
ANNUAL FINANCIAL REPORT POLK COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2012



ANNUAL FINANCIAL REPORT
POLK COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2012

COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON

DIVISION OF LOCAL GOVERNMENT AUDIT
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Director

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State Auditors

This financial report is available at www.comptroller.tn.gov

POLK COUNTY, TENNESSEE

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Audit Highlights

Annual Financial Report
Polk County, Tennessee
For the Year Ended June 30, 2012

Scope

We have audited the financial statements of Polk County as of and for the year ended June 30, 2012.

Results

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

Our audit resulted in 12 findings and recommendations, which we have reviewed with Polk County management. Detailed findings and recommendations are included in the Single Audit section of this report.

Findings and Best Practice

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

OFFICES OF COUNTY EXECUTIVE AND DIRECTOR OF ACCOUNTS AND BUDGETS

- ◆ Adequate records were not maintained for state and federal grants.
- ◆ Expenditures exceeded appropriations.
- ◆ The director of accounts and budgets did not maintain the accounting records for the Highway Department.
- ◆ Polk County has a material recurring audit finding.

OFFICE OF HIGHWAY SUPERINTENDENT

- ◆ Expenditures exceeded appropriations.

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

- ◆ Invoices were paid without documentation that goods had been received or services rendered.
-

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ Expenditures exceeded appropriations.
-

OFFICE OF TRUSTEE

- ◆ Usernames and passwords were shared by employees.
-

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

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

OFFICE OF REGISTER

- ◆ Usernames and passwords were shared by employees.
-

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, SHERIFF, AND THE FOOD SERVICE DEPARTMENT

- ◆ Duties were not segregated adequately.
-

BEST PRACTICE

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

INTRODUCTORY SECTION

Polk County Officials

June 30, 2012

Officials

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

Board of County Commissioners

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

Board of Education

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

FINANCIAL SECTION



**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

January 23, 2013

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

To the County Executive and Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Polk County, Tennessee, as of and for the year ended June 30, 2012, which collectively comprise Polk County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Polk County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The financial statements of the Polk County Emergency Communications District, a component unit requiring discrete presentation, had not been made available by other auditors as of the date of this report. Accordingly, the aggregate discretely presented component units financial statements referred to above do not include amounts for the Polk County Emergency Communications District, which should be included to conform with

accounting principles generally accepted in the United States of America. The effects on the financial statements of the aggregate discretely presented component units are not reasonably determinable.

In our opinion, except for the effects of not including the financial statements of the Polk County Emergency Communications District as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of Polk County, Tennessee, as of June 30, 2012, and the results of operations of the aggregate discretely presented component units, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Additionally, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Polk County, Tennessee, as of June 30, 2012, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2013, on our consideration of Polk County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

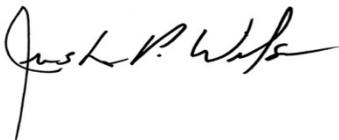
Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required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

Accounting principles generally accepted in the United States of America require that the budgetary comparison, pension, and other postemployment benefits information on pages 58 through 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not

express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Very truly yours,

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

Justin P. Wilson
Comptroller of the Treasury

JPW/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

Polk County, Tennessee
Statement of Net Assets
June 30, 2012

	<u>Primary Governmental Activities</u>	<u>Component Unit Polk County School Department</u>
<u>ASSETS</u>		
Cash	\$ 0	\$ 43,061
Equity in Pooled Cash and Investments	6,038,688	1,780,443
Accounts Receivable	36,725	1,241
Due from Other Governments	510,059	1,169,906
Property Taxes Receivable	5,734,028	2,504,930
Allowance for Uncollectible Property Taxes	(518,285)	(226,269)
Capital Assets:		
Assets Not Depreciated:		
Land	0	1,500
Construction in Progress	1,250,712	0
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	8,543,616	15,421,332
Infrastructure	6,431,602	0
Other Capital Assets	931,849	1,198,648
Total Assets	<u>\$ 28,958,994</u>	<u>\$ 21,894,792</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 97,542	\$ 77,697
Accrued Payroll	0	7,821
Payroll Deductions Payable	57,002	357,668
Retainage Payable	20,492	0
Due to State of Tennessee	2,188	0
Accrued Interest Payable	133,750	3,179
Other Current Liabilities	5,827	0
Deferred Revenue - Current Property Taxes	4,926,655	2,150,846
Noncurrent Liabilities:		
Due Within One Year	1,106,489	92,921
Due in More Than One Year	16,490,000	2,513,050
Total Liabilities	<u>\$ 22,839,945</u>	<u>\$ 5,203,182</u>

