
Data Processing Services		14,574	
Office Supplies		4,687	
Administration Equipment		9,716	
Total Fiscal Services			\$ 118,197

Operation of Plant

Supervisor/Director	\$	35,179	
Custodial Personnel		218,723	
Other Salaries and Wages		14,631	
Social Security		14,313	
State Retirement		10,226	
Life Insurance		328	
Medical Insurance		73,727	
Unemployment Compensation		6,075	
Employer Medicare		3,805	
Travel		74	
Other Contracted Services		83,476	
Custodial Supplies		64,510	
Electricity		579,591	
Fuel Oil		86,125	
Water and Sewer		81,943	
Other Supplies and Materials		40,906	
Boiler Insurance		5,351	
Building and Contents Insurance		97,482	
Plant Operation Equipment		8,250	
Total Operation of Plant			1,424,715

Maintenance of Plant

Maintenance Personnel	\$	98,808	
Other Salaries and Wages		2,247	
Social Security		5,461	
State Retirement		7,029	
Life Insurance		96	
Medical Insurance		19,193	

(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.)

Maintenance of Plant (Cont.)

Employer Medicare	\$	1,466	
Operating Lease Payments		<u>1,653</u>	
Total Maintenance of Plant			\$ 135,953

Transportation

Supervisor/Director	\$	10,000	
Mechanic(s)		52,562	
Bus Drivers		307,833	
Other Salaries and Wages		60,153	
In-Service Training		1,688	
Social Security		26,014	
State Retirement		15,599	
Life Insurance		496	
Medical Insurance		28,808	
Unemployment Compensation		1,039	
Employer Medicare		6,239	
Medical and Dental Services		1,360	
Other Contracted Services		3,790	
Diesel Fuel		89,144	
Gasoline		19,733	
Lubricants		5,132	
Tires and Tubes		25,008	
Vehicle Parts		83,195	
Other Supplies and Materials		3,191	
Vehicle and Equipment Insurance		30,097	
In Service/Staff Development		844	
Other Charges		4,549	
Principal on Capital Leases		96,641	
Interest on Capital Leases		4,483	
Transportation Equipment		<u>535,508</u>	
Total Transportation			1,413,106

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	30,206	
Clerical Personnel		702	
Other Salaries and Wages		700	
Social Security		1,960	
State Retirement		2,407	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Life Insurance	\$	24	
Medical Insurance		5,747	
Employer Medicare		458	
Travel		1,542	
Other Charges		<u>3,054</u>	
Total Food Service	\$		46,800

Early Childhood Education

Teachers	\$	154,219	
Career Ladder Extended Contracts		1,243	
Clerical Personnel		13,430	
Educational Assistants		58,183	
Other Salaries and Wages		11,390	
Non-certified Substitute Teachers		6,858	
Social Security		14,600	
State Retirement		18,849	
Life Insurance		204	
Medical Insurance		56,491	
Dental Insurance		2,218	
Employer Medicare		3,416	
Travel		3,475	
Instructional Supplies and Materials		<u>89,839</u>	
Total Early Childhood Education			434,415

Capital Outlay

Regular Capital Outlay

Uniforms	\$	2,498	
Other Supplies and Materials		<u>2,640</u>	
Total Regular Capital Outlay			5,138

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$	<u>725,000</u>	
Total Education			<u>725,000</u>

Total General Purpose School Fund \$ 18,701,686

(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

Instruction

Regular Instruction Program

Teachers	\$	267,382	
Educational Assistants		210,357	
Other Salaries and Wages		13,000	
Non-certified Substitute Teachers		14,516	
Social Security		30,487	
State Retirement		33,244	
Life Insurance		422	
Medical Insurance		101,313	
Dental Insurance		3,660	
Employer Medicare		7,080	
Instructional Supplies and Materials		57,536	
Other Charges		753	
Regular Instruction Equipment		100,463	
Total Regular Instruction Program			\$ 840,213

Alternative Instruction Program

Teachers	\$	81,973	
Social Security		1,730	
State Retirement		2,590	
Life Insurance		21	
Medical Insurance		11,377	
Dental Insurance		1,109	
Employer Medicare		1,225	
Total Alternative Instruction Program			100,025

Special Education Program

Educational Assistants	\$	284,666	
Speech Pathologist		41,980	
Other Salaries and Wages		11,886	
Non-certified Substitute Teachers		5,982	
Social Security		21,056	
State Retirement		21,865	
Life Insurance		448	
Medical Insurance		105,233	
Dental Insurance		555	
Employer Medicare		4,849	
Contracts with Private Agencies		51,254	
Other Contracted Services		4,216	
Instructional Supplies and Materials		11,574	

(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 (Cont.)

