



**ANNUAL FINANCIAL REPORT  
POLK COUNTY, TENNESSEE**



**FOR THE YEAR ENDED JUNE 30, 2014**



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

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

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

***STEVE REEDER, CPA, CGFM, CFE***  
***Audit Manager***

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

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

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

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## POLK COUNTY, TENNESSEE

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# ***Summary of Audit Findings***

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

## ***Scope***

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

## ***Results***

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

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

## ***Findings***

The following are summaries of the audit findings:

### **OFFICES OF COUNTY EXECUTIVE, DIRECTOR OF ACCOUNTS AND BUDGETS, AND HIGHWAY SUPERINTENDENT**

- ◆ The director of accounts and budgets did not maintain the accounting records for the Highway Department.
- ◆ Polk County has a material recurring audit finding.

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### **OFFICE OF DIRECTOR OF ACCOUNTS AND BUDGETS**

- ◆ Payroll liability accounts were not reconciled with subsidiary payroll records in the General Fund.
- ◆ Expenditures exceeded appropriations.

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### **OFFICE OF DIRECTOR OF SCHOOLS**

- ◆ Expenditures exceeded appropriations.
-

## **OFFICE OF COUNTY CLERK**

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

## **OFFICE OF SHERIFF**

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

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

- ◆ Duties were not segregated adequately.

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# INTRODUCTORY SECTION

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# Polk County Officials

## June 30, 2014

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### **Officials**

Hoyt Firestone, County Executive  
Roy Gene Thomason, 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 of Deeds  
Bill Davis, Sheriff  
Kelley Morgan, Director of Accounts and Budgets

### **Board of County Commissioners**

Wendell Lewis, Chairman  
Isaac Bramlett  
Greg Brooks  
Randy Collins  
Mike Curbow

Sheena Gaddis  
John Pippenger  
Daren Waters  
James Woody

### **Board of Education**

L.W. Smith, Chairman  
Tracy Bishop  
James Davis  
Harman Harden  
Jayson Lamb

Shawn Pritchett  
Gary Silvers  
April Trantham  
Mark Williams

### **Audit Committee**

Joe Waters, Chairman  
Greg Barker  
Kenneth Cloud

Mike Curbow  
John Pippenger

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## FINANCIAL SECTION

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

Independent Auditor's Report

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

To the County Executive and Board of County Commissioners:

**Report on the Financial Statements**

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

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

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Polk County Emergency Communications District, which represent 4.35 percent, 6.02 percent, and 1.34 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report 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 solely on the report of the other auditors. We

conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

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

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

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

### ***Other Matters***

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

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

financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the schedules of funding progress – pension plan and other postemployment benefits plan on pages 67 - 69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary and Other Information*

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2015, on our consideration of Polk County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Polk County's internal control over financial reporting and compliance.

Very truly yours,



Justin P. Wilson  
Comptroller of the Treasury  
Nashville, Tennessee

January 9, 2015

JPW/sb

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

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

	Primary Government Governmental Activities	Component Units	
		Polk County School Department	Polk County Emergency Communications District
<u>ASSETS</u>			
Cash	\$ 0	\$ 75,292	\$ 346,684
Equity in Pooled Cash and Investments	7,068,854	1,962,006	0
Accounts Receivable	26,709	1,372	2,690
Due from Other Governments	565,125	1,058,427	0
Due from Component Units	324,366	0	0
Property Taxes Receivable	5,784,445	2,525,357	0
Allowance for Uncollectible Property Taxes	(643,666)	(281,009)	0
Prepaid Items	0	0	4,687
Accrued Interest Receivable	0	0	25
Capital Assets:			
Assets Not Depreciated:			
Land	0	1,500	0
Construction in Progress	59,633	0	0
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	9,295,401	14,464,943	0
Infrastructure	5,965,399	0	0
Other Capital Assets	822,866	1,321,447	606,277
Total Assets	<u>\$ 29,269,132</u>	<u>\$ 21,129,335</u>	<u>\$ 960,363</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 140,850	\$ 5,719	\$ 600
Accrued Payroll	0	2,200	0
Payroll Deductions Payable	34,086	311,897	0
Due to Primary Government	0	324,366	0
Due to State of Tennessee	2,979	0	0
Accrued Interest Payable	121,952	0	0
Other Current Liabilities	5,827	0	0
Noncurrent Liabilities:			
Due Within One Year	1,276,759	0	0
Due in More Than One Year	14,558,065	3,355,996	0
Total Liabilities	<u>\$ 16,140,518</u>	<u>\$ 4,000,178</u>	<u>\$ 600</u>

(Continued)

Exhibit A

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

	Primary Government Governmental Activities	Component Units	
		Polk County School Department	Polk County Emergency Communications District
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Deferred Current Property Taxes	\$ 4,933,382	\$ 2,153,803	\$ 0
Total Deferred Inflows of Resources	<u>\$ 4,933,382</u>	<u>\$ 2,153,803</u>	<u>\$ 0</u>
<b><u>NET POSITION</u></b>			
Net Investment in Capital Assets	\$ 9,148,933	\$ 15,787,890	\$ 606,277
Restricted for:			
General Government	329,444	0	0
Finance	3,472	0	0
Administration of Justice	329,182	0	0
Public Safety	148,133	0	0
Public Health and Welfare	12,475	0	0
Highways/Public Works	1,208,939	0	0
Debt Service	1,338,567	0	0
Capital Outlay	310	0	0
Education	0	745,252	0
Unrestricted	<u>(4,324,223)</u>	<u>(1,557,788)</u>	<u>353,486</u>
Total Net Position	<u>\$ 8,195,232</u>	<u>\$ 14,975,354</u>	<u>\$ 959,763</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, 2014

Functions/Programs	Program Revenues						Primary Governmental Activities			Component Units		
	Expenses	Charges for Services		Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Polk County School Department	Polk County Emergency Communications District	Net (Expense) Revenue and Changes in Net Position			
		192,451	\$ 208,802						\$ 0	\$ (1,227,848)	\$ 0	\$ 0
Primary Government:												
Governmental Activities:												
General Government	\$ 1,629,101	\$ 192,451	\$ 208,802	\$ 0	\$ (1,227,848)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	
Finance	639,869	411,592	0	0	(228,277)	0	0	0	0	0	0	
Administration of Justice	549,104	434,893	9,000	0	(105,211)	0	0	0	0	0	0	
Public Safety	3,822,720	1,478,097	66,708	0	(2,277,915)	0	0	0	0	0	0	
Public Health and Welfare	1,820,288	0	474,012	0	(1,346,276)	0	0	0	0	0	0	
Social, Cultural, and Recreational Services	63,985	1,023	106,915	0	43,953	0	0	0	0	0	0	
Agriculture and Natural Resources	73,907	0	0	0	(73,907)	0	0	0	0	0	0	
Highways/Public Works	2,463,669	394,639	1,699,734	235,709	(133,587)	0	0	0	0	0	0	
Interest on Long-term Debt	769,871	0	0	0	(769,871)	0	0	0	0	0	0	
Education	0	0	0	666,202	666,202	0	0	0	0	0	0	
Total Primary Government	\$ 11,832,514	\$ 2,912,695	\$ 2,565,171	\$ 901,911	\$ (5,452,737)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	
Component Units:												
Polk County School Department	\$ 22,049,566	\$ 308,585	\$ 3,007,845	\$ 0	\$ 0	\$ (18,733,136)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	
Polk County Emergency Communications District	277,577	228,905	59,264	0	0	0	0	0	0	0	10,592	
Total Component Units	\$ 22,327,143	\$ 537,490	\$ 3,067,109	\$ 0	\$ 0	\$ (18,733,136)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,592	

(Continued)

Exhibit B

Polk County, Tennessee  
Statement of Activities (Cont.)

Functions/Programs	Net (Expense) Revenue and Changes in Net Position					
	Program Revenues			Component Units		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Polk County Emergency Communications District
				Total Governmental Activities	Polk County School Department	
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes				\$ 4,089,781	\$ 2,268,687	\$ 0
Property Taxes Levied for Debt Service				1,039,680	0	0
Hotel/Motel Tax				61,968	0	0
Local Amusement Tax				43,190	0	0
Local Option Sales Taxes				0	1,453,502	0
Litigation Tax - General				78,614	0	0
Litigation Tax - Jail, Workhouse, or Courthouse				43,528	0	0
Business Tax				49,036	21,433	0
Wholesale Beer Tax				271,066	0	0
Other Local Taxes				4,854	3,203	0
Grants and Contributions Not Restricted to Specific Programs				809,037	14,113,323	0
Unrestricted Investment Earnings				6,491	117	904
Miscellaneous				13,411	122,508	0
Total General Revenues				\$ 6,510,656	\$ 17,982,773	\$ 904
Change in Net Position				\$ 1,057,919	\$ (750,363)	\$ 11,496
Net Position, July 1, 2013				7,137,313	15,725,717	948,267
Net Position, June 30, 2014				\$ 8,195,232	\$ 14,975,354	\$ 959,763

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, 2014

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Governmental Funds	Governmental Funds	
\$	4,256,823	933,663	1,401,403	476,965	\$	7,068,854
	11,672	13,988	1,049	0		26,709
	243,636	299,097	22,392	0		565,125
	202,971	0	0	27,000		229,971
	4,051,749	0	1,157,514	575,182		5,784,445
	(479,604)	0	(128,803)	(35,259)		(643,666)
\$	8,287,247	1,246,748	2,453,555	1,043,888	\$	13,031,438

ASSETS

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

Total Assets

LIABILITIES

Accounts Payable  
 Payroll Deductions Payable  
 Due to Other Funds  
 Due to State of Tennessee  
 Matured Interest on Bonds  
 Total Liabilities

DEFERRED INFLOWS OF RESOURCES

Deferred Current Property Taxes  
 Deferred Delinquent Property Taxes  
 Other Deferred/Unavailable Revenue  
 Total Deferred Inflows of Resources

(Continued)

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

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway /	General Debt Service	Other		
		Public Works		Governmental Funds	Governmental Funds	
\$	329,444	\$ 0	\$ 0	\$ 0	\$ 0	329,444
	3,472	0	0	0	0	3,472
	329,182	0	0	0	0	329,182
	4,102	0	0	144,031	0	148,133
	12,475	0	0	0	0	12,475
	0	1,078,402	0	0	0	1,078,402
	0	0	0	310	0	310
	0	0	1,424,940	0	0	1,424,940
	0	0	0	120,415	0	120,415
	1,079	0	0	0	0	1,079
	11,222	0	0	0	0	11,222
	223	0	0	0	0	223
	33,374	0	0	0	0	33,374
	11,731	0	0	0	0	11,731
	1,000	0	0	0	0	1,000
	3,845,454	0	0	0	0	3,845,454
\$	4,582,758	\$ 1,078,402	\$ 1,424,940	\$ 264,756	\$ 0	7,350,856
\$	8,287,247	\$ 1,246,748	\$ 2,453,555	\$ 1,043,888	\$ 0	13,031,438

FUND BALANCES

Restricted:	
Restricted for General Government	
Restricted for Finance	
Restricted for Administration of Justice	
Restricted for Public Safety	
Restricted for Public Health and Welfare	
Restricted for Highways/Public Works	
Restricted for Capital Outlay	
Restricted for Debt Service	
Committed:	
Committed for Capital Outlay	
Assigned:	
Assigned for General Government	
Assigned for Finance	
Assigned for Administration of Justice	
Assigned for Public Safety	
Assigned for Public Health and Welfare	
Assigned for Agriculture and Natural Resources	
Unassigned	
Total Fund Balances	

Total Liabilities, Deferred Inflows of Resources, and Fund Balances

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 Position  
June 30, 2014

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)		\$	7,350,856
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: construction in progress	\$	59,633	
Add: buildings and improvements net of accumulated depreciation		9,295,401	
Add: infrastructure net of accumulated depreciation		5,965,399	
Add: other capital assets net of accumulated depreciation		<u>822,866</u>	16,143,299
(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	\$	(15,420,000)	
Less: capital lease payable		(324,366)	
Add: debt to be contributed by the School Department		324,366	
Less: compensated absences payable		(90,458)	
Less: accrued interest on bonds and capital lease		<u>(121,952)</u>	(15,632,410)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>333,487</u>
Net position of governmental activities (Exhibit A)		\$	<u><u>8,195,232</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, 2014

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other	Governmental Funds	
<u>Revenues</u>						
Local Taxes	\$ 4,328,309	\$ 0	\$ 1,124,225	\$ 471,633	\$ 5,924,167	
Licenses and Permits	86,606	0	0	0	86,606	
Fines, Forfeitures, and Penalties	137,773	0	0	86,280	224,053	
Charges for Current Services	12,000	0	0	29,034	41,034	
Other Local Revenues	110,982	423,412	8,912	38,848	582,154	
Fees Received from County Officials	713,776	0	0	0	713,776	
State of Tennessee	2,056,502	1,838,798	111,717	313	4,007,330	
Federal Government	238,867	92,417	0	355,102	686,386	
Other Governments and Citizens Groups	50	0	739,516	37,290	776,856	
Total Revenues	\$ 7,684,865	\$ 2,354,627	\$ 1,984,370	\$ 1,018,500	\$ 13,042,362	
<u>Expenditures</u>						
Current:						
General Government	\$ 1,101,323	\$ 0	\$ 0	\$ 48,340	\$ 1,149,663	
Finance	636,171	0	0	0	636,171	
Administration of Justice	551,533	0	0	0	551,533	
Public Safety	3,691,320	0	0	93,315	3,784,635	
Public Health and Welfare	1,017,966	0	0	471,633	1,489,599	
Social, Cultural, and Recreational Services	63,985	0	0	0	63,985	
Agriculture and Natural Resources	73,907	0	0	0	73,907	
Other Operations	183,457	0	0	346,713	530,170	
Highways	0	2,290,739	0	0	2,290,739	
Debt Service:						
Principal on Debt	0	0	1,143,314	0	1,143,314	
Interest on Debt	0	0	777,502	0	777,502	
Other Debt Service	0	0	25,565	0	25,565	
Total Expenditures	\$ 7,319,662	\$ 2,290,739	\$ 1,946,381	\$ 960,001	\$ 12,516,783	

Exhibit C-3

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

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Governmental Funds		
Excess (Deficiency) of Revenues Over Expenditures	\$ 365,203	\$ 63,888	\$ 37,989	\$ 58,499	\$	\$ 525,579
Other Financing Sources (Uses)						
Transfers In	\$ 4,000	\$ 0	\$ 0	\$ 0	\$	\$ 4,000
Transfers Out	0	0	0	(4,000)		(4,000)
Total Other Financing Sources (Uses)	\$ 4,000	\$ 0	\$ 0	\$ (4,000)	\$	\$ 0
Net Change in Fund Balances	\$ 369,203	\$ 63,888	\$ 37,989	\$ 54,499	\$	\$ 525,579
Fund Balance, July 1, 2013	4,213,555	1,014,514	1,386,951	210,257		6,825,277
Fund Balance, June 30, 2014	\$ 4,582,758	\$ 1,078,402	\$ 1,424,940	\$ 264,756	\$	\$ 7,350,856

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, 2014

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

Net change in fund balances - total governmental funds (Exhibit C-3)		\$ 525,579
(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	\$ 174,947	
Less: current-year depreciation expense	<u>(621,963)</u>	(447,016)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position.		
Less: book value of capital assets disposed		(50,883)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2014	\$ 333,487	
Less: deferred delinquent property taxes and other deferred June 30, 2013	<u>(381,016)</u>	(47,529)
(4) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:		
Add: principal payments on bonds	\$ 1,070,000	
Add: principal payments on capital lease	73,314	
Less: contributions from the School Department for capital lease	<u>(73,314)</u>	1,070,000
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest payable	\$ 7,631	
Change in compensated absences payable	<u>137</u>	<u>7,768</u>
Change in net position of governmental activities (Exhibit B)		<u><u>\$ 1,057,919</u></u>

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

Exhibit C-5

Polk County, Tennessee  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
General Fund  
For the Year Ended June 30, 2014

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2013	Add: Encumbrances 6/30/2014	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<b>Revenues</b>							
Local Taxes	\$ 4,328,309	\$ 0	\$ 0	\$ 4,328,309	\$ 4,292,030	\$ 4,292,030	\$ 36,279
Licenses and Permits	86,606	0	0	86,606	95,200	95,200	(8,594)
Fines, Forfeitures, and Penalties	137,773	0	0	137,773	129,160	129,160	8,613
Charges for Current Services	12,000	0	0	12,000	11,100	11,100	900
Other Local Revenues	110,982	0	0	110,982	71,950	92,685	18,297
Fees Received from County Officials	713,776	0	0	713,776	677,000	682,880	30,896
State of Tennessee	2,056,502	0	0	2,056,502	1,888,697	1,916,345	140,157
Federal Government	238,867	0	0	238,867	52,000	205,200	33,667
Other Governments and Citizens Groups	50	0	0	50	0	0	50
<b>Total Revenues</b>	<b>\$ 7,684,865</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 7,684,865</b>	<b>\$ 7,217,137</b>	<b>\$ 7,424,600</b>	<b>\$ 260,265</b>
<b>Expenditures</b>							
<u>General Government</u>							
County Commission	\$ 59,638	\$ 0	\$ 0	\$ 59,638	\$ 60,362	\$ 68,596	\$ 8,958
Board of Equalization	1,686	0	0	1,686	2,500	2,500	814
County Mayor/Executive	122,257	0	0	122,257	117,411	120,604	(1,653)
Election Commission	323,560	(498)	0	323,062	176,098	330,839	7,777
Register of Deeds	127,735	(1,100)	0	126,635	133,448	138,948	12,313
County Buildings	158,839	(5,289)	600	154,150	176,817	176,817	22,667
Other General Administration	307,608	(343)	479	307,744	238,344	335,480	27,736
<u>Finance</u>							
Accounting and Budgeting	45,116	0	0	45,116	45,569	45,852	736
Property Assessor's Office	198,616	(630)	4,750	202,736	235,097	235,097	32,361
County Trustee's Office	179,178	(300)	0	178,878	184,448	184,448	5,570
County Clerk's Office	213,261	(3,776)	6,472	215,957	216,961	231,217	15,260
<u>Administration of Justice</u>							
Circuit Court	228,388	(75)	223	228,536	202,017	222,761	(5,775)
General Sessions Court	109,892	0	0	109,892	111,098	111,098	1,206
Chancery Court	138,748	0	0	138,748	159,701	159,701	20,953
Juvenile Court	74,505	0	0	74,505	74,793	74,793	288