(Continued)

Exhibit A

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

	Primary Government Governmental Activities	<u>Component Unit</u> Polk County School Department
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	\$ 9,687,779	\$ 16,153,356
Restricted for:		
General Purposes	486,470	43,892
Drug Control	81,202	0
Highway/Public Works	720,873	0
Debt Service	1,602,761	0
School Federal Projects	0	136,729
Central Cafeteria	0	729,243
Capital Projects	126,088	26,264
Self Insurance	0	40,909
Unrestricted	<u>(6,586,124)</u>	<u>(438,783)</u>
Total Net Assets	<u>\$ 6,119,049</u>	<u>\$ 16,691,610</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, 2012

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Polk County School Department
				Total Governmental Activities	Component Unit	
Primary Government:						
Governmental Activities:						
General Government	\$ 1,444,903	\$ 176,218	\$ 31,584	\$ (1,237,101)	\$	0
Finance	621,838	408,701	0	(213,137)		0
Administration of Justice	513,676	506,822	9,000	2,146		0
Public Safety	3,708,130	1,380,603	1,293	(2,326,234)		0
Public Health and Welfare	1,403,025	0	75,297	(1,327,728)		0
Social, Cultural, and Recreational Services	74,599	483	98,369	24,253		0
Agriculture and Natural Resources	63,583	0	700	(62,883)		0
Other Operations	188,143	0	542,323	354,180		0
Highways/Public Works	2,357,485	343,293	1,678,792	(335,400)		0
Interest on Long-term Debt	824,878	0	3,728	(821,150)		0
Other Debt Service	27,050	0	725,000	697,950		0
Total Primary Government	\$ 11,227,310	\$ 2,816,120	\$ 3,166,086	\$ (5,245,104)	\$	0
Component Unit:						
Polk County School Department	\$ 22,957,247	\$ 415,832	\$ 3,317,752	0	\$	(19,223,663)
Total Component Unit	\$ 22,957,247	\$ 415,832	\$ 3,317,752	0	\$	(19,223,663)

(Continued)

Exhibit B

Polk County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
	Charges for Services	Operating Grants and Contributions	Component Unit	
			Primary Government Total Governmental Activities	Polk County School Department
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes		\$ 4,320,548	\$	2,453,664
Property Taxes Levied for Debt Service		1,248,131		0
Hotel/Motel Tax		71,100		0
Local Amusement Tax		18,384		0
Local Option Sales Taxes		0		1,440,317
Litigation Tax - General		54,216		0
Litigation Tax - Jail, Workhouse, or Courthouse		30,747		0
Business Tax		53,641		23,429
Wholesale Beer Tax		251,414		0
Other Local Taxes		5,278		1,937
Grants and Contributions Not Restricted to Specific Programs		801,853		13,900,181
Unrestricted Investment Earnings		34,268		143
Miscellaneous		24,737		127,790
Total General Revenues		\$ 6,914,317	\$	17,947,461
Change in Net Assets		\$ 1,669,213	\$	(1,276,202)
Net Assets, July 1, 2011		4,449,836		17,967,812
Net Assets, June 30, 2012		\$ 6,119,049	\$	16,691,610