Other Supplies and Materials	\$	3,695	
Other Charges		6,640	
Special Education Equipment		38,174	
Total Special Education Program			\$ 614,073

Vocational Education Program

Other Supplies and Materials	\$	4,072	
Principal on Capital Leases		9,172	
Interest on Capital Leases		59	
Vocational Instruction Equipment		7,898	
Total Vocational Education Program			21,201

Support Services

Health Services

Other Salaries and Wages	\$	1,970	
Social Security		122	
Employer Medicare		29	
Drugs and Medical Supplies		380	
Total Health Services			2,501

Other Student Support

Assessment Personnel	\$	86,231	
Bus Drivers		125	
Other Salaries and Wages		6,000	
Social Security		5,844	
State Retirement		8,129	
Life Insurance		48	
Medical Insurance		11,422	
Dental Insurance		1,109	
Employer Medicare		1,282	
Travel		8,042	
Other Supplies and Materials		1,022	
In Service/Staff Development		1,928	
Total Other Student Support			131,182

Regular Instruction Program

Supervisor/Director	\$	126,644	
Secretary(ies)		11,653	
Other Salaries and Wages		8,305	

(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.)

Regular Instruction Program (Cont.)

In-Service Training	\$	7,517	
Social Security		9,050	
State Retirement		13,128	
Life Insurance		30	
Medical Insurance		9,417	
Dental Insurance		555	
Employer Medicare		2,117	
Travel		3,750	
Other Supplies and Materials		6,352	
In Service/Staff Development		62,749	
Total Regular Instruction Program			\$ 261,267

Special Education Program

Clerical Personnel	\$	10,519	
Other Salaries and Wages		3,772	
Social Security		886	
State Retirement		926	
Life Insurance		6	
Medical Insurance		1,437	
Employer Medicare		207	
Travel		16,009	
Other Contracted Services		40,720	
Other Supplies and Materials		468	
In Service/Staff Development		4,558	
Total Special Education Program			79,508

Vocational Education Program

In Service/Staff Development	\$	1,882	
Total Vocational Education Program			1,882

Office of the Principal

Assistant Principals	\$	188,170	
Social Security		11,290	
State Retirement		17,039	
Life Insurance		72	
Medical Insurance		20,181	
Dental Insurance		1,664	
Employer Medicare		2,641	
Total Office of the Principal			241,057

(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.)

Operation of Plant

Custodial Personnel	\$	40,156	
Social Security		2,485	
State Retirement		2,101	
Life Insurance		48	
Medical Insurance		11,340	
Employer Medicare		581	
Total Operation of Plant			\$ 56,711

Transportation

Bus Drivers	\$	10,088	
Social Security		625	
State Retirement		726	
Life Insurance		24	
Employer Medicare		146	
Transportation Equipment		56,500	
Total Transportation			\$ 68,109

Total School Federal Projects Fund \$ 2,417,729

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Cafeteria Personnel	\$	425,127	
Social Security		26,276	
Life Insurance		830	
Medical Insurance		27,533	
Unemployment Compensation		928	
Employer Medicare		6,145	
Communication		1,540	
Dues and Memberships		407	
Maintenance Agreements		10,141	
Maintenance and Repair Services - Equipment		38,721	
Food Supplies		603,887	
USDA - Commodities		62,586	
Other Supplies and Materials		37,541	
Refunds		324	
In Service/Staff Development		1,482	
Food Service Equipment		47,548	
Total Food Service			\$ 1,291,016