(Continued)

Exhibit C-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2013	Add: Encumbrances 6/30/2014	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Public Safety</u>							
Sheriff's Department	\$ 1,310,307	\$ (12,215)	\$ 10,300	\$ 1,308,392	\$ 1,380,691	\$ 1,379,125	\$ 70,733
Correctional Incentive Program Improvements	2,064,166	(7,110)	2,400	2,059,456	2,127,798	2,154,099	94,643
Fire Prevention and Control	0	0	0	0	1,000	1,000	1,000
Civil Defense	55,592	(1,800)	6,800	60,592	69,791	89,791	29,199
Rescue Squad	139,466	(24,526)	10,837	125,777	107,075	127,909	2,132
Other Emergency Management	121,789	(113,613)	3,037	11,213	12,533	12,533	1,320
<u>Public Health and Welfare</u>							
Local Health Center	52,354	(1,225)	0	51,129	70,964	72,959	21,830
Ambulance/Emergency Medical Services	720,000	0	0	720,000	720,000	720,000	0
Crippled Children Services	1,250	0	0	1,250	1,250	1,250	0
Other Local Health Services	84,808	0	0	84,808	89,194	89,194	4,386
Sanitation Education/Information	46,586	(5,100)	801	42,287	46,671	47,671	5,384
Other Waste Collection	5,149	(3,654)	0	1,495	0	1,500	5
Other Public Health and Welfare	107,819	0	10,930	118,749	109,748	155,620	36,871
<u>Social, Cultural, and Recreational Services</u>							
Senior Citizens Assistance	19,019	0	0	19,019	20,490	20,490	1,471
Libraries	38,966	(35)	0	38,931	45,015	46,795	7,864
Other Social, Cultural, and Recreational	6,000	0	0	6,000	0	7,500	1,500
<u>Agriculture and Natural Resources</u>							
Agricultural Extension Service	55,036	(677)	1,000	55,359	52,491	57,691	2,332
Soil Conservation	18,871	0	0	18,871	18,871	18,871	0
<u>Other Operations</u>							
Other Economic and Community Development	19,769	0	0	19,769	21,840	21,840	2,071
Airport	3,000	0	0	3,000	3,000	3,000	0
Veterans' Services	19,750	0	0	19,750	19,867	19,867	117
Other Charges	102,587	0	0	102,587	98,500	109,227	6,640
Contributions to Other Agencies	38,351	0	0	38,351	45,000	45,000	6,649
Total Expenditures	\$ 7,319,662	\$ (181,966)	\$ 58,629	\$ 7,196,325	\$ 7,196,453	\$ 7,641,683	\$ 445,358

(Continued)

Exhibit C-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2013	Add: Encumbrances 6/30/2014	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Excess (Deficiency) of Revenues Over Expenditures	\$ 365,203 \$	181,966 \$	(58,629) \$	488,540 \$	20,684 \$	(217,083) \$	705,623
Other Financing Sources (Uses) Transfers In	\$ 4,000 \$	0 \$	0 \$	4,000 \$	0 \$	4,000 \$	0
Total Other Financing Sources	\$ 4,000 \$	0 \$	0 \$	4,000 \$	0 \$	4,000 \$	0
Net Change in Fund Balance Fund Balance, July 1, 2013	\$ 369,203 \$	181,966 \$	(58,629) \$	492,540 \$	20,684 \$	(213,083) \$	705,623
	4,213,555	(181,966)	0	4,031,589	3,019,483	3,019,483	1,012,106
Fund Balance, June 30, 2014	\$ 4,582,758 \$	0 \$	(58,629) \$	4,524,129 \$	3,040,167 \$	2,806,400 \$	1,717,729

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

## Exhibit C-6

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 423,412	\$ 270,010	\$ 279,910	\$ 143,502
State of Tennessee	1,838,798	1,588,444	1,858,844	(20,046)
Federal Government	92,417	92,500	92,500	(83)
Total Revenues	<u>\$ 2,354,627</u>	<u>\$ 1,950,954</u>	<u>\$ 2,231,254</u>	<u>\$ 123,373</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 160,516	\$ 165,780	\$ 180,580	\$ 20,064
Highway and Bridge Maintenance	717,279	725,700	841,800	124,521
Operation and Maintenance of Equipment	555,738	567,100	652,600	96,862
Other Charges	53,368	56,198	56,698	3,330
Employee Benefits	334,790	425,751	358,358	23,568
Capital Outlay	469,048	0	470,030	982
Total Expenditures	<u>\$ 2,290,739</u>	<u>\$ 1,940,529</u>	<u>\$ 2,560,066</u>	<u>\$ 269,327</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 63,888</u>	<u>\$ 10,425</u>	<u>\$ (328,812)</u>	<u>\$ 392,700</u>
Net Change in Fund Balance	\$ 63,888	\$ 10,425	\$ (328,812)	\$ 392,700
Fund Balance, July 1, 2013	<u>1,014,514</u>	<u>856,792</u>	<u>856,792</u>	<u>157,722</u>
Fund Balance, June 30, 2014	<u>\$ 1,078,402</u>	<u>\$ 867,217</u>	<u>\$ 527,980</u>	<u>\$ 550,422</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, 2014

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 658,509
Due from Other Governments	<u>62,302</u>
Total Assets	<u><u>\$ 720,811</u></u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 62,302
Due to Litigants, Heirs, and Others	<u>658,509</u>
Total Liabilities	<u><u>\$ 720,811</u></u>

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

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

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

**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, 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 Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. 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. No debt issues were contributed by the county to the School Department during the year ended June 30, 2014.

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, deferred outflow of resources, liabilities, deferred inflow of resources, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental category. 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.

**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.

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 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 \$40,971 at June 30, 2014, is being maintained in the Self-Insurance Fund for future use. The primary revenue received by the fund is interest earned. There were no expenses for the fund during the year.

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

**1. Deposits and Investments**

For purposes of the Statement of Cash Flows 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 position 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 are reported at cost. Investments in the State Treasurer's Investment Pool are reported at fair value. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Accordingly, the pool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

## **2. Receivables and Payables**

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

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 6.13 percent of the total taxes levied.

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

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

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

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

### **3. Capital Assets**

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of more than two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	40
Other Capital Assets	5 - 30
Infrastructure:	
Roads and Bridges	20 - 50

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

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has no items that qualify for reporting in this category.

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

**5. Compensated Absences**

It is the policy of the county and the Highway Department to permit employees to accumulate earned but unused vacation and sick leave benefits. The county's policy allows employees to accumulate up to 15 days of vacation leave. The policy of the Highway Department allows employees to accumulate up to 70 hours of vacation leave at the end of the calendar year. There is no liability for unpaid accumulated sick leave since the county and the Highway Department do 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 fiscal 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 Position. Debt premiums and discounts are deferred and amortized over the life of the new debt using the straight-line method. Debt issuance costs are expensed in the period incurred. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the refunded debt or the life of the new debt issued, whichever is shorter.

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

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

**7. Net Position and Fund Balance**

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 position and may be displayed in three components:

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

As of June 30, 2014, Polk County had \$8,750,000 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 position with no corresponding increase in the county's capital assets.

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

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

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

Restricted Fund Balance – includes amounts that have constraints placed on the use of the resources that are either (a) externally imposed by creditors, grantors, contributors or

laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

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

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

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

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

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

**Primary Government**

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

**Discretely Presented 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 Position.

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

### **Primary Government**

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

### **Discretely Presented 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 position of governmental activities reported in the government-wide Statement of Activities.

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

### **A. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the 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, 2014, Polk County and the Polk County School Department reported the following significant encumbrances:

Funds	Description	Amount
Primary Government:		
Major Fund:		
General	Various Safety Equipment and Supplies	\$ 13,430
"	Gasoline	10,700
"	Data Processing Equipment and Supplies - County Clerk	6,315
"	Health Department - Paving	10,900
Discretely Presented		
School Department:		
Major Fund:		
General Purpose School	Education Supplies	81,498
"	Office Equipment	5,734

**B. Cash Shortage – Prior Year**

An investigative report dated June 4, 2013, by the Comptroller's Division of Investigations, Financial and Compliance Unit reported a cash shortage of \$2,702.28 existed in the Office of Circuit and General Sessions Courts Clerk at December 31, 2012. This cash shortage resulted from a deputy clerk voiding receipts and eliminating applicable fees with no documentation to support the clearing of the fees. On July 22, 2013, the former deputy clerk pled guilty to felony theft over \$1,000, was sentenced to two years judicial diversion, and was ordered to pay court cost, restitution, and an investigative fee totaling \$7,112.46 with a minimum payment of \$300 per month. As of the date of this report, the deputy has paid back \$5,500 leaving an unpaid balance of \$1,612.46.

**C. Expenditures Exceeded Appropriations**

Expenditures exceeded appropriations approved by the County Commission in the following fund's major appropriation categories (the legal level of control):

Fund	Major Appropriation Category	Amount Overspent
Primary Government:		
General	County Mayor/Executive	\$ 1,653
"	Circuit Court	5,775
Discretely Presented		
School Department:		
General Purpose School	Other Student Support	1,533
"	Maintenance of Plant	2,402
"	Early Childhood Education	6,309

Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by greater than anticipated revenues in the primary government's General Fund and by available fund balance in the discretely presented School Department's General Purpose School Fund.

#### **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 position as Equity in Pooled Cash and Investments. Cash reflected on the balance sheets or statements of net position represents nonpooled amounts held separately by individual funds.

##### **Deposits**

**Legal Provisions.** All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for 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, 2014.

**B. Capital Assets**

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

**Primary Government**

**Governmental Activities:**

	Balance 7-1-13	Increases	Decreases	Balance 6-30-14
Capital Assets				
Not Depreciated:				
Construction in Progress	\$ 59,633	\$ 0	\$ 0	\$ 59,633
Total Capital Assets				
Not Depreciated	\$ 59,633	\$ 0	\$ 0	\$ 59,633
Capital Assets Depreciated:				
Buildings and				
Improvements	\$ 12,261,572	\$ 0	\$ 0	\$ 12,261,572
Infrastructure	10,790,647	0	0	10,790,647
Other Capital Assets	3,689,602	174,947	(397,836)	3,466,713
Total Capital Assets				
Depreciated	\$ 26,741,821	\$ 174,947	\$ (397,836)	\$ 26,518,932
Less Accumulated				
Depreciation For:				
Buildings and				
Improvements	\$ 2,712,343	\$ 253,828	\$ 0	\$ 2,966,171
Infrastructure	4,593,184	232,064	0	4,825,248
Other Capital Assets	2,854,729	136,071	(346,953)	2,643,847
Total Accumulated				
Depreciation	\$ 10,160,256	\$ 621,963	\$ (346,953)	\$ 10,435,266
Total Capital Assets				
Depreciated, Net	\$ 16,581,565	\$ (447,016)	\$ (50,883)	\$ 16,083,666
Governmental Activities				
Capital Assets, Net	\$ 16,641,198	\$ (447,016)	\$ (50,883)	\$ 16,143,299

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

**Governmental Activities:**

General Government	\$ 257,414
Finance	3,647
Public Safety	76,873
Highways	<u>284,029</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 621,963</u></u>

**Discretely Presented Polk County School Department**

**Governmental Activities:**

	Balance 7-1-13	Increases	Decreases	Balance 6-30-14
Capital Assets				
Not Depreciated:				
Land	\$ 1,500	\$	\$ 0	\$ 1,500
Total Capital Assets Not Depreciated	<u>\$ 1,500</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,500</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 24,700,458	\$ 0	\$ 0	\$ 24,700,458
Other Capital Assets	2,878,904	40,882	(118,489)	2,801,297
Total Capital Assets Depreciated	<u>\$ 27,579,362</u>	<u>\$ 40,882</u>	<u>\$ (118,489)</u>	<u>\$ 27,501,755</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 9,757,323	\$ 478,192	\$ 0	\$ 10,235,515
Other Capital Assets	1,413,743	169,093	(102,986)	1,479,850
Total Accumulated Depreciation	<u>\$ 11,171,066</u>	<u>\$ 647,285</u>	<u>\$ (102,986)</u>	<u>\$ 11,715,365</u>
Total Capital Assets Depreciated, Net	<u>\$ 16,408,296</u>	<u>\$ (606,403)</u>	<u>\$ (15,503)</u>	<u>\$ 15,786,390</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 16,409,796</u></u>	<u><u>\$ (606,403)</u></u>	<u><u>\$ (15,503)</u></u>	<u><u>\$ 15,787,890</u></u>

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

**Governmental Activities:**

Support Services	\$ 637,337
Operation of Non-instructional Services	<u>9,948</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 647,285</u></u>

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

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

**Due to/from Other Funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General	Nonmajor governmental	\$ 202,971
Nonmajor governmental	General	27,000

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

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
	Component Unit:	
Primary Government	School Department	\$ 324,366

The Due to Primary Government is the balance of a capital lease issued by the county for the School Department. The School Department has agreed to contribute the funds annually to retire this lease. This long-term obligation is reflected in the governmental activities on the Statement of Net Position.

**Interfund Transfers:**

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

**Primary Government**

<u>Transfer Out</u>	<u>Transfer In</u> <u>General</u> <u>Fund</u>
Nonmajor governmental fund	\$ 4,000

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

**D. Capital Lease**

On May 1, 2011, Polk County entered into a seven-year lease-purchase agreement for the School Department 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 General Purpose School Fund is making contributions for the lease payments to the primary government.

The assets acquired through the capital lease are as follows:

<u>Asset</u>	<u>Governmental</u> <u>Activities</u>
Machinery and Equipment	\$ 535,508
Less: Accumulated Depreciation	<u>(132,413)</u>
Total Book Value	<u>\$ 403,095</u>

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2014, were as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Governmental</u> <u>Funds</u>
2015	\$ 89,516
2016	89,516
2017	89,516
2018	<u>89,516</u>
Total Minimum Lease Payments	\$ 358,064
Less: Amount Representing Interest	<u>(33,698)</u>
Present Value of Minimum Lease Payments	<u>\$ 324,366</u>

**E. Long-term Obligations**

**Primary Government**

**General Obligation Bonds**

Polk County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities for the primary government and the discretely presented School Department. In addition, general obligation bonds have been issued to refund other loans.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds were issued for original terms of up to 18 years. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. Bonds included in long-term debt as of June 30, 2014, will be retired from the General Debt Service Fund.

General obligation bonds and the capital lease outstanding as of June 30, 2014, for governmental activities are as follows:

Type	Interest Rate		Final Maturity	Original Amount of Issue	Balance 6-30-14
General Obligation Bonds -					
Refunding	4 to 5	%	4-30-25	\$ 22,100,000	\$ 15,420,000
Capital Lease	4.074		5-1-18	535,508	324,366

The annual requirements to amortize the bonds outstanding as of June 30, 2014, including interest payments, are presented in the following table:

Year Ending June 30	Bonds		
	Principal	Interest	Total
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
2020-2024	7,625,000	1,539,850	9,164,850
2025	1,750,000	87,500	1,837,500
Total	<u>\$ 15,420,000</u>	<u>\$ 4,720,650</u>	<u>\$ 20,140,650</u>

There is \$1,424,940 available in the General Debt Service Fund to service long-term debt. Debt per capita, including bonds and the capital lease totaled \$936, based on the 2010 federal census.

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

<u>Description of Indebtedness</u>	<u>Outstanding 6-30-14</u>
<u>Capital Lease</u>	
<u>Contributions from the General Purpose School Fund</u>	
Buses	\$ 324,366

Changes in Long-term Obligations

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

Governmental Activities:

	<u>Bonds</u>	<u>Capital Lease</u>
Balance, July 1, 2013	\$ 16,490,000	\$ 397,680
Reductions	(1,070,000)	(73,314)
Balance, June 30, 2014	<u>\$ 15,420,000</u>	<u>\$ 324,366</u>
Balance Due Within One Year	<u>\$ 1,110,000</u>	<u>\$ 76,301</u>

	<u>Compensated Absences</u>
Balance, July 1, 2013	\$ 90,595
Additions	76,983
Reductions	<u>(77,120)</u>
Balance, June 30, 2014	<u>\$ 90,458</u>
Balance Due Within One Year	<u>\$ 90,458</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2014	\$ 15,834,824
Less: Balance Due Within One Year	<u>(1,276,759)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 14,558,065</u>

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

**Discretely Presented Polk County School Department**

Changes in Long-term Obligations

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

Governmental Activities:	Other Postemployment Benefits
	<u>                    </u>
Balance, July 1, 2013	\$ 3,157,609
Additions	415,253
Reductions	<u>(216,866)</u>
Balance, June 30, 2014	<u>\$ 3,355,996</u>
Balance Due Within One Year	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2014	\$ 3,355,996
Less: Balance Due Within One Year	<u>0</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 3,355,996</u>

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

**F. On-Behalf Payments**

**Discretely Presented 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, 2014, were \$72,348 and \$27,145, 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 \$40,971 at June 30, 2014, is being maintained in the Self-Insurance Fund for future use.

B. **Accounting Changes**

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

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

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

**C. Subsequent Events**

On May 2, 2014, the County Commission approved a loan not to exceed \$1,840,980 for roofs at various schools. No drawdowns were made prior to June 30, 2014; however, drawdowns of \$1,451,480 were made between July 1, 2014, and January 9, 2015.