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, 2012

	Major Funds			Nonmajor	Total
	Highway /		General	Other	
	General	Public Works	Debt Service	Governmental Funds	
ASSETS					
Equity in Pooled Cash and Investments	\$ 3,685,336	\$ 475,434	\$ 1,671,039	\$ 206,879	\$ 6,038,688
Accounts Receivable	16,841	15,499	4,385	0	36,725
Due from Other Governments	227,786	275,864	5,998	411	510,059
Property Taxes Receivable	4,453,158	0	1,280,870	0	5,734,028
Allowance for Uncollectible Property Taxes	(402,162)	0	(116,123)	0	(518,285)
Total Assets	\$ 7,980,959	\$ 766,797	\$ 2,846,169	\$ 207,290	\$ 11,801,215
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 54,207	\$ 43,335	\$ 0	\$ 0	\$ 97,542
Payroll Deductions Payable	55,908	1,094	0	0	57,002
Retainage Payable	20,492	0	0	0	20,492
Due to State of Tennessee	2,188	0	0	0	2,188
Matured Interest on Bonds	0	0	5,827	0	5,827
Deferred Revenue - Current Property Taxes	3,822,824	0	1,103,831	0	4,926,655
Deferred Revenue - Delinquent Property Taxes	205,486	0	54,366	0	259,852
Other Deferred Revenues	15,364	138,000	2,000	0	155,364
Total Liabilities	\$ 4,176,469	\$ 182,429	\$ 1,166,024	\$ 0	\$ 5,524,922
Fund Balances					
Restricted:					
Restricted for General Government	\$ 250,502	\$ 0	\$ 0	\$ 0	\$ 250,502
Restricted for Finance	3,264	0	0	0	3,264
Restricted for Administration of Justice	227,499	0	0	0	227,499
Restricted for Public Safety	0	0	0	81,202	81,202
Restricted for Public Health and Welfare	5,205	0	0	0	5,205
Restricted for Highways/Public Works	0	584,368	0	0	584,368
Restricted for Debt Service	0	0	1,680,145	0	1,680,145
Committed:					
Committed for Other Operations	0	0	0	91,523	91,523
Committed for Capital Outlay	0	0	0	34,565	34,565
Assigned:					
Assigned for General Government	39,345	0	0	0	39,345
Assigned for Finance	630	0	0	0	630
Assigned for Administration of Justice	735	0	0	0	735
Assigned for Public Safety	48,821	0	0	0	48,821
Assigned for Public Health and Welfare	8,519	0	0	0	8,519
Assigned for Social, Cultural, and Recreational Services	18,448	0	0	0	18,448
Unassigned	3,201,522	0	0	0	3,201,522
Total Fund Balances	\$ 3,804,490	\$ 584,368	\$ 1,680,145	\$ 207,290	\$ 6,276,293
Total Liabilities and Fund Balances	\$ 7,980,959	\$ 766,797	\$ 2,846,169	\$ 207,290	\$ 11,801,215

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

Exhibit C-2

Polk County, Tennessee
Reconciliation of the Balance Sheet of Governmental
Funds to the Statement of Net Assets
June 30, 2012

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)		\$	6,276,293
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: construction in progress	\$	1,250,712	
Add: buildings and improvements net of accumulated depreciation		8,543,616	
Add: infrastructure net of accumulated depreciation		6,431,602	
Add: other capital assets net of accumulated depreciation		<u>931,849</u>	17,157,779
(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	\$	(17,520,000)	
Less: compensated absences payable		(76,489)	
Less: accrued interest on bonds		<u>(133,750)</u>	(17,730,239)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>415,216</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>6,119,049</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, 2012

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 4,925,397	\$ 0	\$ 1,333,793	\$ 0	\$ 6,259,190
Licenses and Permits	81,131	0	0	0	81,131
Fines, Forfeitures, and Penalties	140,960	0	0	54,803	195,763
Charges for Current Services	10,666	0	0	29,183	39,849
Other Local Revenues	128,536	352,712	34,304	0	515,552
Fees Received from County Officials	769,800	0	0	0	769,800
State of Tennessee	1,903,043	1,588,444	127,974	0	3,619,461
Federal Government	386,429	90,294	0	298,115	774,838
Other Governments and Citizens Groups	0	0	727,560	45,818	773,378
Total Revenues	\$ 8,345,962	\$ 2,031,450	\$ 2,223,631	\$ 427,919	\$ 13,028,962
<u>Expenditures</u>					
Current:					
General Government	\$ 1,146,576	\$ 0	\$ 0	\$ 298,115	\$ 1,444,691
Finance	619,893	0	0	0	619,893
Administration of Justice	503,881	0	0	3,180	507,061
Public Safety	3,636,747	0	0	81,373	3,718,120
Public Health and Welfare	1,401,558	0	0	0	1,401,558
Social, Cultural, and Recreational Services	78,309	0	0	0	78,309
Agriculture and Natural Resources	63,583	0	0	0	63,583
Other Operations	187,186	0	0	957	188,143
Highways	0	2,187,353	0	0	2,187,353
Debt Service:					
Principal on Debt	0	0	1,065,000	0	1,065,000
Interest on Debt	0	0	844,659	0	844,659
Other Debt Service	0	0	27,050	0	27,050
Total Expenditures	\$ 7,637,733	\$ 2,187,353	\$ 1,936,709	\$ 383,625	\$ 12,145,420
Excess (Deficiency) of Revenues					
Over Expenditures	\$ 708,229	\$ (155,903)	\$ 286,922	\$ 44,294	\$ 883,542
<u>Other Financing Sources (Uses)</u>					
Transfers In	\$ 40,490	\$ 0	\$ 0	\$ 39,553	\$ 80,043
Transfers Out	(39,553)	0	0	(40,490)	(80,043)
Total Other Financing Sources (Uses)	\$ 937	\$ 0	\$ 0	\$ (937)	\$ 0
Net Change in Fund Balances					
Fund Balance, July 1, 2011	\$ 3,095,324	\$ 740,271	\$ 1,393,223	\$ 163,933	\$ 5,392,751
Fund Balance, June 30, 2012	\$ 3,804,490	\$ 584,368	\$ 1,680,145	\$ 207,290	\$ 6,276,293