Total Central Cafeteria Fund 1,291,016

Total Governmental Funds - Polk County School Department \$ 22,410,431

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, 2011

	<u>Cities - Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 362,879
Total Cash Receipts	<u>\$ 362,879</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 359,250
Trustee's Commission	<u>3,629</u>
Total Cash Disbursements	<u>\$ 362,879</u>
Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ 0
Cash Balance, July 1, 2010	<u>0</u>
Cash Balance, June 30, 2011	<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*

January 27, 2012

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, 2011, which collectively comprise Polk County's basic financial statements and have issued our report thereon dated January 27, 2012. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Polk County Emergency Communications District as described in our report on Polk County's financial statements. This report does not include the results of the other auditors testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses: 11.01, 11.13, and 11.14.

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: 11.03, 11.04, 11.07, 11.08, 11.09, 11.10, 11.11, 11.17, and 11.18.

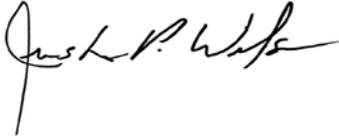
### Compliance and Other Matters

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 11.02, 11.05, 11.06, 11.12, 11.15, 11.16, and 11.19.

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

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

Very truly yours,

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

Justin P. Wilson  
Comptroller of the Treasury

JPW/sb



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

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

January 27, 2012

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

#### Internal Control Over Compliance

The management of 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.

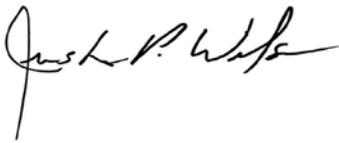
#### Schedule of Expenditures of Federal Awards

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, 2011, and have issued our report thereon dated January 27, 2012. Our audit was performed for the purpose of forming our opinions on the financial statements as a whole. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and

reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

Yours very truly,

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

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, 2011

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Passed-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	\$ 62,586 (3)
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	250,385
National School Lunch Program	10.555	N/A	682,773 (3)
Total U.S. Department of Agriculture			<u>\$ 995,744</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Housing Development Agency:			
Home Investment Partnerships Program	14.239	HM-07-32	\$ 25,419
Total U.S. Department of Housing and Urban Development			<u>\$ 25,419</u>
U.S. Department of Interior:			
Direct Program:			
Payments in-Lieu-of Taxes	15.226	N/A	\$ 70,531
Total U.S. Department of Interior			<u>\$ 70,531</u>
U.S. Department of Justice:			
Passed-through Tennessee Bureau of Investigation:			
Public Safety Partnership and Community Policing Grants	16.710	2009-CK-WX-0412	\$ 3,282
Passed-through State Office of Criminal Justice Programs:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	(2)	15,000
Total U.S. Department of Justice			<u>\$ 18,282</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Airport Improvement Program	20.106	(4)	\$ 826,888
Passed-through Governor's Highway Safety Office			
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	Z-11GHS202	5,000
Total U.S. Department of Transportation			<u>\$ 831,888</u>
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - Basic Grants to States	84.002	C-626016593	\$ 97,133
Passed-through State Department of Education:			
Title I Cluster:			
Title I Grants to Local Educational Agencies	84.010	N/A	552,072
Title I Grants to Local Educational Agencies, Recovery Act	84.389	S389A090042	18,289
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	564,291
Special Education - Preschool Grants	84.173	N/A	16,713
Special Education - Grants to States, Recovery Act	84.391	H391A090052	162,978
Special Education - Preschool Grants, Recovery Act	84.392	H392A090095	5,600
Career and Technical Education - Basic Grants to States	84.048	N/A	33,188
Safe and Drug-free Schools and Communities - State Grants	84.186	(2)	628
Twenty-first Century Community Learning Centers	84.287	192-08-3-009	210,270
Educational Technology State Grants Cluster:			
Education Technology State Grants	84.318	N/A	2,137
Education Technology State Grants, Recovery Act	84.386	N/A	1,744
Rural Education	84.358	N/A	66,410
Improving Teacher Quality State Grants	84.367	N/A	129,248