On August 31, 2014, Patsy Jenkins left the Office of Trustee and was succeeded by Gina Hicks-Burchfiel, and Bill Davis left the Office of Sheriff and was succeeded by Steve Ross.

**D. Contingent Liabilities**

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

**E. Financial Guarantees**

Copper Basin Medical Center

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.

Copper Basin Utility District

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, 2014, was \$40,000 with interest at 5.3 percent.

**F. 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, 2014, 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

**G. Jointly Governed Organizations**

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 neither receives revenue nor pays any expenses; therefore it has no financial statements.

## **H. 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, 2014, was 7.78 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the county is established and may be amended by the TCRS Board of Trustees.

### **Annual Pension Cost**

For the year ended June 30, 2014, Polk County's annual pension cost of \$368,920 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2011, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include

(a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected three percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected postretirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. The county's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011, was two years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

### **Trend Information**

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6-30-14	\$368,920	100%	\$0
6-30-13	359,561	100	0
6-30-12	365,325	100	0

### **Funded Status and Funding Progress**

As of July 1, 2013, the most recent actuarial valuation date, the plan was 94.27 percent funded. The actuarial accrued liability for benefits was \$8.77 million, and the actuarial value of assets was \$8.27 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.5 million. The covered payroll (annual payroll of active employees covered by the plan) was \$4.28 million, and the ratio of the UAAL to the covered payroll was 11.74 percent.

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

## **SCHOOL TEACHERS**

### **Plan Description**

The Polk County School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members

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

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

## **Funding Policy**

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2014, was 8.88 percent of annual covered payroll. The employer contribution requirement for the School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2014, 2013, and 2012, were \$825,308, \$859,308, and \$869,289, respectively, equal to the required contributions for each year.

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

The Polk County School Department participates in the state-administered Local Education Group Insurance Plan and Medicare Supplement Plan for healthcare benefits. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plan. Benefits are established and amended by an insurance committee created by Section 8-27-302, *Tennessee Code Annotated (TCA)*, for local education employees, and Section 8-27-701, *TCA*, for the Medicare Supplement. Prior to reaching the age of 65, all members have the option of choosing between the standard or partnership preferred provider organization (PPO) plan for healthcare benefits.

Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare Supplement Plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tn.gov/finance/act/cafr.html>.

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employer in each plan develops a contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state 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 \$190 to \$1,144 per month for their insurance. During the year, expenditures totaling \$216,866 were recognized by the Polk County School Department for postemployment health care premiums.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan	Schools - Medicare Supplement Plan
ARC	\$ 369,000	\$ 43,000
Interest on the NOPEBO	86,841	39,463
Adjustment to the ARC	(84,604)	(38,447)
Annual OPEB cost	\$ 371,237	\$ 44,016
Amount of contribution	(216,866)	0
Increase/decrease in NOPEBO	\$ 154,371	\$ 44,016
Net OPEB obligation, 7-1-13	2,171,026	986,583
Net OPEB obligation, 6-30-14	\$ 2,325,397	\$ 1,030,599

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-12	Local Education Group	\$ 870,847	23.73%	\$ 1,539,370
6-30-13	"	822,215	23.18	2,171,026
6-30-14	"	371,237	58.42	2,325,397
6-30-12	Schools - Medicare Supplement	576,000	0	576,000
6-30-13	"	410,583	0	986,583
6-30-14	"	44,016	0	1,030,599

#### Funded Status and Funding Progress

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

	Local Education Group Plan	Schools - Medicare Supplement Plan
Actuarial valuation date	7-1-13	7-1-13
Actuarial accrued liability (AAL)	\$ 3,184,000	\$ 1,103,000
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 3,184,000	\$ 1,103,000
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 10,389,651	N/A
UAAL as a % of covered payroll	30.65%	N/A

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

#### Actuarial Methods and Assumptions

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

In the July 1, 2013, actuarial valuation for the Local Education Plan, the projected unit credit actuarial cost method was used, and the actuarial assumptions included a four percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 7.5 percent for fiscal year 2014. The trend rate will decrease to seven percent in fiscal year 2015 and then be reduced by decrements to an ultimate rate of 4.7 percent by fiscal year 2044. The annual healthcare cost trend rate for the Medicare Supplement Plan was two percent for fiscal year 2014. The trend will increase to six percent in fiscal year 2015 and then will be reduced by decrements to an ultimate rate of 4.2 percent by fiscal year 2044. Both rates include a 2.5 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with July 1, 2007.

**J. Termination Benefits**

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

**K. 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.

**L. 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 \$5,000 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 provide for the funding of such services and such district; and to provide for the levying of a telephone service charge.

### **B. Summary of Significant Accounting Policies**

#### Basis of Accounting

The district is a governmental unit, subject to accounting directives issued by the Governmental Accounting Standards Board (GASB), and anticipates recovering the cost of its services in a manner similar to a private business enterprise. Therefore the district uses the flow of economic resources measurement focus and 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. Operating revenues are those that result from the activities of the district, including telephone service charges, expense reimbursements, and grants for operations. Revenue from other sources is considered nonoperating.

#### 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>Asset</u>	<u>Years</u>
Communication Equipment	5 - 10
Furniture and Fixtures	10
Office Equipment	5 - 10
Leasehold Improvements	10-20
Vehicles	5

Component Unit

The Polk County “911” Emergency Communications District is a component unit of Polk County, Tennessee. As such, Polk County exercises significant influence over the district by having control over 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, Tennessee.

Budgets and Budgetary Accounting

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

**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, 2014, all deposits

with financial institutions were secured by collateral. A schedule of cash and investments classified by category of credit risk at June 30, 2014, is as follows:

	Carrying Amount	Bank Balance
Cash, Insured by Federal Depository Insurance (FDIC)	\$ 146,686	\$ 154,735
Certificates of Deposit, Insured by Federal Depository Insurance (FDIC)	199,703	195,314
Certificates of Deposit, Insured by Pledged Collateral	295	7,684
Total	<u>\$ 346,684</u>	<u>\$ 357,733</u>

**D. Accounts Receivable**

The accounts receivable balance represents amounts due from telephone companies' subscriber service charges at June 30, 2014.

**E. Capital Assets**

The following is a schedule of changes to capital assets:

	Balance 7-1-13	Additions	Balance 6-30-14
Capital Assets:			
Communications Equipment	\$ 744,314	\$ 160,177	\$ 904,491
Furniture and Fixtures	17,160	842	18,002
Office Equipment	13,238	0	13,238
Leasehold Improvement	140,799	0	140,799
Vehicles	88,459	0	88,459
Total Capital Assets	<u>\$ 1,003,970</u>	<u>\$ 161,019</u>	<u>\$ 1,164,989</u>
Accumulated Depreciation:			
Communications Equipment	\$ 423,555	\$ 64,422	\$ 487,977
Furniture and Fixtures	9,020	1,730	10,750
Office Equipment	9,187	1,121	10,308
Leasehold Improvement	19,337	7,930	27,267
Vehicles	4,718	17,692	22,410
Total Accumulated Depreciation	<u>\$ 465,817</u>	<u>\$ 92,895</u>	<u>\$ 558,712</u>

Provision for depreciation totaled \$92,895 for the year ended June 30, 2014.

**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 January 7, 2015, 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 Funding Progress – Pension Plan  
Primary Government and Discretely Presented Polk County School Department  
June 30, 2014

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Liability (AAL) Frozen Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
7-1-13	\$ 8,267	\$ 8,769	\$ 503	94.27 %	\$ 4,281	11.74 %
7-1-11	6,811	7,062	251	96.45	4,309	5.81
7-1-09	4,988	5,290	302	94.30	4,339	6.95

Exhibit E-2

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

(Dollar amounts in thousands)

Plans	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)		Unfunded AAL (UAAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
			Projected Unit Credit (b)	Projected Unit Credit (b)				
Local Education Group	7-1-10	\$ 0	\$ 3,287	\$ 3,287	0 %	\$ 10,500	31.30 %	
"	7-1-11	0	6,090	6,090	0	10,214	59.62	
"	7-1-13	0	3,184	3,184	0	10,389	30.65	
Medicare Supplement*	7-1-11	0	4,806	4,806	0	N/A	N/A	
	7-1-13	0	1,103	1,103	0	N/A	N/A	

\* - Data only available for two years.

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

NONE

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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 Polk County’s solid waste disposal.

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

## Capital Projects Funds

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

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

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

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

Waterline Capital Project Fund – The Waterline Capital Project Fund is used to account for installation of a waterline in Polk County.

Other Capital Projects Fund – The Other Capital Projects Fund is used to account for the purchase of vehicles and equipment for the Sheriff’s Department.

Exhibit F-1

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

	Special Revenue Funds			Capital Projects Funds		
	Solid Waste / Sanitation	Drug Control	Total	General Capital Projects	Community Development/Industrial Park	Waterline Capital Projects
<b>ASSETS</b>						
Equity in Pooled Cash and Investments	\$ 198,971	\$ 148,031	\$ 347,002	\$ 310	\$ 91,523	\$ 9,238
Due from Other Funds	27,000	0	27,000	0	0	0
Property Taxes Receivable	575,182	0	575,182	0	0	0
Allowance for Uncollectible Property Taxes	(35,259)	0	(35,259)	0	0	0
<b>Total Assets</b>	<b>\$ 765,894</b>	<b>\$ 148,031</b>	<b>\$ 913,925</b>	<b>\$ 310</b>	<b>\$ 91,523</b>	<b>\$ 9,238</b>
<b>LIABILITIES</b>						
Accounts Payable	\$ 27,000	\$ 0	\$ 27,000	\$ 0	\$ 0	\$ 9,238
Due to Other Funds	198,971	4,000	202,971	0	0	0
<b>Total Liabilities</b>	<b>\$ 225,971</b>	<b>\$ 4,000</b>	<b>\$ 229,971</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 9,238</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred Current Property Taxes	\$ 539,923	\$ 0	\$ 539,923	\$ 0	\$ 0	\$ 0
<b>Total Deferred Inflows of Resources</b>	<b>\$ 539,923</b>	<b>\$ 0</b>	<b>\$ 539,923</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>FUND BALANCES</b>						
Restricted:						
Restricted for Public Safety	\$ 0	\$ 144,031	\$ 144,031	\$ 0	\$ 0	\$ 0
Restricted for Capital Outlay	0	0	0	310	0	0
Committed:						
Committed for Capital Outlay	0	0	0	0	91,523	0
<b>Total Fund Balances</b>	<b>\$ 0</b>	<b>\$ 144,031</b>	<b>\$ 144,031</b>	<b>\$ 310</b>	<b>\$ 91,523</b>	<b>\$ 0</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 765,894</b>	<b>\$ 148,031</b>	<b>\$ 913,925</b>	<b>\$ 310</b>	<b>\$ 91,523</b>	<b>\$ 9,238</b>

(Continued)

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

	<u>Capital Projects Funds (Cont.)</u>		
	Other Capital Projects	Total	Total Nonmajor Governmental Funds
	\$ 28,892 \$	129,963 \$	476,965
	0	0	27,000
	0	0	575,182
	0	0	(35,259)
	\$ 28,892 \$	129,963 \$	1,043,888
<u>ASSETS</u>			
Equity in Pooled Cash and Investments			
Due from Other Funds			
Property Taxes Receivable			
Allowance for Uncollectible Property Taxes			
Total Assets			
<u>LIABILITIES</u>			
Accounts Payable			
Due to Other Funds			
Total Liabilities			
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Current Property Taxes			
Total Deferred Inflows of Resources			
<u>FUND BALANCES</u>			
Restricted:			
Restricted for Public Safety			
Restricted for Capital Outlay			
Committed:			
Committed for Capital Outlay			
Total Fund Balances			
Total Liabilities, Deferred Inflows of Resources, and Fund Balances			

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, 2014

	Special Revenue Funds			Capital Projects Funds		
	Solid Waste / Sanitation	Drug Control	Total	General Capital Projects	Community Development/ Industrial Park	HUD Grant Projects
<u>Revenues</u>						
Local Taxes	\$ 471,633	\$ 0	\$ 471,633	\$ 0	\$ 0	\$ 0
Fines, Forfeitures, and Penalties	0	86,280	86,280	0	0	0
Charges for Current Services	0	0	0	0	0	0
Other Local Revenues	0	0	0	38,848	0	0
State of Tennessee	0	0	0	313	0	0
Federal Government	0	406	406	0	0	306,356
Other Governments and Citizens Groups	0	0	0	0	0	0
Total Revenues	\$ 471,633	\$ 86,686	\$ 558,319	\$ 39,161	\$ 0	\$ 306,356
<u>Expenditures</u>						
Current:						
General Government	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Public Safety	0	5,000	5,000	0	0	0
Public Health and Welfare	471,633	0	471,633	0	0	0
Other Operations	0	843	843	38,851	0	306,356
Total Expenditures	\$ 471,633	\$ 5,843	\$ 477,476	\$ 38,851	\$ 0	\$ 306,356
Excess (Deficiency) of Revenues Over Expenditures	\$ 0	\$ 80,843	\$ 80,843	\$ 310	\$ 0	\$ 0
<u>Other Financing Sources (Uses)</u>						
Transfers Out	\$ 0	\$ (4,000)	\$ (4,000)	\$ 0	\$ 0	\$ 0
Total Other Financing Sources (Uses)	\$ 0	\$ (4,000)	\$ (4,000)	\$ 0	\$ 0	\$ 0
Net Change in Fund Balances	\$ 0	\$ 76,843	\$ 76,843	\$ 310	\$ 0	\$ 0
Fund Balance, July 1, 2013	0	67,188	67,188	0	91,523	0
Fund Balance, June 30, 2014	\$ 0	\$ 144,031	\$ 144,031	\$ 310	\$ 91,523	\$ 0

(Continued)

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

	Capital Projects Funds (Cont.)			Total Nonmajor Governmental Funds
	Waterline Capital Projects	Other Capital Projects	Total	
<u>Revenues</u>				
Local Taxes	\$ 0	\$ 0	\$ 0	471,633
Fines, Forfeitures, and Penalties	0	0	0	86,280
Charges for Current Services	0	29,034	29,034	29,034
Other Local Revenues	0	0	38,848	38,848
State of Tennessee	0	0	313	313
Federal Government	48,340	0	354,696	355,102
Other Governments and Citizens Groups	0	37,290	37,290	37,290
Total Revenues	\$ 48,340	\$ 66,324	\$ 460,181	\$ 1,018,500
<u>Expenditures</u>				
Current:				
General Government	\$ 48,340	\$ 0	\$ 48,340	48,340
Public Safety	0	88,315	88,315	93,315
Public Health and Welfare	0	0	0	471,633
Other Operations	0	663	345,870	346,713
Total Expenditures	\$ 48,340	\$ 88,978	\$ 482,525	\$ 960,001
Excess (Deficiency) of Revenues Over Expenditures	\$ 0	\$ (22,654)	\$ (22,344)	\$ 58,499
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ 0	\$ 0	\$ 0	(4,000)
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	(4,000)
Net Change in Fund Balances	\$ 0	\$ (22,654)	\$ (22,344)	\$ 54,499
Fund Balance, July 1, 2013	0	51,546	143,069	210,257
Fund Balance, June 30, 2014	\$ 0	\$ 28,892	\$ 120,725	\$ 264,756

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, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 471,633	\$ 515,436	\$ 515,436	\$ (43,803)
Total Revenues	\$ 471,633	\$ 515,436	\$ 515,436	\$ (43,803)
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Management	\$ 471,633	\$ 515,436	\$ 557,540	\$ 85,907
Total Expenditures	\$ 471,633	\$ 515,436	\$ 557,540	\$ 85,907
Excess (Deficiency) of Revenues Over Expenditures	\$ 0	\$ 0	\$ (42,104)	\$ 42,104
Net Change in Fund Balance	\$ 0	\$ 0	\$ (42,104)	\$ 42,104
Fund Balance, July 1, 2013	0	113,066	113,066	(113,066)
Fund Balance, June 30, 2014	\$ 0	\$ 113,066	\$ 70,962	\$ (70,962)

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, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 86,280	\$ 40,000	\$ 40,000	\$ 46,280
State of Tennessee	0	800	800	(800)
Federal Government	406	400	400	6
Total Revenues	<u>\$ 86,686</u>	<u>\$ 41,200</u>	<u>\$ 41,200</u>	<u>\$ 45,486</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 5,000	\$ 84,000	\$ 84,000	\$ 79,000
<u>Other Operations</u>				
Other Charges	843	600	850	7
Total Expenditures	<u>\$ 5,843</u>	<u>\$ 84,600</u>	<u>\$ 84,850</u>	<u>\$ 79,007</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 80,843</u>	<u>\$ (43,400)</u>	<u>\$ (43,650)</u>	<u>\$ 124,493</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (4,000)	0	(4,000)	0
Total Other Financing Sources	<u>\$ (4,000)</u>	<u>0</u>	<u>(4,000)</u>	<u>0</u>
Net Change in Fund Balance	\$ 76,843	\$ (43,400)	\$ (47,650)	\$ 124,493
Fund Balance, July 1, 2013	<u>67,188</u>	<u>61,296</u>	<u>61,296</u>	<u>5,892</u>
Fund Balance, June 30, 2014	<u><u>\$ 144,031</u></u>	<u><u>\$ 17,896</u></u>	<u><u>\$ 13,646</u></u>	<u><u>\$ 130,385</u></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, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,124,225	\$ 1,141,571	\$ 1,141,571	\$ (17,346)
Other Local Revenues	8,912	18,000	18,000	(9,088)
State of Tennessee	111,717	129,000	129,000	(17,283)
Other Governments and Citizens Groups	739,516	650,000	739,516	0
Total Revenues	<u>\$ 1,984,370</u>	<u>\$ 1,938,571</u>	<u>\$ 2,028,087</u>	<u>\$ (43,717)</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 420,000	\$ 1,831,300	\$ 420,000	\$ 0
Education	723,314	0	723,314	0
<u>Interest on Debt</u>				
General Government	304,520	0	304,520	0
Education	472,982	0	472,982	0
<u>Other Debt Service</u>				
General Government	25,565	26,500	26,500	935
Total Expenditures	<u>\$ 1,946,381</u>	<u>\$ 1,857,800</u>	<u>\$ 1,947,316</u>	<u>\$ 935</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 37,989</u>	<u>\$ 80,771</u>	<u>\$ 80,771</u>	<u>\$ (42,782)</u>
Net Change in Fund Balance	\$ 37,989	\$ 80,771	\$ 80,771	\$ (42,782)
Fund Balance, July 1, 2013	1,386,951	1,329,307	1,329,307	57,644
Fund Balance, June 30, 2014	<u>\$ 1,424,940</u>	<u>\$ 1,410,078</u>	<u>\$ 1,410,078</u>	<u>\$ 14,862</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 of deeds, 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, 2014