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, 2012

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)		\$ 883,542
(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	\$ 333,448	
Less: current-year depreciation expense	<u>(625,183)</u>	(291,735)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2012	\$ 415,216	
Less: deferred delinquent property taxes and other deferred June 30, 2011	<u>(547,655)</u>	(132,439)
(3) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:		
Add: principal payments on bonds	\$ 990,000	
Add: principal payments on notes	75,000	
Add: principal payments on capital leases	<u>123,875</u>	1,188,875
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest payable	\$ 19,781	
Change in compensated absences payable	<u>1,189</u>	<u>20,970</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 1,669,213</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, 2012

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 1,463,355
Due from Other Governments	<u>72,135</u>
Total Assets	<u><u>\$ 1,535,490</u></u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 72,135
Due to Litigants, Heirs, and Others	<u>1,463,355</u>
Total Liabilities	<u><u>\$ 1,535,490</u></u>

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

POLK COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

The Polk County School Department operates the public school system in the county, and the voters of Polk County elect its board. The School Department is fiscally dependent on the county because it may not issue debt without county approval, and its budget and property tax levy are subject to the County Commission's approval. The School Department's taxes are levied under the taxing authority of the county and are included as part of the county's total tax levy.

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

The Polk County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the School Department are included in this report as listed in the table of contents. Although required by GAAP, the financial statements of the Polk County Emergency Communications District were not available in time for

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

Administrative Office:

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

B. Government-wide and Fund Financial Statements

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Polk County issues all debt for the discretely presented Polk County School Department. There were no debt issues contributed by the county to the School Department during the year ended June 30, 2012.

Separate financial statements are provided for governmental funds, the proprietary fund (internal service fund), and fiduciary funds. The discretely presented Polk County School Department's internal service fund is reported with the governmental activities in the government-wide financial statements, and the fiduciary funds are excluded from the government-wide

financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the county considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. Polk County considers grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been

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

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

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

Polk County reports the following major governmental funds:

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

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

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

Additionally, Polk County reports the following fund types:

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

Agency Funds – These funds account for amounts collected in an agency capacity by the constitutional officers and local sales taxes received by the state to be forwarded to the various cities in Polk County. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They do, however, use the accrual basis of accounting to recognize receivables and payables.

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

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

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

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

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

Capital Projects Fund – The Education Capital Projects Fund is used to account for building construction and renovation of the School Department.

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. The discretely presented 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 \$40,909 at June 30, 2012, 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, and Net Assets or Equity

1. Deposits and Investments

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

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

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

2. Receivables and Payables

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

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 6.1 percent of the total taxes levied.

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

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

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

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

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

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

3. Capital Assets

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

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

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

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

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

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

4. Compensated Absences

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

The general policy of the discretely presented Polk County School Department does not allow for the accumulation of vacation days beyond calendar year-end. Employees who work 11 months are granted one week of vacation a year, and 12-month employees are granted two weeks of vacation a year. All vacation pay is accrued when incurred in the government-wide financial statements for the School Department. A liability for vacation pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements. All professional personnel (teachers) of the School Department are allowed to accumulate unlimited sick leave days. The granting of sick leave has no guaranteed payment attached and therefore is not required to be accrued or recorded.

5. Long-term Obligations

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

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

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

6. Net Assets and Fund Equity

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

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

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

On the government-wide Statement of Net Assets (Exhibit A), the account Restricted for General Purposes for the primary government consists of various restrictions totaling \$486,470, with the primary restrictions being for: (1) alcohol and drug treatment (\$62,877); (2) computer systems for various offices (\$139,943); (3) courthouse and jail maintenance (\$107,444); (4) drug control (\$80,459); and courthouse security (\$90,541). For the discretely presented School Department, the account balance in Restricted for General Purposes totaling \$43,892 consists of a restriction for the Career Ladder Program. Also, for the discretely presented School Department, the account balance in Restricted for School Federal Projects totaling \$136,729 consists primarily of a restriction for cash flow assistance from the General Purpose School Fund (\$100,000).