(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 Education (Cont.):			
Passed-through State Department of Education:			
State Fiscal Stabilization Fund Cluster:			
State Fiscal Stabilization Fund (SFSF) - Education			
State Grants, Recovery Act	84.394	S394A090043	\$ 1,348,992
State Fiscal Stabilization Fund (SFSF) - Government Services,			
Recovery Act	84.397	S397A090043	223,760
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive			
Grants, Recovery Act	84.395	S395A100032	230,076
Education Jobs Fund	84.410	S410A100043	631,355
Total U.S. Department of Education			\$ 4,294,884
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)	\$ 42,646
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	(2)	34,345
Total U.S. Department of Health and Human Services			\$ 76,991
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Homeland Security Grant Program	97.067	(5)	\$ 220,878
Total U.S. Department of Homeland Security			\$ 220,878
Total Expenditures of Federal Awards			\$ 6,534,617
<u>State Grants</u>			
Juvenile Services Program - State Commission on Children and Youth	N/A	(2)	\$ 9,000
Litter Program - State Department of Transportation	N/A	(2)	13,139
Local Health Services - State Department of Health	N/A	(2)	44,111
Child Safety Seat Grant - State Department of Health	N/A	(2)	2,063
Agriculture Enhancement Program - State Department of Agriculture	N/A	(2)	2,283
Airport Maintenance Grant - State Department of Transportation	N/A	(2)	245
Voluntary Pre-K for Tennessee - Lottery Commission	N/A	(2)	403,539
Lottery Education After School Programs - Lottery Commission	N/A	119-09-3-040	215,450
ConnecTN - State Department of Education	N/A	(2)	1,454
Teacher and Principal Evaluation - State Department of Education	N/A	(2)	4,607
Total State Grants			\$ 695,891

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 \$745,359.  
 (4) Z-08-2008-10-00: \$179,302; GG-10-229290-00: \$647,586.  
 (5) GG-08-241200-00: \$85,910; (2) \$134,968.

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

*Government Auditing Standards* require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report for Polk County, Tennessee, for the year ended June 30, 2010, which have not been corrected.

**OFFICE OF COUNTY EXECUTIVE**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
10.01	143	Accrued vacation leave balances exceeded the maximum leave provided by the county's personnel policy
10.02	143	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>
10.05	145	Some collections were not deposited within three days of receipt

**OTHER FINDINGS**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
10.06	146	The director of accounts and budgets did not maintain accounting records for the Highway Department
10.07	146	Polk County has a material recurring audit finding
10.08	147	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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**POLK COUNTY, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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

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

1. Our report on the financial statements of Polk County is unqualified.
2. The audit of the financial statements of Polk County disclosed significant deficiencies in internal control. Three of these conditions were considered to be material weaknesses.
3. The audit disclosed two instances of noncompliance that are material to the financial statements of Polk County.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555); the Airport Improvement Program (CFDA No. 20.106); 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); the State Fiscal Stabilization Cluster: State Fiscal Stabilization Funds (SFSF) – Education State Grants, Recovery Act and State Fiscal Stabilization Funds (SFSF) – Governmental Services, Recovery Act (CFDA Nos. 84.394 and 84.397); and the Education Jobs Fund (CFDA No. 84.410) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Polk County did not qualify as a low-risk auditee.

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

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

### **OFFICES OF COUNTY EXECUTIVE AND DIRECTOR OF ACCOUNTS AND BUDGETS**

**FINDING 11.01      **THE GENERAL AND GENERAL DEBT SERVICE FUNDS REQUIRED MATERIAL AUDIT ADJUSTMENTS FOR PROPER FINANCIAL STATEMENT PRESENTATION****  
(Internal Control – Material Weakness Under *Government Auditing Standards*)

At June 30, 2011, certain general ledger account balances in the General and General Debt Service funds were not materially correct, and audit adjustments were required for the financial statements to be materially correct at year-end. Generally accepted accounting principles require Polk County to have adequate internal controls over the maintenance of its accounting records. These material audit adjustments were required because the county's financial reporting system did not prevent, detect, or correct potential misstatements in the accounting records. It is a strong indicator of a material weakness in internal controls if the county has ineffective controls over the maintenance of its accounting records, which are used to prepare the financial statements, including the related notes to the financial statements. This deficiency can be attributed to a lack of management oversight. We presented audit adjustments to management that they approved and posted to properly present the financial statements in this report.