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 658,509	\$ 658,509
Due from Other Governments	62,302	0	62,302
Total Assets	<u>\$ 62,302</u>	<u>\$ 658,509</u>	<u>\$ 720,811</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 62,302	\$ 0	\$ 62,302
Due to Litigants, Heirs, and Others	0	658,509	658,509
Total Liabilities	<u>\$ 62,302</u>	<u>\$ 658,509</u>	<u>\$ 720,811</u>

Exhibit H-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 386,483	\$ 386,483	\$ 0
Due from Other Governments	64,454	62,302	64,454	62,302
Total Assets	\$ 64,454	\$ 448,785	\$ 450,937	\$ 62,302
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 64,454	\$ 448,785	\$ 450,937	\$ 62,302
Total Liabilities	\$ 64,454	\$ 448,785	\$ 450,937	\$ 62,302
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 1,228,213	\$ 4,467,055	\$ 5,036,759	\$ 658,509
Total Assets	\$ 1,228,213	\$ 4,467,055	\$ 5,036,759	\$ 658,509
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 1,228,213	\$ 4,467,055	\$ 5,036,759	\$ 658,509
Total Liabilities	\$ 1,228,213	\$ 4,467,055	\$ 5,036,759	\$ 658,509
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 1,228,213	\$ 4,467,055	\$ 5,036,759	\$ 658,509
Equity in Pooled Cash and Investments	0	386,483	386,483	0
Due from Other Governments	64,454	62,302	64,454	62,302
Total Assets	\$ 1,292,667	\$ 4,915,840	\$ 5,487,696	\$ 720,811
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 64,454	\$ 448,785	\$ 450,937	\$ 62,302
Due to Litigants, Heirs, and Others	1,228,213	4,467,055	5,036,759	658,509
Total Liabilities	\$ 1,292,667	\$ 4,915,840	\$ 5,487,696	\$ 720,811

# 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, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 12,377,679	\$ 248	\$ 798,402	\$ (11,579,029)
Support Services	7,611,020	554	490,385	(7,120,081)
Operation of Non-instructional Services	2,060,867	307,783	1,719,058	(34,026)
<b>Total Governmental Activities</b>	<b>\$ 22,049,566</b>	<b>\$ 308,585</b>	<b>\$ 3,007,845</b>	<b>\$ (18,733,136)</b>
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes			\$ 2,268,687	
Local Option Sales Taxes			1,453,502	
Business Tax			21,433	
Other Local Taxes			3,203	
Grants and Contributions Not Restricted to Specific Programs			14,113,323	
Unrestricted Investment Earnings			117	
Miscellaneous			122,508	
<b>Total General Revenues</b>			<b>\$ 17,982,773</b>	
Change in Net Position				\$ (750,363)
Net Position, July 1, 2013				15,725,717
Net Position, June 30, 2014				<u>\$ 14,975,354</u>

Exhibit I-2

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

	<u>Major Funds</u>		<u>Nonmajor Funds</u>	
	<u>General Purpose School</u>	<u>Central Cafeteria</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash	\$ 0	\$ 34,321	\$ 0	\$ 34,321
Equity in Pooled Cash and Investments	1,482,992	411,151	67,863	1,962,006
Accounts Receivable	1,324	0	48	1,372
Due from Other Governments	752,720	222,265	83,442	1,058,427
Property Taxes Receivable	2,525,357	0	0	2,525,357
Allowance for Uncollectible Property Taxes	(281,009)	0	0	(281,009)
Total Assets	\$ 4,481,384	\$ 667,737	\$ 151,353	\$ 5,300,474
<u>LIABILITIES</u>				
Accounts Payable	\$ 4,950	\$ 0	\$ 769	\$ 5,719
Accrued Payroll	2,200	0	0	2,200
Payroll Deductions Payable	287,709	0	24,188	311,897
Total Liabilities	\$ 294,859	\$ 0	\$ 24,957	\$ 319,816
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Current Property Taxes	\$ 2,153,803	\$ 0	\$ 0	\$ 2,153,803
Deferred Delinquent Property Taxes	73,259	0	0	73,259
Other Deferred/Unavailable Revenue	139,985	0	0	139,985
Total Deferred Inflows of Resources	\$ 2,367,047	\$ 0	\$ 0	\$ 2,367,047
<u>FUND BALANCES</u>				
Restricted:				
Restricted for Education	\$ 10,148	\$ 667,737	\$ 26,396	\$ 704,281
Committed:				
Committed for Education	0	0	100,000	100,000
Assigned:				
Assigned for Education	88,357	0	0	88,357
Unassigned	1,720,973	0	0	1,720,973
Total Fund Balances	\$ 1,819,478	\$ 667,737	\$ 126,396	\$ 2,613,611
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 4,481,384	\$ 667,737	\$ 151,353	\$ 5,300,474

Exhibit I-3

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

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

Total fund balances - balance sheet - governmental funds (Exhibit I-2)		\$ 2,613,611
(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	14,464,943	
Add: other capital assets net of accumulated depreciation	<u>1,321,447</u>	15,787,890
(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 position.		40,971
(3) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: contributions due on the primary government debt for capital leases	\$ (324,366)	
Less: other postemployment benefits liability	<u>(3,355,996)</u>	(3,680,362)
(4) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>213,244</u>
Net position of governmental activities (Exhibit A)		<u><u>\$ 14,975,354</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, 2014

	<u>Major Funds</u>		<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>Central</u>	<u>Other</u>	
	<u>Purpose</u>	<u>Cafeteria</u>	<u>Govern-</u>	<u>Governmental</u>
	<u>School</u>		<u>mental</u>	<u>Funds</u>
			<u>Funds</u>	<u>Funds</u>
<u>Revenues</u>				
Local Taxes	\$ 3,847,019	\$ 0	\$ 0	\$ 3,847,019
Licenses and Permits	1,358	0	0	1,358
Charges for Current Services	0	293,554	0	293,554
Other Local Revenues	144,440	1,311	0	145,751
State of Tennessee	14,171,321	14,262	0	14,185,583
Federal Government	313,432	1,066,119	1,506,884	2,886,435
<b>Total Revenues</b>	<b>\$ 18,477,570</b>	<b>\$ 1,375,246</b>	<b>\$ 1,506,884</b>	<b>\$ 21,359,700</b>
<u>Expenditures</u>				
Current:				
Instruction	\$ 10,408,739	\$ 0	\$ 991,659	\$ 11,400,398
Support Services	6,650,909	0	537,005	7,187,914
Operation of Non-instructional Services	642,851	1,406,227	0	2,049,078
Capital Outlay	17,907	0	0	17,907
Debt Service:				
Other Debt Service	650,000	0	0	650,000
<b>Total Expenditures</b>	<b>\$ 18,370,406</b>	<b>\$ 1,406,227</b>	<b>\$ 1,528,664</b>	<b>\$ 21,305,297</b>
<b>Excess (Deficiency) of Revenues</b>				
Over Expenditures	\$ 107,164	\$ (30,981)	\$ (21,780)	\$ 54,403
<b>Net Change in Fund Balances</b>	<b>\$ 107,164</b>	<b>\$ (30,981)</b>	<b>\$ (21,780)</b>	<b>\$ 54,403</b>
Fund Balance, July 1, 2013	1,712,314	698,718	148,176	2,559,208
<b>Fund Balance, June 30, 2014</b>	<b>\$ 1,819,478</b>	<b>\$ 667,737</b>	<b>\$ 126,396</b>	<b>\$ 2,613,611</b>

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, 2014

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

Net change in fund balances - total governmental funds (Exhibit I-4)		\$	54,403
(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		\$	40,882
Less: current-year depreciation expense			<u>(647,285)</u>
			(606,403)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position			
Less: book value of capital assets disposed			(15,503)
(3) 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, 2014		\$	213,244
Less: deferred delinquent property taxes and other deferred June 30, 2013			<u>(271,062)</u>
			(57,818)
(4) The contributions of long-term debt (e.g., notes, bonds, leases) by the primary government provides current financial resources to governmental funds, while the contributions by the School Department of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.			
Add: principal contributions on leases to primary government			73,314
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.			
Change in other postemployment benefits liability			(198,387)
(6) 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>31</u>
Change in net position of governmental activities (Exhibit B)		\$	<u><u>(750,363)</u></u>

Exhibit I-6

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

	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	School Federal Projects	Education Capital Projects	
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 41,599	\$ 26,264	\$ 67,863
Accounts Receivable	48	0	48
Due from Other Governments	83,442	0	83,442
Total Assets	\$ 125,089	\$ 26,264	\$ 151,353
<u>LIABILITIES</u>			
Accounts Payable	\$ 769	\$ 0	\$ 769
Payroll Deductions Payable	24,188	0	24,188
Total Liabilities	\$ 24,957	\$ 0	\$ 24,957
<u>FUND BALANCES</u>			
Restricted:			
Restricted for Education	\$ 132	\$ 26,264	\$ 26,396
Committed:			
Committed for Education	100,000	0	100,000
Total Fund Balances	\$ 100,132	\$ 26,264	\$ 126,396
Total Liabilities and Fund Balances	\$ 125,089	\$ 26,264	\$ 151,353

Exhibit I-7

Polk County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Nonmajor Governmental Funds  
Discretely Presented Polk County School Department  
For the Year Ended June 30, 2014

	Special Revenue Fund <u>School Federal Projects</u>	Capital Projects Fund <u>Education Capital Projects</u>	Total Nonmajor Governmental Funds
<u>Revenues</u>			
Federal Government	\$ 1,506,884	\$ 0	\$ 1,506,884
Total Revenues	<u>\$ 1,506,884</u>	<u>\$ 0</u>	<u>\$ 1,506,884</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 991,659	\$ 0	\$ 991,659
Support Services	537,005	0	537,005
Total Expenditures	<u>\$ 1,528,664</u>	<u>\$ 0</u>	<u>\$ 1,528,664</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (21,780)</u>	<u>\$ 0</u>	<u>\$ (21,780)</u>
Net Change in Fund Balances	\$ (21,780)	\$ 0	\$ (21,780)
Fund Balance, July 1, 2013	121,912	26,264	148,176
Fund Balance, June 30, 2014	<u>\$ 100,132</u>	<u>\$ 26,264</u>	<u>\$ 126,396</u>

Exhibit I-8

Polk County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Discretely Presented Polk County School Department  
General Purpose School Fund  
For the Year Ended June 30, 2014

	Actual (GAAP Basis)	Less:		Add:	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Encumbrances 7/1/2013	Encumbrances 6/30/2014			Original	Final	
<b>Revenues</b>								
Local Taxes	\$ 3,847,019	\$ 0	\$ 0	\$ 3,847,019	\$ 3,970,589	\$ 3,978,689	\$ (131,670)	
Licenses and Permits	1,358	0	0	1,358	1,500	1,500	(142)	
Fines, Forfeitures, and Penalties	0	0	0	0	200	200	(200)	
Charges for Current Services	0	0	0	0	500	500	(500)	
Other Local Revenues	144,440	0	0	144,440	107,020	146,422	(1,982)	
State of Tennessee	14,171,321	0	0	14,171,321	13,025,799	14,120,900	50,421	
Federal Government	313,432	0	0	313,432	277,000	392,000	(78,568)	
<b>Total Revenues</b>	<b>\$ 18,477,570</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 18,477,570</b>	<b>\$ 17,382,608</b>	<b>\$ 18,640,211</b>	<b>\$ (162,641)</b>	
<b>Expenditures</b>								
<b>Instruction</b>								
Regular Instruction Program	\$ 8,668,441	\$ (13,000)	\$ 0	\$ 8,655,441	\$ 8,719,764	\$ 8,771,259	\$ 115,818	
Alternative Instruction Program	131,780	0	0	131,780	132,976	132,416	636	
Special Education Program	897,907	0	0	897,907	912,780	910,931	13,024	
Vocational Education Program	710,611	0	0	710,611	727,705	731,822	21,211	
Student Body Education Program	0	0	0	0	56,000	0	0	
<b>Support Services</b>								
Attendance	86,138	0	0	86,138	89,064	86,694	556	
Health Services	89,822	0	0	89,822	93,354	90,184	362	
Other Student Support	1,143,721	(8,525)	44,421	1,179,617	547,888	1,178,084	(1,533)	
Regular Instruction Program	319,288	0	0	319,288	311,405	322,390	3,102	
Special Education Program	225,787	0	0	225,787	228,714	226,619	832	
Vocational Education Program	48,258	0	0	48,258	47,193	48,273	15	
Other Programs	99,493	0	0	99,493	0	99,493	0	

(Continued)

Exhibit I-8

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2013	Add: Encumbrances 6/30/2014	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Board of Education	\$ 429,360	\$ 0	\$ 0	\$ 429,360	\$ 468,018	\$ 439,760	\$ 10,400
Director of Schools	289,794	0	5,734	295,528	312,960	301,607	6,079
Office of the Principal	1,161,423	0	0	1,161,423	1,151,380	1,169,090	7,667
Fiscal Services	164,927	0	0	164,927	157,912	165,172	245
Operation of Plant	1,497,297	(3,000)	1,125	1,495,422	1,584,821	1,575,364	79,942
Maintenance of Plant	150,884	0	0	150,884	139,572	148,482	(2,402)
Transportation	944,717	0	0	944,717	974,792	992,074	47,357
<u>Operation of Non-instructional Services</u>							
Food Service	72,256	0	0	72,256	48,210	73,705	1,449
Community Services	2,500	0	0	2,500	0	2,500	0
Early Childhood Education	568,095	(9,456)	37,077	595,716	85,101	589,407	(6,309)
<u>Capital Outlay</u>							
Regular Capital Outlay	17,907	0	0	17,907	0	18,000	93
<u>Other Debt Service</u>							
Education	650,000	0	0	650,000	650,000	650,000	0
Total Expenditures	\$ 18,370,406	\$ (33,981)	\$ 88,357	\$ 18,424,782	\$ 17,439,609	\$ 18,723,326	\$ 298,544
Excess (Deficiency) of Revenues Over Expenditures	\$ 107,164	\$ 33,981	\$ (88,357)	\$ 52,788	\$ (57,001)	\$ (83,115)	\$ 135,903
Net Change in Fund Balance Fund Balance, July 1, 2013	\$ 107,164	\$ 33,981	\$ (88,357)	\$ 52,788	\$ (57,001)	\$ (83,115)	\$ 135,903
	1,712,314	(33,981)	0	1,678,333	1,958,260	1,958,260	(279,927)
Fund Balance, June 30, 2014	\$ 1,819,478	\$ 0	\$ (88,357)	\$ 1,731,121	\$ 1,901,259	\$ 1,875,145	\$ (144,024)

Exhibit I-9

Polk County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Discretely Presented Polk County School Department  
School Federal Projects Fund  
For the Year Ended June 30, 2014

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Federal Government	\$ 1,506,884	\$ 0	\$ 1,506,884	\$ 1,613,915	\$ 1,615,183	\$ (108,299)
Total Revenues	\$ 1,506,884	\$ 0	\$ 1,506,884	\$ 1,613,915	\$ 1,615,183	\$ (108,299)
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 485,075	\$ 0	\$ 485,075	\$ 560,113	\$ 576,687	\$ 91,612
Special Education Program	474,829	0	474,829	503,263	504,531	29,702
Vocational Education Program	31,755	(6,009)	25,746	25,751	25,751	5
<u>Support Services</u>						
Health Services	382	0	382	2,000	2,000	1,618
Other Student Support	292,146	0	292,146	338,301	323,338	31,192
Regular Instruction Program	183,297	0	183,297	234,728	233,117	49,820
Special Education Program	57,678	0	57,678	72,724	72,724	15,046
Vocational Education Program	1,839	0	1,839	1,839	1,839	0
Transportation	1,663	0	1,663	3,428	3,428	1,765
Total Expenditures	\$ 1,528,664	\$ (6,009)	\$ 1,522,655	\$ 1,742,147	\$ 1,743,415	\$ 220,760
Excess (Deficiency) of Revenues Over Expenditures	\$ (21,780)	\$ 6,009	\$ (15,771)	\$ (128,232)	\$ (128,232)	\$ 112,461
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 0	\$ 0	\$ 0	\$ 128,232	\$ 128,232	\$ (128,232)
Total Other Financing Sources	\$ 0	\$ 0	\$ 0	\$ 128,232	\$ 128,232	\$ (128,232)
Net Change in Fund Balance Fund Balance, July 1, 2013	\$ (21,780)	\$ 6,009	\$ (15,771)	\$ 0	\$ 0	\$ (15,771)
	121,912	(6,009)	115,903	0	0	115,903
Fund Balance, June 30, 2014	\$ 100,132	\$ 0	\$ 100,132	\$ 0	\$ 0	\$ 100,132

Exhibit I-10

Polk County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Discretely Presented Polk County School Department  
Central Cafeteria Fund  
For the Year Ended June 30, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 293,554	\$ 414,800	\$ 414,800	\$ (121,246)
Other Local Revenues	1,311	5,100	5,100	(3,789)
State of Tennessee	14,262	16,000	16,000	(1,738)
Federal Government	1,066,119	1,081,000	1,176,012	(109,893)
Total Revenues	<u>\$ 1,375,246</u>	<u>\$ 1,516,900</u>	<u>\$ 1,611,912</u>	<u>\$ (236,666)</u>
<u>Expenditures</u>				
<u>Operation of Non-instructional Services</u>				
Food Service	\$ 1,406,227	\$ 1,516,900	\$ 1,611,912	\$ 205,685
Total Expenditures	<u>\$ 1,406,227</u>	<u>\$ 1,516,900</u>	<u>\$ 1,611,912</u>	<u>\$ 205,685</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (30,981)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (30,981)</u>
Net Change in Fund Balance	\$ (30,981)	\$ 0	\$ 0	\$ (30,981)
Fund Balance, July 1, 2013	<u>698,718</u>	<u>396,932</u>	<u>396,932</u>	<u>301,786</u>
Fund Balance, June 30, 2014	<u>\$ 667,737</u>	<u>\$ 396,932</u>	<u>\$ 396,932</u>	<u>\$ 270,805</u>

Exhibit I-11

Polk County, Tennessee  
Statement of Net Position  
Discretely Presented Polk County School Department  
Proprietary Fund  
June 30, 2014

Governmental  
 Activities -  
 Internal  
 Service Fund  


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 Self-  
 Insurance  
 Fund  


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ASSETS

Current Assets:

Cash	\$ 40,971
Total Assets	<u>\$ 40,971</u>

NET POSITION

Restricted	<u>\$ 40,971</u>
Total Net Position	<u><u>\$ 40,971</u></u>

Exhibit I-12

Polk County, Tennessee  
Statement of Revenues, Expenses, and  
Changes in Net Position  
Discretely Presented Polk County School Department  
Proprietary Fund  
For the Year Ended June 30, 2014

	Governmental Activities - Internal Service Fund
	<u>Self- Insurance Fund</u>
<u>Nonoperating Revenues</u>	
Investment Income	\$ 31
Total Nonoperating Revenues	<u>\$ 31</u>
Change in Net Position	\$ 31
Net Position, July 1, 2013	<u>40,940</u>
Net Position, June 30, 2014	<u><u>\$ 40,971</u></u>

Exhibit I-13

Polk County, Tennessee  
Statement of Cash Flows  
Discretely Presented Polk County School Department  
Proprietary Fund  
For the Year Ended June 30, 2014

	Governmental Activities - Internal Service Fund
	<u>Self- Insurance Fund</u>
<u>Cash Flows from Investing Activities</u>	
Interest on Investments	\$ 31
Net Cash Provided By (Used In) Investing Activities	<u>\$ 31</u>
Net Increase (Decrease) in Cash	\$ 31
Cash, July 1, 2013	<u>40,940</u>
Cash, June 30, 2014	<u><u>\$ 40,971</u></u>

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## MISCELLANEOUS SCHEDULES

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Exhibit J-1

Polk County, Tennessee  
Schedule of Changes in Long-term Bonds and Capital Leases  
For the Year Ended June 30, 2014

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-13	Paid and/or	
						Matured During Period	Outstanding 6-30-14
<b><u>BONDS PAYABLE</u></b>							
<u>Payable through General Debt Service Fund</u>							
General Obligation Refunding Bond, Series 2007	\$ 22,100,000	4 to 5%	4-30-07	4-30-25	\$ 16,490,000	\$ 1,070,000	\$ 15,420,000
Total Bonds Payable					<u>\$ 16,490,000</u>	<u>\$ 1,070,000</u>	<u>\$ 15,420,000</u>
<b><u>CAPITAL LEASES PAYABLE</u></b>							
<u>Contributions Due by the School Department from the General</u>							
<u>Purpose School Fund to the General Debt Service Fund</u>	535,508	4.074	5-1-11	5-1-18	\$ 397,680	\$ 73,314	\$ 324,366
School Buses					<u>\$ 397,680</u>	<u>\$ 73,314</u>	<u>\$ 324,366</u>
Total Capital Leases Payable					<u>\$ 397,680</u>	<u>\$ 73,314</u>	<u>\$ 324,366</u>

Exhibit J-2

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

Year Ending June 30	Bond		
	Principal	Interest	Total
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	\$ 15,420,000	\$ 4,720,650	\$ 20,140,650

Year Ending June 30	Capital Lease		
	Principal	Interest	Total
2015	\$ 76,301	\$ 13,215	\$ 89,516
2016	79,409	10,107	89,516
2017	82,645	6,871	89,516
2018	86,011	3,505	89,516
Total	\$ 324,366	\$ 33,698	\$ 358,064

Exhibit J-3

Polk County, Tennessee  
Schedule of Transfers  
For the Year Ended June 30, 2014

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Drug Control	General	Reimbursement for salaries	\$ 4,000
Total Transfers			<u>\$ 4,000</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, 2014

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Executive	Section 8-24-102, TCA	\$ 71,184	\$ 50,000	Travelers Casualty and Surety Company
Highway Superintendent	Section 8-24-102, TCA	67,795	100,000	"
Director of Schools	State Board of Education and Polk County Board of Education	101,204 (1)	(2)	
Director of Accounts and Budgets	County Commission	30,965	(3)	
Trustee	Section 8-24-102, TCA	61,632	741,705	"
Assessor of Property	Section 8-24-102, TCA	61,632	50,000	"
County Clerk	Section 8-24-102, TCA	61,632	50,000	"
Circuit and General Sessions Courts Clerk	Section 8-24-102, TCA	61,632	50,000	"
Clerk and Master	Section 8-24-102, TCA	61,632	50,000	State Farm Fire and Casualty Company
Register of Deeds	Section 8-24-102, TCA	61,632	50,000	Travelers Casualty and Surety Company
Sheriff	Section 8-24-102, TCA	67,795	25,000	"
Employee Blanket Bonds:				
Public Employee Dishonesty - School Department			150,000	Tennessee Risk Management Trust
Public Employee Dishonesty - County Departments			150,000	"

(1) Does not include \$3,795 for unused vacation days, career ladder program of \$1,000, and a negotiated annual allowance of \$9,000 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, 2014

	Special Revenue Funds					Debt Service Fund	Capital Projects Funds
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	General Debt Service		
<u>Local Taxes</u>							
<u>County Property Taxes</u>							
Current Property Tax	\$ 3,292,446	\$ 471,633	\$ 0	\$ 0	\$ 952,504	\$ 0	0
Trustee's Collections - Prior Year	146,797	0	0	0	41,376	0	0
Circuit/Clerk and Master Collections - Prior Years	186,987	0	0	0	53,513	0	0
Interest and Penalty	28,657	0	0	0	8,074	0	0
Payments in-Lieu-of Taxes - T.V.A.	61,504	0	0	0	15,710	0	0
Payments in-Lieu-of Taxes - Other	63,708	0	0	0	15,938	0	0
<u>County Local Option Taxes</u>							
Hotel/Motel Tax	41,312	0	0	0	20,656	0	0
Local Amusement Tax	43,190	0	0	0	0	0	0
Litigation Tax - General	78,614	0	0	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	43,528	0	0	0	0	0	0
Litigation Tax - Courthouse Security	1,980	0	0	0	0	0	0
Business Tax	39,198	0	0	0	9,838	0	0
<u>Statutory Local Taxes</u>							
Bank Excise Tax	26,448	0	0	0	6,616	0	0
Wholesale Beer Tax	271,066	0	0	0	0	0	0
Beer Privilege Tax	2,874	0	0	0	0	0	0
Total Local Taxes	\$ 4,328,309	\$ 471,633	\$ 0	\$ 0	\$ 1,124,225	\$ 0	0
<u>Licenses and Permits</u>							
<u>Licenses</u>							
Cable TV Franchise	\$ 74,337	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0
<u>Permits</u>							
Beer Permits	475	0	0	0	0	0	0
Building Permits	2,475	0	0	0	0	0	0

(Continued)

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

	Special Revenue Funds				Debt Service Fund	Capital Projects Funds
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works		
<u>Licenses and Permits (Cont.)</u>						
<u>Permits (Cont.)</u>						
Electrical Permits	9,319	0	0	0	0	0
Total Licenses and Permits	\$ 86,606	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Fines, Forfeitures, and Penalties</u>						
<u>Circuit Court</u>						
Fines	11,026	0	0	0	0	0
Officers Costs	4,713	0	0	0	0	0
Drug Control Fines	0	0	22,211	0	0	0
Drug Court Fees	2,195	0	0	0	0	0
Jail Fees	2,062	0	0	0	0	0
DUI Treatment Fines	665	0	0	0	0	0
Data Entry Fee - Circuit Court	715	0	0	0	0	0
<u>General Sessions Court</u>						
Fines	16,809	0	0	0	0	0
Officers Costs	23,008	0	0	0	0	0
Game and Fish Fines	210	0	0	0	0	0
Drug Control Fines	0	0	27,121	0	0	0
Drug Court Fees	7,886	0	0	0	0	0
Jail Fees	11,711	0	0	0	0	0
DUI Treatment Fines	5,895	0	0	0	0	0
Data Entry Fee - General Sessions Court	7,242	0	0	0	0	0
Courtroom Security Fee	37,948	0	0	0	0	0
<u>Juvenile Court</u>						
Data Entry Fee - Juvenile Court	3,665	0	0	0	0	0

(Continued)

Exhibit J-5

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

	Special Revenue Funds				Debt Service Fund	Capital Projects Funds
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works		
<u>Fines, Forfeitures, and Penalties (Cont.)</u>						
<u>Chancery Court</u>						
Officers Costs	\$ 80	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Data Entry Fee - Chancery Court	1,924	0	0	0	0	0
<u>Judicial District Drug Program</u>						
Courtroom Security Fee	19	0	0	0	0	0
<u>Other Fines, Forfeitures, and Penalties</u>						
Proceeds from Confiscated Property	0	0	36,948	0	0	0
Total Fines, Forfeitures, and Penalties	\$ 137,773	\$ 0	\$ 86,280	\$ 0	\$ 0	\$ 0
<u>Charges for Current Services</u>						
<u>Fees</u>						
Copy Fees	\$ 2,844	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Library Fees	1,023	0	0	0	0	0
Telephone Commissions	0	0	0	0	0	0
Data Processing Fee - Register	4,872	0	0	0	0	0
Data Processing Fee - Sheriff	1,465	0	0	0	0	0
Sexual Offender Registration Fee - Sheriff	500	0	0	0	0	0
Data Processing Fee - County Clerk	1,296	0	0	0	0	0
Total Charges for Current Services	\$ 12,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,491	\$ 0
Lease/Rentals	11,792	0	0	0	0	0
Sale of Materials and Supplies	0	0	0	88	0	0
Commissary Sales	41,003	0	0	0	0	0

(Continued)

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

	Special Revenue Funds				Debt Service Fund	Capital Projects Funds
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works		
<u>Other Local Revenues (Cont.)</u>						
<u>Recurring Items (Cont.)</u>						
Sale of Gasoline	\$ 0	\$ 0	\$ 0	\$ 372,476	\$ 0	\$ 0
Sale of Recycled Materials	249	0	0	0	0	0
Miscellaneous Refunds	20,118	0	0	1,633	2,421	0
<u>Nonrecurring Items</u>						
Sale of Equipment	23,200	0	0	49,215	0	0
Sale of Property	3,989	0	0	0	0	0
Damages Recovered from Individuals	3,100	0	0	0	0	0
Contributions and Gifts	7,500	0	0	0	0	38,848
<u>Other Local Revenues</u>	31	0	0	0	0	0
Other Local Revenues	\$ 110,982	\$ 0	\$ 0	\$ 423,412	\$ 8,912	\$ 38,848
Total Other Local Revenues						
<u>Fees Received from County Officials</u>						
<u>Excess Fees</u>						
County Clerk	\$ 15,286	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Fees in-Lieu-of Salary</u>						
County Clerk	158,739	0	0	0	0	0
Circuit Court Clerk	50,084	0	0	0	0	0
General Sessions Court Clerk	130,471	0	0	0	0	0
Clerk and Master	64,133	0	0	0	0	0
Register	53,641	0	0	0	0	0
Sheriff	5,151	0	0	0	0	0
Trustee	236,271	0	0	0	0	0
Total Fees Received from County Officials	\$ 713,776	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

(Continued)

Exhibit J-5

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

	Special Revenue Funds				Highway / Public Works	Debt Service Fund	Capital Projects Funds
	General	Solid Waste / Sanitation	Drug Control				
<u>State of Tennessee</u>							
<u>General Government Grants</u>							
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0
Airport Maintenance Program	1,596	0	0	0	0	0	313
Child Restraint Program	7,870	0	0	0	0	0	0
Aging Programs	13,680	0	0	0	0	0	0
<u>Public Safety Grants</u>							
Law Enforcement Training Programs	11,400	0	0	0	0	0	0
<u>Health and Welfare Grants</u>							
Health Department Programs	104,831	0	0	0	0	0	0
<u>Public Works Grants</u>							
State Aid Program	0	0	0	235,709	0	0	0
Litter Program	40,991	0	0	0	0	0	0
Other Public Works Grants	5,832	0	0	0	0	0	0
<u>Other State Revenues</u>							
Income Tax	17,994	0	0	0	4,483	0	0
Beer Tax	17,806	0	0	0	0	0	0
Alcoholic Beverage Tax	42,179	0	0	0	0	0	0
State Revenue Sharing - T.V.A.	428,648	0	0	0	107,234	0	0
Contracted Prisoner Boarding	1,325,118	0	0	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	1,590,949	0	0	0
Petroleum Special Tax	0	0	0	12,140	0	0	0
Registrar's Salary Supplement	15,164	0	0	0	0	0	0
Other State Grants	7,763	0	0	0	0	0	0
Other State Revenues	6,630	0	0	0	0	0	0
Total State of Tennessee	\$ 2,056,502	\$ 0	\$ 0	\$ 1,838,798	\$ 111,717	\$ 313	

(Continued)

Exhibit J-5

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

	Special Revenue Funds				Debt Service Fund	Capital Projects Funds
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works		
<u>Federal Government</u>						
<u>Federal Through State</u>						
Other Federal through State	\$ 198,095	0	0	0	0	0
<u>Direct Federal Revenue</u>						
Forest Service	40,772	0	0	92,417	0	0
Other Direct Federal Revenue	0	0	406	0	0	0
Total Federal Government	\$ 238,867	0	406	92,417	0	0
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Contributions	50	0	0	0	739,516	0
Contracted Services	0	0	0	0	0	0
Total Other Governments and Citizens Groups	\$ 50	0	0	0	739,516	0
Total	\$ 7,684,865	471,633	86,686	2,354,627	1,984,370	39,161

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

	Capital Projects Funds (Cont.)				
	HUD Grant Projects	Waterline Capital Projects	Other Capital Projects	Total	
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 0	\$ 0	\$ 0	\$ 4,716,583	
Trustee's Collections - Prior Year	0	0	0	188,173	
Circuit/Clerk and Master Collections - Prior Years	0	0	0	240,500	
Interest and Penalty	0	0	0	36,731	
Payments in-Lieu-of Taxes - T.V.A.	0	0	0	77,214	
Payments in-Lieu-of Taxes - Other	0	0	0	79,646	
<u>County Local Option Taxes</u>					
Hotel/Motel Tax	0	0	0	61,968	
Local Amusement Tax	0	0	0	43,190	
Litigation Tax - General	0	0	0	78,614	
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	43,528	
Litigation Tax - Courthouse Security	0	0	0	1,980	
Business Tax	0	0	0	49,036	
<u>Statutory Local Taxes</u>					
Bank Excise Tax	0	0	0	33,064	
Wholesale Beer Tax	0	0	0	271,066	
Beer Privilege Tax	0	0	0	2,874	
Total Local Taxes	\$ 0	\$ 0	\$ 0	\$ 5,924,167	
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Cable TV Franchise	\$ 0	\$ 0	\$ 0	\$ 74,337	
<u>Permits</u>					
Beer Permits	0	0	0	475	
Building Permits	0	0	0	2,475	

(Continued)

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

	Capital Projects Funds (Cont.)				Total
	HUD Grant Projects	Waterline Capital Projects	Other Capital Projects		
<u>Licenses and Permits (Cont.)</u>					
<u>Permits (Cont.)</u>					
Electrical Permits	0 \$	0 \$	0 \$	0 \$	9,319
Total Licenses and Permits	0 \$	0 \$	0 \$	0 \$	86,606
<u>Fines, Forfeitures, and Penalties</u>					
<u>Circuit Court</u>					
Fines	0 \$	0 \$	0 \$	0 \$	11,026
Officers Costs	0	0	0	0	4,713
Drug Control Fines	0	0	0	0	22,211
Drug Court Fees	0	0	0	0	2,195
Jail Fees	0	0	0	0	2,062
DUI Treatment Fines	0	0	0	0	665
Data Entry Fee - Circuit Court	0	0	0	0	715
<u>General Sessions Court</u>					
Fines	0	0	0	0	16,809
Officers Costs	0	0	0	0	23,008
Game and Fish Fines	0	0	0	0	210
Drug Control Fines	0	0	0	0	27,121
Drug Court Fees	0	0	0	0	7,886
Jail Fees	0	0	0	0	11,711
DUI Treatment Fines	0	0	0	0	5,895
Data Entry Fee - General Sessions Court	0	0	0	0	7,242
Courtroom Security Fee	0	0	0	0	37,948
<u>Juvenile Court</u>					
Data Entry Fee - Juvenile Court	0	0	0	0	3,665

(Continued)