### **RECOMMENDATION**

Polk County should have appropriate processes in place to ensure that its general ledgers are materially correct.

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**FINDING 11.02      **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 that exceeded the 15-day maximum balance established by the county's personnel policy. 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 11.03      **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 had been 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-year 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 has 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 the \$50,000 to the county. However, the county dropped this suit on October 21, 2008. No further action has been taken by the county.

## RECOMMENDATION

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

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### FINDING 11.04      **ADEQUATE RECORDS WERE NOT MAINTAINED FOR STATE AND FEDERAL GRANTS** (Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Adequate records were not maintained for state and federal grants received by the county. The offices did not provide a list of federal awards and their Catalog of Federal Domestic

Assistance (CFDA) numbers. We obtained the grant information for the Schedule of Expenditures of Federal Awards and State Grants from revenue transmittals, direct deposit information maintained by the county trustee, and state pass-through agencies. This deficiency can be attributed to a lack of management oversight.

#### RECOMMENDATION

A list of federal grants received and each grant's corresponding CFDA number should be centrally maintained.

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#### FINDING 11.05      **THE SOLID WASTE/SANITATION FUND WAS NOT USED TO ACCOUNT FOR SOLID WASTE TRANSACTIONS** (Noncompliance Under *Government Auditing Standards*)

Management closed the Solid Waste/Sanitation Fund into the General Fund effective August 2010; therefore, the office did not account for financial transactions related to the management of solid waste in either a special revenue fund or enterprise fund established expressly for that purpose. Instead, these transactions were accounted for through the county's General Fund. Section 68-211-874(a), *Tennessee Code Annotated*, provides for counties to establish either a special revenue fund or an enterprise fund to account for financial transactions related to the management of solid waste. This deficiency can be attributed to management's misunderstanding of the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which became effective for the year ended June 30, 2011.

#### RECOMMENDATION

Financial transactions related to the management of solid waste should be accounted for in either a special revenue fund or enterprise fund established expressly for that purpose as required by state statute.

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#### FINDING 11.06      **EXPENDITURES EXCEEDED APPROPRIATIONS** (Noncompliance Under *Government Auditing Standards*)

General Fund expenditures exceeded appropriations approved by the County Commission in the Contributions to Other Agencies major appropriation category (the legal level of control) by \$6,639. Section 5-9-401, *Tennessee Code Annotated*, states that "All funds from whatever source derived, including, but not limited to taxes, county aid funds, federal funds, and fines that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies." This deficiency exists because management failed to consider year-end payables, which resulted in expenditures exceeding appropriations.

RECOMMENDATION

Expenditures should be held within appropriations approved by the County Commission.

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FINDING 11.07      **GENERAL LEDGER CASH ACCOUNTS WERE NOT RECONCILED WITH COUNTY TRUSTEE REPORTS**  
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

The general ledger cash account for each fund maintained in this office was not reconciled with county trustee reports. We discovered numerous errors in the cash accounts, including checks posted twice and some revenues not posted for several months. Section 9-2-138, *Tennessee Code Annotated*, requires officials to reconcile their respective fund accounts with the records of the county trustee. We presented audit adjustments to management that they approved and posted to properly present the financial statements in this report.

RECOMMENDATION

The office should reconcile all funds' cash accounts with county trustee reports monthly as required by state statute, and any errors discovered should be corrected promptly.

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FINDING 11.08      **INSURANCE PAYROLL LIABILITY ACCOUNTS WERE NOT RECONCILED MONTHLY**  
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

General ledger payroll liability accounts for employee insurance deductions in the General Fund were not reconciled monthly with insurance invoices and payments. Our audit revealed that some accounts were overpaid, some payments were posted to the wrong account, and one deduction that had not been paid at all. We extended our audit procedures and presented adjustments to management to correct any errors discovered. Sound business practices dictate that these reconciliations be performed monthly. The failure to regularly reconcile insurance deduction liability accounts with insurance payments and invoices allows errors to remain undiscovered and uncorrected.