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

<u>Capital Projects Funds (Cont.)</u>				
	HUD Grant Projects	Waterline Capital Projects	Other Capital Projects	Total
<u>Fines, Forfeitures, and Penalties (Cont.)</u>				
<u>Chancery Court</u>				
Officers Costs	0 \$	0 \$	0 \$	80
Data Entry Fee - Chancery Court	0	0	0	1,924
<u>Judicial District Drug Program</u>				
Courtroom Security Fee	0	0	0	19
<u>Other Fines, Forfeitures, and Penalties</u>				
Proceeds from Confiscated Property	0	0	0	36,948
<b>Total Fines, Forfeitures, and Penalties</b>	<b>0 \$</b>	<b>0 \$</b>	<b>0 \$</b>	<b>224,053</b>
<u>Charges for Current Services</u>				
<u>Fees</u>				
Copy Fees	0 \$	0 \$	0 \$	2,844
Library Fees	0	0	0	1,023
Telephone Commissions	0	0	29,034	29,034
Data Processing Fee - Register	0	0	0	4,872
Data Processing Fee - Sheriff	0	0	0	1,465
Sexual Offender Registration Fee - Sheriff	0	0	0	500
Data Processing Fee - County Clerk	0	0	0	1,296
<b>Total Charges for Current Services</b>	<b>0 \$</b>	<b>0 \$</b>	<b>29,034 \$</b>	<b>41,034</b>
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	0 \$	0 \$	0 \$	6,491
Lease/Rentals	0	0	0	11,792
Sale of Materials and Supplies	0	0	0	88
Commissary Sales	0	0	0	41,003

(Continued)

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

<u>Capital Projects Funds (Cont.)</u>				
	HUD Grant Projects	Waterline Capital Projects	Other Capital Projects	Total
<u>Other Local Revenues (Cont.)</u>				
<u>Recurring Items (Cont.)</u>				
Sale of Gasoline	0 \$	0 \$	0 \$	372,476
Sale of Recycled Materials	0	0	0	249
Miscellaneous Refunds	0	0	0	24,172
<u>Nonrecurring Items</u>				
Sale of Equipment	0	0	0	72,415
Sale of Property	0	0	0	3,989
Damages Recovered from Individuals	0	0	0	3,100
Contributions and Gifts	0	0	0	46,348
<u>Other Local Revenues</u>	0	0	0	31
Other Local Revenues	0 \$	0 \$	0 \$	582,154
Total Other Local Revenues	0 \$	0 \$	0 \$	15,286
<u>Fees Received from County Officials</u>				
<u>Excess Fees</u>				
County Clerk	0	0	0	158,739
Fees in-Lieu-of Salary	0	0	0	50,084
County Clerk	0	0	0	130,471
Circuit Court Clerk	0	0	0	64,133
General Sessions Court Clerk	0	0	0	53,641
Clerk and Master	0	0	0	5,151
Register	0	0	0	236,271
Sheriff	0	0	0	713,776
Trustee	0	0	0	0
Total Fees Received from County Officials	0 \$	0 \$	0 \$	713,776

(Continued)

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

Capital Projects Funds (Cont.)				
	HUD Grant Projects	Waterline Capital Projects	Other Capital Projects	Total
State of Tennessee				
<u>General Government Grants</u>				
Juvenile Services Program	0 \$	0 \$	0 \$	9,000
Airport Maintenance Program	0	0	0	1,909
Child Restraint Program	0	0	0	7,870
Aging Programs	0	0	0	13,680
<u>Public Safety Grants</u>				
Law Enforcement Training Programs	0	0	0	11,400
<u>Health and Welfare Grants</u>				
Health Department Programs	0	0	0	104,831
<u>Public Works Grants</u>				
State Aid Program	0	0	0	235,709
Litter Program	0	0	0	40,991
Other Public Works Grants	0	0	0	5,832
<u>Other State Revenues</u>				
Income Tax	0	0	0	22,477
Beer Tax	0	0	0	17,806
Alcoholic Beverage Tax	0	0	0	42,179
State Revenue Sharing - T.V.A.	0	0	0	535,882
Contracted Prisoner Boarding	0	0	0	1,325,118
Gasoline and Motor Fuel Tax	0	0	0	1,590,949
Petroleum Special Tax	0	0	0	12,140
Registrar's Salary Supplement	0	0	0	15,164
Other State Grants	0	0	0	7,763
Other State Revenues	0	0	0	6,630
Total State of Tennessee	0 \$	0 \$	0 \$	4,007,330

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

	<u>Capital Projects Funds (Cont.)</u>				
	HUD Grant Projects	Waterline Capital Projects	Other Capital Projects		Total
<u>Federal Government</u>					
<u>Federal Through State</u>					
Other Federal through State	\$ 306,356	\$ 48,340	\$ 0	\$ 0	\$ 552,791
<u>Direct Federal Revenue</u>					
Forest Service	0	0	0	0	133,189
Other Direct Federal Revenue	0	0	0	0	406
Total Federal Government	\$ 306,356	\$ 48,340	\$ 0	\$ 0	\$ 686,386
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	0	0	0	0	739,566
Contracted Services	0	0	37,290	37,290	37,290
Total Other Governments and Citizens Groups	\$ 0	\$ 0	\$ 37,290	\$ 37,290	\$ 776,856
Total	\$ 306,356	\$ 48,340	\$ 66,324	\$ 13,042,362	

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, 2014

	General Purpose School	Special Revenue Funds		Total
		School Federal Projects	Central Cafeteria	
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 2,067,524	\$ 0	\$ 0	\$ 2,067,524
Trustee's Collections - Prior Year	103,999	0	0	103,999
Circuit/Clerk and Master Collections - Prior Years	109,178	0	0	109,178
Interest and Penalty	17,085	0	0	17,085
Payments in-Lieu-of Taxes - T.V.A.	33,873	0	0	33,873
Payments in-Lieu-of Taxes - Other	34,772	0	0	34,772
<u>County Local Option Taxes</u>				
Local Option Sales Tax	1,441,517	0	0	1,441,517
Business Tax	21,433	0	0	21,433
<u>Statutory Local Taxes</u>				
Bank Excise Tax	14,435	0	0	14,435
Interstate Telecommunications Tax	3,203	0	0	3,203
Total Local Taxes	\$ 3,847,019	\$ 0	\$ 0	\$ 3,847,019
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 1,358	\$ 0	\$ 0	\$ 1,358
Total Licenses and Permits	\$ 1,358	\$ 0	\$ 0	\$ 1,358
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Lunch Payments - Children	\$ 0	\$ 0	\$ 168,325	\$ 168,325
Lunch Payments - Adults	0	0	32,569	32,569
Income from Breakfast	0	0	3,293	3,293
Special Milk Sales	0	0	5,802	5,802
A la carte Sales	0	0	83,565	83,565
Total Charges for Current Services	\$ 0	\$ 0	\$ 293,554	\$ 293,554
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 4	\$ 0	\$ 82	\$ 86
Lease/Rentals	13,000	0	0	13,000
Sale of Recycled Materials	554	0	0	554
Retirees' Insurance Payments	16,518	0	0	16,518
Miscellaneous Refunds	105,650	0	0	105,650
<u>Nonrecurring Items</u>				
Sale of Equipment	2,710	0	0	2,710
Damages Recovered from Individuals	340	0	0	340
Contributions and Gifts	5,416	0	0	5,416
<u>Other Local Revenues</u>				
Other Local Revenues	248	0	1,229	1,477
Total Other Local Revenues	\$ 144,440	\$ 0	\$ 1,311	\$ 145,751

(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	Special Revenue Funds		Total
		School Federal Projects	Central Cafeteria	
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-behalf Contributions for OPEB	\$ 99,493	\$ 0	\$ 0	\$ 99,493
<u>State Education Funds</u>				
Basic Education Program	12,753,000	0	0	12,753,000
Early Childhood Education	509,867	0	0	509,867
School Food Service	0	0	14,262	14,262
Driver Education	4,550	0	0	4,550
Other State Education Funds	492,377	0	0	492,377
Career Ladder Program	45,097	0	0	45,097
Career Ladder - Extended Contract	20,245	0	0	20,245
<u>Other State Revenues</u>				
Income Tax	9,738	0	0	9,738
State Revenue Sharing - T.V.A.	233,954	0	0	233,954
Other State Grants	3,000	0	0	3,000
Total State of Tennessee	\$ 14,171,321	\$ 0	\$ 14,262	\$ 14,185,583
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 687,632	\$ 687,632
USDA - Commodities	0	0	95,012	95,012
Breakfast	0	0	274,581	274,581
USDA - Other	0	0	8,894	8,894
Vocational Education - Basic Grants to States	0	36,787	0	36,787
Title I Grants to Local Education Agencies	0	794,574	0	794,574
Special Education - Grants to States	49,806	526,970	0	576,776
English Language Acquisition Grants	0	425	0	425
Rural Education	0	35,832	0	35,832
Eisenhower Professional Development State Grants	0	112,296	0	112,296
Other Federal through State	125,000	0	0	125,000
<u>Direct Federal Revenue</u>				
Forest Service	138,626	0	0	138,626
Total Federal Government	\$ 313,432	\$ 1,506,884	\$ 1,066,119	\$ 2,886,435
Total	\$ 18,477,570	\$ 1,506,884	\$ 1,375,246	\$ 21,359,700

Exhibit J-7

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

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	16,075	
Social Security		1,230	
State Retirement		35	
Employee and Dependent Insurance		41,716	
Unemployment Compensation		2	
Workers' Compensation Insurance		580	
Total County Commission	\$		59,638

Board of Equalization

Board and Committee Members Fees	\$	1,686	
Total Board of Equalization			1,686

County Mayor/Executive

County Official/Administrative Officer	\$	71,184	
Secretary(ies)		17,904	
Social Security		6,803	
State Retirement		6,483	
Employee and Dependent Insurance		17,159	
Unemployment Compensation		161	
Travel		2,295	
Workers' Compensation Insurance		268	
Total County Mayor/Executive			122,257

Election Commission

County Official/Administrative Officer	\$	55,468	
Clerical Personnel		17,422	
Election Commission		9,000	
Election Workers		20,035	
In-service Training		9,647	
Social Security		6,351	
State Retirement		5,561	
Employee and Dependent Insurance		13,192	
Unemployment Compensation		334	
Communication		2,588	
Dues and Memberships		700	
Legal Notices, Recording, and Court Costs		1,012	
Maintenance and Repair Services - Equipment		308	
Printing, Stationery, and Forms		1,476	
Rentals		793	
Other Contracted Services		18,920	
Office Supplies		2,449	
Other Supplies and Materials		2,974	
Workers' Compensation Insurance		219	
Data Processing Equipment		1,540	
Furniture and Fixtures		371	
Voting Machines		153,200	
Total Election Commission			323,560

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Register of Deeds

County Official/Administrative Officer	\$	61,632	
Clerical Personnel		21,845	
Social Security		6,386	
State Retirement		6,495	
Employee and Dependent Insurance		16,441	
Unemployment Compensation		124	
Dues and Memberships		407	
Maintenance Agreements		6,144	
Printing, Stationery, and Forms		1,681	
Workers' Compensation Insurance		268	
Data Processing Equipment		6,312	
Total Register of Deeds			\$ 127,735

County Buildings

Custodial Personnel	\$	28,597	
Social Security		2,106	
State Retirement		1,644	
Employee and Dependent Insurance		4,846	
Unemployment Compensation		232	
Maintenance and Repair Services - Buildings		17,611	
Custodial Supplies		3,676	
Utilities		98,882	
Workers' Compensation Insurance		1,245	
Total County Buildings			158,839

Other General Administration

Life Insurance	\$	3,660	
Audit Services		19,184	
Communication		43,647	
Consultants		67,200	
Contributions		17,000	
Dues and Memberships		1,582	
Legal Services		36,489	
Legal Notices, Recording, and Court Costs		562	
Licenses		810	
Maintenance and Repair Services - Equipment		22,787	
Medical and Dental Services		20,663	
Pest Control		3,860	
Postal Charges		29,916	
Permits		755	
Other Contracted Services		20,774	
Office Supplies		2,937	
Other Supplies and Materials		2,409	
Building and Contents Insurance		5,400	
Liability Insurance		6,592	
Other Charges		1,381	
Total Other General Administration			307,608

(Continued)

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

General Fund (Cont.)

Finance

Accounting and Budgeting

County Official/Administrative Officer	\$	30,965	
In-service Training		583	
Social Security		2,353	
State Retirement		2,409	
Unemployment Compensation		126	
Data Processing Services		8,083	
Travel		503	
Workers' Compensation Insurance		94	
Total Accounting and Budgeting			\$ 45,116

Property Assessor's Office

County Official/Administrative Officer	\$	61,632	
Assistant(s)		32,485	
Deputy(ies)		20,837	
Social Security		8,384	
State Retirement		8,943	
Employee and Dependent Insurance		24,963	
Unemployment Compensation		315	
Data Processing Services		10,324	
Dues and Memberships		407	
Maintenance and Repair Services - Vehicles		739	
Travel		1,963	
Permits		8,280	
Other Contracted Services		13,705	
Office Supplies		515	
Other Supplies and Materials		1,044	
Workers' Compensation Insurance		364	
Data Processing Equipment		3,716	
Total Property Assessor's Office			198,616

County Trustee's Office

County Official/Administrative Officer	\$	61,632	
Deputy(ies)		55,833	
In-service Training		407	
Social Security		7,639	
State Retirement		8,194	
Employee and Dependent Insurance		31,267	
Unemployment Compensation		372	
Communication		755	
Data Processing Services		8,298	
Dues and Memberships		10	
Legal Notices, Recording, and Court Costs		234	
Printing, Stationery, and Forms		708	
Rentals		443	
Travel		1,043	
Data Processing Supplies		1,101	
Office Supplies		366	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office (Cont.)

Workers' Compensation Insurance	\$	352	
Data Processing Equipment		524	
Total County Trustee's Office			\$ 179,178

County Clerk's Office

County Official/Administrative Officer	\$	61,632	
Deputy(ies)		57,134	
Social Security		8,849	
State Retirement		9,240	
Employee and Dependent Insurance		42,626	
Unemployment Compensation		449	
Communication		4,355	
Dues and Memberships		407	
Legal Notices, Recording, and Court Costs		45	
Maintenance Agreements		10,882	
Travel		1,384	
Office Supplies		4,421	
Workers' Compensation Insurance		375	
Data Processing Equipment		6,076	
Office Equipment		5,386	
Total County Clerk's Office			213,261

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	61,632	
Deputy(ies)		80,325	
Jury and Witness Expense		5,445	
Social Security		10,390	
State Retirement		11,044	
Employee and Dependent Insurance		46,098	
Unemployment Compensation		499	
Maintenance Agreements		8,311	
Printing, Stationery, and Forms		1,915	
Other Supplies and Materials		1,764	
Workers' Compensation Insurance		415	
Furniture and Fixtures		550	
Total Circuit Court			228,388

General Sessions Court

Judge(s)	\$	88,216	
Social Security		6,659	
State Retirement		6,863	
Employee and Dependent Insurance		5,016	
Dues and Memberships		70	
Travel		503	
Building and Contents Insurance		1,100	
Liability Insurance		1,200	
Workers' Compensation Insurance		265	
Total General Sessions Court			109,892

(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

County Official/Administrative Officer	\$	61,632	
Deputy(ies)		35,730	
Social Security		7,392	
State Retirement		7,157	
Employee and Dependent Insurance		17,268	
Unemployment Compensation		256	
Data Processing Services		7,081	
Dues and Memberships		407	
Printing, Stationery, and Forms		1,055	
Workers' Compensation Insurance		310	
Furniture and Fixtures		460	
Total Chancery Court			\$ 138,748

Juvenile Court

Assistant(s)	\$	20,837	
Youth Service Officer(s)		25,934	
Attendants		3,872	
Social Security		3,350	
State Retirement		3,656	
Employee and Dependent Insurance		13,192	
Unemployment Compensation		252	
Travel		2,776	
Other Supplies and Materials		496	
Workers' Compensation Insurance		140	
Total Juvenile Court			74,505

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	67,795	
Deputy(ies)		397,721	
Investigator(s)		114,583	
Salary Supplements		14,800	
Dispatchers/Radio Operators		52,235	
Overtime Pay		34,922	
Other Salaries and Wages		47,530	
In-service Training		1,342	
Social Security		53,286	
State Retirement		53,375	
Employee and Dependent Insurance		192,198	
Unemployment Compensation		2,265	
Communication		955	
Dues and Memberships		400	
Maintenance Agreements		4,713	
Maintenance and Repair Services - Buildings		45	
Maintenance and Repair Services - Equipment		380	
Maintenance and Repair Services - Vehicles		26,906	
Printing, Stationery, and Forms		782	

(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.)

Travel	\$	915	
Gasoline		95,510	
Law Enforcement Supplies		18,135	
Office Supplies		1,396	
Tires and Tubes		9,964	
Uniforms		2,693	
Other Supplies and Materials		5,474	
Building and Contents Insurance		11,000	
Liability Insurance		55,000	
Vehicle and Equipment Insurance		15,503	
Workers' Compensation Insurance		25,804	
Data Processing Equipment		2,680	
Total Sheriff's Department			\$ 1,310,307

Correctional Incentive Program Improvements

Supervisor/Director	\$	42,176	
Dispatchers/Radio Operators		156,799	
Guards		628,806	
Maintenance Personnel		26,728	
Overtime Pay		106,232	
In-service Training		300	
Social Security		71,513	
State Retirement		67,979	
Employee and Dependent Insurance		260,202	
Unemployment Compensation		4,536	
Evaluation and Testing		980	
Maintenance Agreements		53,219	
Maintenance and Repair Services - Buildings		8,966	
Maintenance and Repair Services - Equipment		24,139	
Medical and Dental Services		174,524	
Postal Charges		1,196	
Printing, Stationery, and Forms		406	
Travel		1,833	
Custodial Supplies		18,153	
Food Supplies		170,353	
Prisoners Clothing		4,560	
Uniforms		2,777	
Utilities		179,685	
Other Supplies and Materials		25,418	
Workers' Compensation Insurance		31,313	
Furniture and Fixtures		1,373	
Total Correctional Incentive Program Improvements			2,064,166

Civil Defense

In-service Training	\$	222	
Communication		1,535	
Maintenance and Repair Services - Vehicles		5,009	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Civil Defense (Cont.)