RECOMMENDATION

Insurance payroll liability accounts should be reconciled monthly with insurance invoices and payments, and any errors discovered should be corrected promptly.

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**FINDING 11.09      THE OFFICES HAD WEAKNESSES IN POSTING FINANCIAL TRANSACTIONS**  
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Our examination revealed the following deficiencies in posting financial transactions. These deficiencies can be attributed to the failure of management to adequately monitor and review financial transactions.

- A. We observed 80 general journal entries that were posted to the accounting records for the General Fund. Included in these 80 entries were 35 general journal entries that had no explanation. The significant number of general journal entries indicates weaknesses in internal controls related to recording financial transactions.
- B. We observed 32 approved budget amendments for the General Fund. Of these, four were not posted, and 11 were posted twice.
- C. The director of accounts and budgets attempted to post receivables and payables for the General Fund at June 30, 2011, however these entries were posted incorrectly resulting in a negative (credit) balance for receivables and a negative (debit) balance for payables on June 30, 2011. Audit adjustments to receivables totaled \$161,527, and adjustments to payables totaled \$143,527.
- D. General Fund encumbrances totaling \$193,670 had not been posted to the financial records on June 30, 2011.

Sound business practices dictate that financial transactions should be accurately posted in accordance with generally accepted accounting principles. We presented audit adjustments to management that they approved and posted to properly present the financial statements in this report.

**RECOMMENDATION**

Internal controls over the accounting process should be strengthened to correctly identify and accurately post transactions by nature, account, and fund when the transactions are initiated.

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**FINDING 11.10      EXPENDITURES WERE MISCLASSIFIED IN THE ACCOUNTING RECORDS OF THE GENERAL FUND**  
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Journal entries were posted to line-items near year-end in an attempt to keep expenditures from exceeding appropriations in the General Fund and to avoid the necessity of budget amendments. Many of these journal entries were misclassified and resulted in several

expenditures being coded to accounts that did not reflect the true nature of the expenditure. Misclassifications in the General Fund included many salary line-items in several major categories. Sound budgetary principles require expenditures to be coded to accounts that reflect the true nature of the expenditures. Misclassifying expenditures diminishes the usefulness of the accounting records as a management tool.

**RECOMMENDATION**

Expenditures should be coded to accounts that most appropriately reflect the true nature of the transactions. When necessary, budget amendments should be submitted to the County Commission for their consideration.

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**FINDING 11.11      **ACCOUNTING RECORDS WERE NOT MAINTAINED CURRENTLY****

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

The accounting records were not maintained on a current basis. Official records were not closed and available for audit until November 2011. Consequently, no financial statements have been presented to the county executive and County Commission to be used as a tool for financial decisions. The failure to maintain accounting records on a current basis diminishes the usefulness of the financial records as a management tool and results in a loss of budgetary and accounting control. This deficiency can be attributed to the failure of management to take proper responsibility for the accounting records.

**RECOMMENDATION**

The Offices of County Executive and Director of Accounts and Budgets should maintain accounting records on a current basis.

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**FINDING 11.12      **THE DIRECTOR OF ACCOUNTS AND BUDGETS DID NOT MAINTAIN THE ACCOUNTING RECORDS FOR THE HIGHWAY DEPARTMENT****

(Material Noncompliance Under *Government Auditing Standards*)

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

RECOMMENDATION

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

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FINDING 11.13      **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>
11.12, 10.06, 09.05	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 deficiency. 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, Polk County may be required to establish an Audit Committee under the provisions of Section 9-3-405, *TCA*.

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**OFFICE OF HIGHWAY SUPERINTENDENT**

**FINDING 11.14      **THE HIGHWAY/PUBLIC WORKS FUND REQUIRED MATERIAL AUDIT ADJUSTMENTS FOR PROPER FINANCIAL STATEMENT PRESENTATION****  
(Internal Control – Material Weakness Under *Government Auditing Standards*)

At June 30, 2011, certain general ledger account balances in the Highway/Public Works Fund were not materially correct, and audit adjustments were required for the financial statements to be materially correct at year-end. Generally accepted accounting principles require Polk County to have adequate internal controls over the maintenance of its accounting records. This material audit adjustment was required because the county's financial reporting system did not prevent, detect, or correct potential misstatements in the accounting records. It is a strong indicator of a material weakness in internal controls if the county has ineffective controls over the maintenance of its accounting records, which are used to prepare the financial statements, including the related notes to the financial statements. This deficiency can be attributed to the failure of management to adequately monitor and reconcile their general ledger accounts. We presented audit adjustments to management that they approved and posted to properly present the financial statements in this report.

**RECOMMENDATION**

Polk County should have appropriate processes in place to ensure that its general ledgers are materially correct.

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**FINDING 11.15      **A LEASE-PURCHASE AGREEMENT WAS NOT EXECUTED IN COMPLIANCE WITH STATE STATUTES****  
(Material Noncompliance Under *Government Auditing Standards*)

On November 5, 2010, the office entered into a two-year lease-purchase agreement for a backhoe totaling \$158,500 without prior approval of the County Commission. Section 7-51-904, *Tennessee Code Annotated (TCA)*, requires lease-purchase agreements to be approved by resolution of the County Commission. Additionally, the office did not file a Report on Debt Obligation with the state Comptroller's Office. Section 9-21-151, *TCA*, requires that within 45 days following the issuance of debt, the county must provide to the state Comptroller's Office certain information, such as a description of the purchase for which the debt is issued, a description of the debt obligation, and an itemized description of the costs of issuance. Management stated that this deficiency was an oversight.

**RECOMMENDATION**

Lease-purchase agreements should be executed in compliance with state statutes.

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## **OFFICE OF DIRECTOR OF SCHOOLS**

### **FINDING 11.16      **EXPENDITURES EXCEEDED APPROPRIATIONS** (Noncompliance Under *Government Auditing Standards*)**

General Purpose School Fund expenditures exceeded appropriations approved by the County Commission in the Fiscal Services major appropriation category (the legal level of control) by \$8,010. Section 5-9-401, *Tennessee Code Annotated*, states that “All funds from whatever source derived, including, but not limited to taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies.” This deficiency exists because management failed to ensure that the final budget amendment was approved by the County Commission. Only those amendments approved by the County Commission are reflected in the financial statements of this report.

### **RECOMMENDATION**

Expenditures should be held within appropriations approved by the County Commission.

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## **OFFICES OF COUNTY EXECUTIVE, HIGHWAY SUPERINTENDENT, FOOD SERVICE DEPARTMENT, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF**

### **FINDING 11.17      **DUTIES WERE NOT SEGREGATED ADEQUATELY** (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.

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

**FINDING 11.18      **MULTIPLE EMPLOYEES OPERATED FROM THE SAME  
CASH DRAWER****

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

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

**RECOMMENDATION**

Management should assign each employee their own cash drawer.

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**OFFICES OF COUNTY CLERK AND SHERIFF**

**FINDING 11.19      **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. Also, 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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## **BEST PRACTICE**

### **POLK COUNTY SHOULD ADOPT A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING**

Polk County does not have a central system of accounting, budgeting, and purchasing for all departments. Polk County operates under the 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 mayor and highway superintendent, but exclude the School Department. However, funds under the supervision of the highway superintendent were maintained by employees of the Highway Department. Sound business practices dictate that establishing a central system for all departments would significantly improve internal controls over the accounting, budgeting, and purchasing processes. The absence of a central system of accounting, budgeting, and purchasing has been a management decision by the County Commission resulting in decentralization and some duplication of effort. We recommend the adoption of the County Financial Management System of 1981 or a private act, which would provide for a central system of accounting, budgeting, and purchasing covering all county departments.

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

There were no findings and questioned costs for federal awards.

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

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

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

**FINDINGS 10.03 and 10.09**

The Polk County School System verified bids and made sure they were valid bids before making purchases. Grant administrators did not piggy-back their purchases off of bids solicited by other governments.