Gasoline	\$	5,569	
Office Supplies		338	
Utilities		3,361	
Other Supplies and Materials		886	
Building and Contents Insurance		3,267	
Vehicle and Equipment Insurance		5,486	
Communication Equipment		229	
Other Equipment		29,690	
Total Civil Defense	\$		55,592

Rescue Squad

In-service Training	\$	3,432	
Maintenance and Repair Services - Equipment		13,036	
Maintenance and Repair Services - Vehicles		32,947	
Medical and Dental Services		1,428	
Gasoline		14,544	
Instructional Supplies and Materials		3,965	
Utilities		13,094	
Other Supplies and Materials		6,702	
Building and Contents Insurance		4,840	
Vehicle and Equipment Insurance		9,992	
Other Equipment		35,486	
Total Rescue Squad			139,466

Other Emergency Management

County Official/Administrative Officer	\$	5,281	
Social Security		389	
State Retirement		411	
Employee and Dependent Insurance		671	
Unemployment Compensation		22	
Communication		104,585	
Maintenance and Repair Services - Equipment		690	
Maintenance and Repair Services - Vehicles		535	
Gasoline		1,181	
Other Supplies and Materials		7,800	
Workers' Compensation Insurance		224	
Total Other Emergency Management			121,789

Public Health and Welfare

Local Health Center

Contracts with Government Agencies	\$	44,000	
Other Supplies and Materials		4,973	
Other Charges		3,381	
Total Local Health Center			52,354

Ambulance/Emergency Medical Services

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

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Crippled Children Services

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

Other Local Health Services

Assistant(s)	\$ 34,161	
Attendants	20,932	
Social Security	3,850	
State Retirement	1,786	
Employee and Dependent Insurance	12,301	
Unemployment Compensation	753	
Travel	8,800	
Workers' Compensation Insurance	2,225	
Total Other Local Health Services		84,808

Sanitation Education/Information

Supervisor/Director	\$ 24,488	
Social Security	1,803	
State Retirement	1,905	
Employee and Dependent Insurance	4,202	
Unemployment Compensation	104	
Maintenance and Repair Services - Vehicles	1,484	
Gasoline	2,324	
Instructional Supplies and Materials	7,681	
Tires and Tubes	203	
Other Supplies and Materials	1,537	
Workers' Compensation Insurance	855	
Total Sanitation Education/Information		46,586

Other Waste Collection

Other Supplies and Materials	\$ 5,149	
Total Other Waste Collection		5,149

Other Public Health and Welfare

Assistant(s)	\$ 68,212	
Social Security	5,218	
State Retirement	5,156	
Employee and Dependent Insurance	5,886	
Unemployment Compensation	570	
Maintenance and Repair Services - Buildings	2,100	
Travel	8,690	
Instructional Supplies and Materials	8,581	
Workers' Compensation Insurance	3,406	
Total Other Public Health and Welfare		107,819

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Supervisor/Director	\$ 17,618	
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(Continued)

Exhibit J-7

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Senior Citizens Assistance (Cont.)

Social Security	\$	1,348	
Workers' Compensation Insurance		53	
Total Senior Citizens Assistance			\$ 19,019

Libraries

Assistant(s)	\$	24,064	
Social Security		1,778	
State Retirement		793	
Employee and Dependent Insurance		4,884	
Unemployment Compensation		265	
Custodial Supplies		720	
Library Books/Media		4,875	
Other Supplies and Materials		1,518	
Workers' Compensation Insurance		69	
Total Libraries			38,966

Other Social, Cultural, and Recreational

Other Charges	\$	6,000	
Total Other Social, Cultural, and Recreational			6,000

Agriculture and Natural Resources

Agricultural Extension Service

County Official/Administrative Officer	\$	11,987	
Assistant(s)		8,605	
Supervisor/Director		10,331	
Secretary(ies)		5,658	
Social Security		2,731	
State Retirement		4,319	
Unemployment Compensation		120	
Travel		2,000	
Other Supplies and Materials		9,285	
Total Agricultural Extension Service			55,036

Soil Conservation

Secretary(ies)	\$	15,912	
Social Security		1,217	
Dues and Memberships		407	
Instructional Supplies and Materials		548	
Office Supplies		687	
Premiums on Corporate Surety Bonds		100	
Total Soil Conservation			18,871

Other Operations

Other Economic and Community Development

Contracts with Government Agencies	\$	9,250	
Contracts with Other Public Agencies		5,365	
Contracts with Private Agencies		5,000	
Travel		154	
Total Other Economic and Community Development			19,769

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations (Cont.)

Airport

Maintenance and Repair Services - Equipment	\$ 3,000	
Total Airport		\$ 3,000

Veterans' Services

Supervisor/Director	\$ 8,403	
Clerical Personnel	6,774	
Social Security	1,119	
State Retirement	527	
Unemployment Compensation	164	
Travel	2,318	
Workers' Compensation Insurance	46	
Data Processing Equipment	399	
Total Veterans' Services		19,750

Other Charges

Trustee's Commission	\$ 102,587	
Total Other Charges		102,587

Contributions to Other Agencies

Remittance of Revenue Collected	\$ 38,351	
Total Contributions to Other Agencies		38,351

Total General Fund		\$ 7,319,662
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Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Contracts with Private Agencies	\$ 471,633	
Total Sanitation Management		\$ 471,633

Total Solid Waste/Sanitation Fund		471,633
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Drug Control Fund

Public Safety

Drug Enforcement

Confidential Drug Enforcement Payments	\$ 5,000	
Total Drug Enforcement		\$ 5,000

Other Operations

Other Charges

Trustee's Commission	\$ 843	
Total Other Charges		843

Total Drug Control Fund		5,843
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(Continued)

Exhibit J-7

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

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	67,795	
Accountants/Bookkeepers		32,000	
Clerical Personnel		9,214	
Social Security		6,809	
Employer Medicare		1,593	
Communication		13,086	
Data Processing Services		9,546	
Dues and Memberships		2,527	
Legal Services		764	
Legal Notices, Recording, and Court Costs		106	
Postal Charges		276	
Travel		906	
Other Contracted Services		575	
Office Supplies		4,029	
Uniforms		11,290	
Total Administration			\$ 160,516

Highway and Bridge Maintenance

Foremen	\$	71,585	
Equipment Operators - Heavy		147,379	
Equipment Operators - Light		111,322	
Truck Drivers		64,188	
Laborers		56,804	
Overtime Pay		3,647	
Social Security		25,883	
Employer Medicare		6,053	
Contracts with Private Agencies		26,788	
Asphalt - Hot Mix		17,296	
Asphalt - Liquid		80,733	
Crushed Stone		97,582	
Pipe		3,099	
Road Signs		4,920	
Total Highway and Bridge Maintenance			717,279

Operation and Maintenance of Equipment

Maintenance and Repair Services - Equipment	\$	252	
Diesel Fuel		260,758	
Equipment and Machinery Parts		88,680	
Garage Supplies		14,027	
Gasoline		172,714	
Lubricants		4,895	
Tires and Tubes		14,412	
Total Operation and Maintenance of Equipment			555,738

Other Charges

Electricity	\$	7,431	
Water and Sewer		1,362	

(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 (Cont.)

Building and Contents Insurance	\$	2,682	
Liability Insurance		6,258	
Trustee's Commission		15,964	
Vehicle and Equipment Insurance		19,671	
Total Other Charges			\$ 53,368

Employee Benefits

State Retirement	\$	35,239	
Employee and Dependent Insurance		178,425	
Unemployment Compensation		8,172	
Workers' Compensation Insurance		112,954	
Total Employee Benefits			334,790

Capital Outlay

Motor Vehicles	\$	132,128	
State Aid Projects		336,920	
Total Capital Outlay			469,048

Total Highway/Public Works Fund \$ 2,290,739

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	420,000	
Total General Government			\$ 420,000

Education

Principal on Bonds	\$	650,000	
Principal on Capital Leases		73,314	
Total Education			723,314

Interest on Debt

General Government

Interest on Bonds	\$	304,520	
Total General Government			304,520

Education

Interest on Bonds	\$	456,780	
Interest on Capital Leases		16,202	
Total Education			472,982

Other Debt Service

General Government

Trustee's Commission	\$	22,477	
Other Debt Service		3,088	
Total General Government			25,565

Total General Debt Service Fund 1,946,381

(Continued)

Exhibit J-7

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

<u>General Capital Projects Fund</u>			
<u>Other Operations</u>			
<u>Airport</u>			
Airport Improvement	\$ 38,848		
Total Airport		\$ 38,848	
<u>Other Charges</u>			
Trustee's Commission	\$ 3		
Total Other Charges			3
Total General Capital Projects Fund			\$ 38,851
<u>HUD Grant Projects Fund</u>			
<u>Other Operations</u>			
<u>Housing and Urban Development</u>			
Other Contracted Services	\$ 306,356		
Total Housing and Urban Development		\$ 306,356	
Total HUD Grant Projects Fund			306,356
<u>Waterline Capital Projects Fund</u>			
<u>General Government</u>			
<u>Other General Administration</u>			
Contracts for Development Costs	\$ 48,340		
Total Other General Administration		\$ 48,340	
Total Waterline Capital Projects Fund			48,340
<u>Other Capital Projects Fund</u>			
<u>Public Safety</u>			
<u>Sheriff's Department</u>			
Maintenance and Repair Services - Vehicles	\$ 225		
Motor Vehicles	88,090		
Total Sheriff's Department		\$ 88,315	
<u>Other Operations</u>			
<u>Other Charges</u>			
Trustee's Commission	\$ 663		
Total Other Charges			663
Total Other Capital Projects Fund			88,978
Total Governmental Funds - Primary Government			<u>\$ 12,516,783</u>

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

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 6,061,801	
Career Ladder Program	22,000	
Career Ladder Extended Contracts	18,913	
Homebound Teachers	17,888	
Educational Assistants	164,132	
Other Salaries and Wages	126,768	
Certified Substitute Teachers	1,265	
Non-certified Substitute Teachers	111,100	
Social Security	377,945	
State Retirement	555,815	
Life Insurance	3,460	
Medical Insurance	868,007	
Dental Insurance	58,169	
Unemployment Compensation	4,503	
Employer Medicare	89,197	
Instructional Supplies and Materials	66,949	
Textbooks	120,529	
Total Regular Instruction Program		\$ 8,668,441

Alternative Instruction Program

Teachers	\$ 99,035	
Career Ladder Program	2,000	
Non-certified Substitute Teachers	440	
Social Security	5,602	
State Retirement	8,972	
Life Insurance	48	
Medical Insurance	13,361	
Dental Insurance	910	
Employer Medicare	1,317	
Other Supplies and Materials	95	
Total Alternative Instruction Program		131,780

Special Education Program

Teachers	\$ 556,272	
Career Ladder Program	3,000	
Career Ladder Extended Contracts	100	
Homebound Teachers	6,525	
Educational Assistants	88,685	
Non-certified Substitute Teachers	5,068	
Social Security	38,041	
State Retirement	56,691	
Life Insurance	426	
Medical Insurance	121,800	
Dental Insurance	5,912	
Unemployment Compensation	636	
Employer Medicare	8,992	
Instructional Supplies and Materials	5,759	
Total Special Education Program		897,907

(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.)

Vocational Education Program

Teachers	\$	507,343	
Career Ladder Program		4,000	
Career Ladder Extended Contracts		3,249	
Non-certified Substitute Teachers		6,490	
Social Security		29,160	
State Retirement		45,696	
Life Insurance		271	
Medical Insurance		80,832	
Dental Insurance		5,594	
Employer Medicare		6,837	
Other Contracted Services		2,660	
Instructional Supplies and Materials		18,479	
Total Vocational Education Program			\$ 710,611

Support Services

Attendance

Supervisor/Director	\$	68,108	
Career Ladder Program		1,000	
Social Security		4,197	
State Retirement		6,137	
Life Insurance		24	
Medical Insurance		5,236	
Dental Insurance		455	
Employer Medicare		981	
Total Attendance			86,138

Health Services

Medical Personnel	\$	59,937	
Other Salaries and Wages		192	
Social Security		3,691	
State Retirement		4,810	
Life Insurance		72	
Medical Insurance		20,102	
Employer Medicare		865	
Drugs and Medical Supplies		153	
Total Health Services			89,822

Other Student Support

Supervisor/Director	\$	58,174	
Career Ladder Program		1,000	
Guidance Personnel		122,077	
Career Ladder Extended Contracts		1,000	
Clerical Personnel		13,868	
Other Salaries and Wages		190,130	
Non-certified Substitute Teachers		3,052	
Social Security		18,187	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

State Retirement	\$	22,565	
Life Insurance		60	
Medical Insurance		16,371	
Dental Insurance		1,137	
Employer Medicare		5,364	
Contracts with Government Agencies		75,000	
Evaluation and Testing		10,240	
Travel		18,818	
Other Contracted Services		6,000	
Other Supplies and Materials		305,580	
In Service/Staff Development		898	
Other Charges		274,200	
Total Other Student Support			\$ 1,143,721

Regular Instruction Program

Supervisor/Director	\$	36,934	
Career Ladder Program		3,000	
Career Ladder Extended Contracts		1,000	
Librarians		133,185	
Education Media Personnel		38,189	
Other Salaries and Wages		4,533	
Non-certified Substitute Teachers		2,090	
Social Security		12,784	
State Retirement		17,959	
Life Insurance		156	
Medical Insurance		38,057	
Dental Insurance		1,712	
Employer Medicare		3,031	
Travel		6,969	
In Service/Staff Development		2,689	
Other Charges		17,000	
Total Regular Instruction Program			319,288

Special Education Program

Supervisor/Director	\$	75,790	
Career Ladder Program		2,000	
Psychological Personnel		54,000	
Other Salaries and Wages		40,957	
Social Security		10,029	
State Retirement		15,340	
Life Insurance		72	
Medical Insurance		21,358	
Dental Insurance		1,364	
Employer Medicare		2,346	
Travel		2,531	
Total Special Education Program			225,787

(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

Supervisor/Director	\$	36,934	
Career Ladder Program		1,000	
Career Ladder Extended Contracts		1,000	
Social Security		2,342	
State Retirement		3,457	
Life Insurance		12	
Medical Insurance		2,738	
Dental Insurance		227	
Employer Medicare		548	
Total Vocational Education Program			\$ 48,258

Other Programs

On-behalf Payments to OPEB	\$	99,493	
Total Other Programs			99,493

Board of Education

Secretary to Board	\$	1,300	
Other Salaries and Wages		1,100	
Board and Committee Members Fees		10,550	
Social Security		732	
State Retirement		187	
Employer Medicare		188	
Other Fringe Benefits		71,313	
Audit Services		12,500	
Dues and Memberships		13,313	
Legal Services		1,766	
Travel		204	
Liability Insurance		37,788	
Premiums on Corporate Surety Bonds		1,937	
Trustee's Commission		89,869	
Workers' Compensation Insurance		184,134	
Other Charges		2,479	
Total Board of Education			429,360

Director of Schools

County Official/Administrative Officer	\$	101,204	
Career Ladder Program		1,000	
Secretary(ies)		27,458	
Other Salaries and Wages		3,795	
Social Security		8,758	
State Retirement		12,078	
Life Insurance		48	
Medical Insurance		12,461	
Dental Insurance		455	
Employer Medicare		2,066	
Other Fringe Benefits		9,000	

(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.)

Director of Schools (Cont.)

Communication	\$	84,488	
Postal Charges		2,705	
Travel		4,123	
Other Contracted Services		14,613	
Other Supplies and Materials		3,895	
In Service/Staff Development		1,647	
Total Director of Schools			\$ 289,794

Office of the Principal

Principals	\$	426,555	
Career Ladder Program		2,000	
Accountants/Bookkeepers		95,082	
Career Ladder Extended Contracts		1,000	
Assistant Principals		249,475	
Clerical Personnel		88,846	
Other Salaries and Wages		4,817	
Non-certified Substitute Teachers		4,208	
Social Security		51,884	
State Retirement		69,893	
Life Insurance		528	
Medical Insurance		145,602	
Dental Insurance		5,003	
Employer Medicare		12,203	
Travel		4,327	
Total Office of the Principal			1,161,423

Fiscal Services

Supervisor/Director	\$	44,961	
Clerical Personnel		61,950	
Social Security		6,434	
State Retirement		8,318	
Life Insurance		72	
Medical Insurance		19,700	
Employer Medicare		1,505	
Data Processing Services		17,668	
Office Supplies		4,319	
Total Fiscal Services			164,927

Operation of Plant

Supervisor/Director	\$	21,980	
Custodial Personnel		286,174	
Other Salaries and Wages		3,776	
Social Security		17,656	
State Retirement		13,432	
Life Insurance		372	
Medical Insurance		105,170	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Employer Medicare	\$	4,445	
Other Contracted Services		76,952	
Custodial Supplies		47,432	
Electricity		491,464	
Fuel Oil		51,860	
Natural Gas		19,227	
Water and Sewer		102,011	
Other Supplies and Materials		55,861	
Boiler Insurance		6,200	
Building and Contents Insurance		184,535	
Plant Operation Equipment		8,750	
Total Operation of Plant			\$ 1,497,297

Maintenance of Plant

Maintenance Personnel	\$	105,513	
Social Security		5,641	
State Retirement		7,117	
Life Insurance		96	
Medical Insurance		20,030	
Unemployment Compensation		7,150	
Employer Medicare		1,509	
Operating Lease Payments		1,398	
Other Contracted Services		100	
Administration Equipment		2,330	
Total Maintenance of Plant			150,884

Transportation

Supervisor/Director	\$	18,123	
Mechanic(s)		62,662	
Bus Drivers		309,969	
Attendants		7,908	
Other Salaries and Wages		33,492	
In-service Training		2,130	
Social Security		26,315	
State Retirement		17,125	
Life Insurance		415	
Medical Insurance		32,642	
Unemployment Compensation		1,756	
Employer Medicare		6,259	
Medical and Dental Services		3,210	
Other Contracted Services		4,106	
Diesel Fuel		144,802	
Gasoline		23,073	
Lubricants		2,948	
Tires and Tubes		21,376	
Vehicle Parts		89,238	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Other Supplies and Materials	\$	3,848	
Vehicle and Equipment Insurance		34,879	
In Service/Staff Development		887	
Other Charges		5,445	
Debt Service Contribution to Primary Government		89,516	
Administration Equipment		2,593	
Total Transportation	\$		944,717

Operation of Non-instructional Services

Food Service

Supervisor/Director	\$	35,871	
Clerical Personnel		16,000	
Social Security		3,105	
State Retirement		3,985	
Life Insurance		43	
Medical Insurance		10,424	
Employer Medicare		726	
Travel		2,102	
Total Food Service			72,256

Community Services

Other Supplies and Materials	\$	2,500	
Total Community Services			2,500

Early Childhood Education

Teachers	\$	263,038	
Educational Assistants		92,058	
Other Salaries and Wages		5,819	
Non-certified Substitute Teachers		6,738	
Social Security		20,988	
State Retirement		29,126	
Life Insurance		288	
Medical Insurance		83,210	
Dental Insurance		2,729	
Employer Medicare		4,909	
Communication		34	
Travel		1,676	
Riprap		13,828	
Instructional Supplies and Materials		41,305	
Other Charges		2,349	
Total Early Childhood Education			568,095

Capital Outlay

Regular Capital Outlay

Architects	\$	2,800	
Building Construction		7,347	
Building Improvements		7,760	
Total Regular Capital Outlay			17,907

(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.)

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$ 650,000	
Total Education		\$ 650,000

Total General Purpose School Fund \$ 18,370,406

School Federal Projects Fund

Instruction

Regular Instruction Program

Educational Assistants	\$ 104,824	
Non-certified Substitute Teachers	8,470	
Social Security	6,984	
State Retirement	7,196	
Life Insurance	159	
Medical Insurance	47,220	
Employer Medicare	1,635	
Tuition	67,854	
Instructional Supplies and Materials	107,829	
Regular Instruction Equipment	132,904	
Total Regular Instruction Program		\$ 485,075

Special Education Program

Teachers	\$ 33,624	
Educational Assistants	189,611	
Speech Pathologist	45,252	
Other Salaries and Wages	2,254	
Non-certified Substitute Teachers	2,519	
Social Security	17,129	
State Retirement	20,179	
Life Insurance	294	
Medical Insurance	84,702	
Dental Insurance	455	
Employer Medicare	4,007	
Contracts with Private Agencies	25,000	
Other Contracted Services	22,793	
Instructional Supplies and Materials	12,172	
Other Supplies and Materials	3,485	
Other Charges	65	
Special Education Equipment	11,288	
Total Special Education Program		474,829

Vocational Education Program

Instructional Supplies and Materials	\$ 6,598	
Vocational Instruction Equipment	25,157	
Total Vocational Education Program		31,755

(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

Health Services

Drugs and Medical Supplies	\$	382	
Total Health Services			\$ 382

Other Student Support

Supervisor/Director	\$	75,470	
Guidance Personnel		21,605	
Bus Drivers		216	
Other Salaries and Wages		20,120	
Social Security		7,129	
State Retirement		10,305	
Life Insurance		36	
Medical Insurance		8,736	
Dental Insurance		682	
Employer Medicare		1,619	
Travel		8,937	
Other Contracted Services		124,825	
Other Supplies and Materials		12,466	
Total Other Student Support			292,146

Regular Instruction Program

Supervisor/Director	\$	75,790	
Clerical Personnel		13,729	
Social Security		5,053	
State Retirement		7,798	
Life Insurance		36	
Medical Insurance		14,403	
Dental Insurance		455	
Employer Medicare		1,182	
Consultants		5,388	
Travel		3,363	
Other Supplies and Materials		3,836	
In Service/Staff Development		52,264	
Total Regular Instruction Program			183,297

Special Education Program

Clerical Personnel	\$	13,729	
Social Security		811	
State Retirement		1,068	
Life Insurance		12	
Medical Insurance		3,278	
Employer Medicare		190	
Communication		253	
Travel		16,818	
Other Contracted Services		18,008	
Other Supplies and Materials		27	
In Service/Staff Development		3,484	
Total Special Education Program			57,678

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Vocational Education Program

Travel	\$ 1,839	
Total Vocational Education Program		\$ 1,839

Transportation

Bus Drivers	\$ 1,080	
Social Security	67	
Employer Medicare	16	
Diesel Fuel	500	
Total Transportation		<u>1,663</u>

Total School Federal Projects Fund		\$ 1,528,664
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Central Cafeteria Fund

Operation of Non-instructional Services

Food Service

Cafeteria Personnel	\$ 415,401	
Social Security	25,630	
Life Insurance	753	
Medical Insurance	32,843	
Unemployment Compensation	1,779	
Employer Medicare	5,994	
Communication	2,151	
Dues and Memberships	203	
Maintenance and Repair Services - Equipment	28,332	
Other Contracted Services	17,315	
Food Supplies	604,176	
USDA - Commodities	95,012	
Other Supplies and Materials	53,973	
Refunds	301	
In Service/Staff Development	3,429	
Other Charges	73,611	
Food Service Equipment	45,324	
Total Food Service		<u>\$ 1,406,227</u>

Total Central Cafeteria Fund		<u>1,406,227</u>
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Total Governmental Funds - Polk County School Department		<u><u>\$ 21,305,297</u></u>
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Exhibit J-9

Polk County, Tennessee  
Schedule of Detailed Receipts, Disbursements,  
and Changes in Cash Balance - City Agency Fund  
For the Year Ended June 30, 2014

	<u>Cities -</u> <u>Sales Tax</u> <u>Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 386,483
Total Cash Receipts	<u>\$ 386,483</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 382,618
Trustee's Commission	<u>3,865</u>
Total Cash Disbursements	<u>\$ 386,483</u>
Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ 0
Cash Balance, July 1, 2013	<u>0</u>
Cash Balance, June 30, 2014	<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 LOCAL GOVERNMENT AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-1402  
PHONE (615) 401-7841

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

Independent Auditor's Report

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

To the County Executive and Board of County Commissioners:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Polk County, Tennessee, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Polk County's basic financial statements, and have issued our report thereon dated January 9, 2015. Our report includes a reference to other auditors who 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 of the financial statements, we considered Polk County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Polk County's internal control. Accordingly, we do not express an opinion on the effectiveness of Polk County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the

accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be a material weakness and 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness: 2014-002.

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 deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies: 2014-003 and 2014-008.

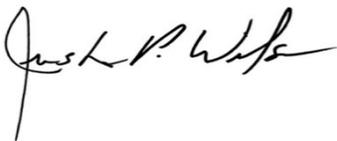
### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Polk County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying Schedule of Findings and Questioned Costs as items: 2014-001, 2014-004, 2014-005, 2014-006, and 2014-007.

### **Purpose of this Report**

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

Very truly yours,



Justin P. Wilson  
Comptroller of the Treasury  
Nashville, Tennessee

January 9, 2015

JPW/sb



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

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

Independent Auditor's Report

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

To the County Executive and Board of County Commissioners:

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

We have audited Polk County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Polk County's major federal programs for the year ended June 30, 2014. 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.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Polk County's compliance.

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

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

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

Management of Polk County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Polk County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

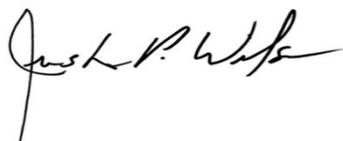
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any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

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

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

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Polk County, Tennessee, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Polk County's basic financial statements. We issued our report thereon dated January 9, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Very truly yours,



Justin P. Wilson  
Comptroller of the Treasury  
Nashville, Tennessee

January 9, 2015

JPW/sb

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Passed-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	\$ 95,012 (3)
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	274,581
National School Lunch Program	10.555	N/A	687,632 (3)
Total U.S. Department of Agriculture			<u>\$ 1,057,225</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	GG-11-34912	\$ 48,340
Passed-through Tennessee Housing Development Agency:			
Home Investment Partnerships Program	14.239	HM-11-33	306,356
Total U.S. Department of Housing and Urban Development			<u>\$ 354,696</u>
U.S. Department of Interior:			
Direct Program:			
Payments in-Lieu-of Taxes	15.226	N/A	\$ 114,218
Total U.S. Department of Interior			<u>\$ 114,218</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 798,414
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	565,241
Special Education - Preschool Grants	84.173	N/A	17,451
Career and Technical Education - Basic Grants to States	84.048	N/A	42,748
Twenty-first Century Community Learning Centers	84.287	192-08-5-009	125,000
Rural Education	84.358	N/A	35,832
English Language Acquisition State Grants	84.365	N/A	425
Improving Teacher Quality State Grants	84.367	N/A	118,359
Total U.S. Department of Education			<u>\$ 1,703,470</u>
U.S. Election Assistance Commission:			
Passed-through Tennessee Secretary of State:			
Help America Vote Act Requirements Payments	90.401	N/A	\$ 153,200
Total U.S. Election Assistance Commission			<u>\$ 153,200</u>
U.S. Department of Health and Human Services:			
Passed-through State Commission on Aging and Disability:			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	(2)	\$ 20,767
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	(2)	22,047
National Family Caregiver Support, Title III, Part E	93.052	(2)	2,081
Total U.S. Department of Health and Human Services			<u>\$ 44,895</u>
Total Expenditures of Federal Awards			<u><u>\$ 3,427,704</u></u>

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Contract Number	Expenditures
<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	DG-1435835	40,991
Local Health Services - State Department of Health	N/A	GG-1437497	75,948
State Senior Center Program - Southeast Tennessee Development District	N/A	(2)	9,885
Airport Maintenance Grant - State Department of Transportation	N/A	(2)	1,909
Options Program - Southeast Tennessee Development District	N/A	(2)	3,795
Child Safety Seat Grant - State Department of Health	N/A	(2)	7,870
Waste Tire Recycling - State Department of Environment and Conservation	N/A	DG12-35171-00	5,832
Used Oil Collection and Recycling - State Department of Environment and Conservation	N/A	(2)	6,223
Baby and Me - Tobacco Free Program - State Department of Health	N/A	(2)	21,613
Certified Voting Equipment Grant - State Department of Elections	N/A	(2)	1,540
Statewide Student Management System - State Department of Education	N/A	(2)	6,763
Voluntary Pre-K for Tennessee - Lottery Commission	N/A	(2)	509,867
Lottery Education After School Programs - Lottery Commission	N/A	(2)	121,810
Safe Schools Act - State Department of Education	N/A	(2)	15,500
Coordinated School Health - State Department of Education	N/A	(2)	99,771
Family Resource Center - State Department of Education	N/A	09-11956	29,614
ConnectTN - State Department of Education	N/A	(2)	7,375
Student Ticket Subsidy - State Arts Commission	N/A	(2)	3,000
<b>Total State Grants</b>			<b>\$ 978,306</b>

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 \$782,644.

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

*Government Auditing Standards* require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report for Polk County, Tennessee, for the year ended June 30, 2013, which have not been corrected.

**OFFICES OF COUNTY EXECUTIVE, DIRECTOR OF ACCOUNTS AND BUDGETS,  
AND HIGHWAY SUPERINTENDENT**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2013-001	144	The director of accounts and budgets did not maintain accounting records for the Highway Department
2013-002	144	Polk County has a material recurring audit finding

**OFFICE OF DIRECTOR OF SCHOOLS**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2013-003	145	Expenditures exceeded appropriations

**OFFICE OF COUNTY CLERK**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2013-004	146	Some collections were not deposited within three days of receipt

**OFFICE OF SHERIFF**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2013-007	147	Some collections were not deposited within three days of receipt

**OFFICES OF COUNTY EXECUTIVE, HIGHWAY SUPERINTENDENT, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER OF DEEDS, AND SHERIFF**

Finding Number	Page Number	Subject
2013-008	148	Duties were not segregated adequately

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**POLK COUNTY, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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

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

1. Our report on the financial statements of Polk County is unmodified.
2. The audit of the financial statements of Polk County disclosed significant deficiencies in internal control. One of these conditions was considered to be a material weakness.
3. The audit disclosed one instance of noncompliance that is material to the financial statements of Polk County.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unmodified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Home Investment Partnerships Program (CFDA No. 14.239), the Title I Grants to Local Educational Agencies (CFDA No. 84.010), the Special Education Cluster: Special Education – Grants to States, Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173), and the Help America Vote Act Requirements Payments (CFDA No. 90.401) 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, DIRECTOR OF ACCOUNTS AND BUDGETS, AND HIGHWAY SUPERINTENDENT

FINDING 2014-001                    **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 its own accounting records. This deficiency can be attributed to the failure of management to correct the finding noted in prior-year audit reports.

### 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 2014-002                    **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>
2014-001, 2013-001, 12.06	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. Polk County appointed an Audit Committee on August 12, 2013, to address financial and other reporting practices, internal control, compliance with laws and regulation, and ethics.

**RECOMMENDATION**

Polk County should work with its Audit Committee to correct the above-noted weakness in internal control.

---

**OFFICE OF DIRECTOR OF ACCOUNTS AND BUDGETS**

**FINDING 2014-003**

**PAYROLL LIABILITY ACCOUNTS WERE NOT RECONCILED WITH SUBSIDIARY PAYROLL RECORDS IN THE GENERAL FUND**

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

General ledger payroll liability accounts were not reconciled with subsidiary payroll records and payments each month in the General Fund. As a result, unidentified balances accumulated in the liability accounts for some payroll deductions. Sound business practices dictate that payroll liability accounts should be reconciled with billings monthly. The failure to regularly reconcile payroll liability accounts is a significant deficiency that increases the risk that errors will not be discovered and corrected in a timely manner. This deficiency exists due to a lack of management oversight. During the course of our examination, the bookkeeper worked on reconciling these payroll liability accounts with subsidiary payroll records, and presented adjustments to post to the financial statements for the period ending June 30, 2014.

**RECOMMENDATION**

General ledger payroll liability accounts should be reconciled monthly with payroll reports and payments, and any errors discovered should be corrected promptly.

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**FINDING 2014-004**

**EXPENDITURES EXCEEDED APPROPRIATIONS**

(Noncompliance Under *Government Auditing Standards*)

Expenditures exceeded appropriations approved by the County Commission in the following major appropriation categories (the legal level of control) of the General Fund:

<u>Major Appropriation Category</u>	<u>Amount Overspent</u>
County Mayor/Executive	\$ 1,653
Circuit Court	5,775

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 hold spending to the limits authorized by the County Commission, which resulted in unauthorized expenditures.

**RECOMMENDATION**

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

**OFFICE OF DIRECTOR OF SCHOOLS**

**FINDING 2014-005**

**EXPENDITURES EXCEEDED APPROPRIATIONS**  
(Noncompliance Under *Government Auditing Standards*)

Expenditures exceeded appropriations approved by the County Commission in the following major appropriation categories (the legal level of control) of the General Purpose School Fund:

<u>Major Appropriation Category</u>	<u>Amount Overspent</u>
Support Services:	
Other Support Services	\$ 1,533
Maintenance of plant	2,402
Operation of Non-instructional Services:	
Early Childhood Education	6,309

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 for 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 hold spending within limits authorized by the County Commission, and management failed to correct the finding noted in the prior-year audit report. This deficiency resulted in unauthorized expenditures.

RECOMMENDATION

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

---

OFFICE OF COUNTY CLERK

FINDING 2014-006

**SOME COLLECTIONS WERE NOT DEPOSITED WITHIN  
THREE DAYS OF RECEIPT**

(Noncompliance Under *Government Auditing Standards*)

As part of our audit procedures for obtaining reasonable assurance that funds were deposited to the bank account within three days of collection as required by Section 5-8-207, *Tennessee Code Annotated*, we judgmentally selected the months of April, May, and June 2014 to examine receipts and deposits. The office did not deposit some funds to the bank account within three days of collection in 17 of 40 deposits made during these months. This deficiency exists because management failed to correct the finding noted in the prior-year audit report. The delay in depositing funds weakens internal controls over collections and increases the risks of fraud and misappropriation.

RECOMMENDATION

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

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OFFICE OF SHERIFF

FINDING 2014-007

**SOME COLLECTIONS WERE NOT DEPOSITED WITHIN  
THREE DAYS OF RECEIPT**

(Noncompliance Under *Government Auditing Standards*)

As part of our audit procedures for obtaining reasonable assurance that funds were deposited to the bank account within three days of collection as required by Section 5-8-207, *Tennessee Code Annotated*, we judgmentally selected the months of April and May 2014 to examine receipts and deposits. During this period, the office did not deposit 14 of 53 receipts to the bank account within three days of collection. This deficiency exists because management failed to correct the finding noted in the prior-year audit report. The delay in depositing funds weakens internal controls over collections and increases the risks of fraud and misappropriation.

RECOMMENDATION

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

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**OFFICES OF COUNTY EXECUTIVE, HIGHWAY SUPERINTENDENT, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER OF DEEDS, AND SHERIFF**

**FINDING 2014-008**

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

**RECOMMENDATION**

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

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

There were no findings and questioned costs for federal awards.

## **BEST PRACTICE**

Accounting literature describes a best practice as a recommended policy, procedure, or technique that aids management in improving financial performance. Historically, a best practice has consistently shown superior results over conventional methods.

The Division of Local Government Audit strongly believes that the item noted below 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.

### **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 executive 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 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. The Division of Local Government Audit strongly believes that the adoption of a central system of accounting, budgeting, and purchasing is a best practice that would significantly improve accountability and the quality of services provided to the citizens of Polk County. Therefore, 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.

**POLK COUNTY, TENNESSEE**  
**AUDITEE REPORTING RESPONSIBILITIES**  
**For the Year Ended June 30, 2014**

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