As of June 30, 2012, Polk County had \$10,050,000 in outstanding debt for capital purposes for the discretely presented Polk County School Department. This debt is a liability of Polk County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Polk County has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the county's capital assets.

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 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 Assets

Primary Government

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

Discretely Presented Polk County School Department

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

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

Primary Government

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

Discretely Presented Polk County School Department

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

The budgetary level of control is at the major category level established by the 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, 2012, Polk County and the Polk County School Department reported the following significant encumbrances:

Fund	Description	Amount
Primary Government:		
Major Fund:		
General	Rescue Squad Equipment	\$ 15,226
"	Library Supplies	6,898
"	Concession Stand	11,550
School Department:		
Major Fund:		
General Purpose School	Education Supplies	17,056
School Federal Projects	Education Equipment	14,172
Central Cafeteria	Food Service Equipment	52,471

B. Cash Shortage – Prior Years

The audit of Polk County for the 2007-08 year reported a cash shortage of \$1,047.45 in the School Department resulting from a maintenance employee using a department-owned welding machine and welding materials for his personal benefit. The employee entered into a plea agreement on March 23, 2009, that required him to pay restitution of \$1,047.45 for personal use of the School Department's equipment and materials. This shortage was liquidated on December 7, 2010.

C. Expenditures Exceeded Appropriations

Expenditures of the General Fund, Highway/Public Works Fund, and the School Department's General Purpose School Fund exceeded appropriations approved by the County Commission in the following major appropriations categories (the legal level of control):

Fund	Major Appropriation Category	Amount Overspent
Primary Government:		
General	County Commission	\$ 4,286
"	Other Charges	4,786
"	Contributions to Other Agencies	1,876
Highway/Public Works	Operation and Maintenance of Equipment	16,978
Discretely Presented		
School Department:		
General Purpose School	Vocational Education Program	3,730
"	Adult Education Program	34,083
"	Other Student Support	52,813
"	Regular Capital Outlay	52,988

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

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

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

Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for the purposes of credit risk disclosure.

For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the county.

Investments

Legal Provisions. Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposit accounts at state and federal chartered banks and savings and loan associations; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county’s own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer’s Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state Comptroller’s Office and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the fair value of the securities on the day of purchase. The county had no pooled or nonpooled investments as of June 30, 2012.

B. Capital Assets

Capital assets activity for the year ended June 30, 2012, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-11	Increases	Balance 6-30-12
Capital Assets			
Not Depreciated:			
Construction in Progress	\$ 1,020,324	\$ 230,388	\$ 1,250,712
Total Capital Assets			
Not Depreciated	\$ 1,020,324	\$ 230,388	\$ 1,250,712

Governmental Activities (Cont.):

	Balance 7-1-11	Increases	Balance 6-30-12
Capital Assets Depreciated:			
Buildings and Improvements	\$ 11,017,680	\$ 0	\$ 11,017,680
Infrastructure	10,790,647	0	10,790,647
Other Capital Assets	3,538,060	103,060	3,641,120
Total Capital Assets Depreciated	<u>\$ 25,346,387</u>	<u>\$ 103,060</u>	<u>\$ 25,449,447</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 2,251,334	\$ 222,730	\$ 2,474,064
Infrastructure	4,116,460	242,585	4,359,045
Other Capital Assets	2,549,403	159,868	2,709,271
Total Accumulated Depreciation	<u>\$ 8,917,197</u>	<u>\$ 625,183</u>	<u>\$ 9,542,380</u>
Total Capital Assets Depreciated, Net	<u>\$ 16,429,190</u>	<u>\$ (522,123)</u>	<u>\$ 15,907,067</u>
Governmental Activities Capital Assets, Net	<u>\$ 17,449,514</u>	<u>\$ (291,735)</u>	<u>\$ 17,157,779</u>

There were no decreases in capital assets during the year.

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

Governmental Activities:

General Government	\$ 226,839
Finance	3,647
Public Safety	93,207
Highways	<u>301,490</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 625,183</u>

Discretely Presented Polk County School Department

Governmental Activities:

	Balance 7-1-11	Increases	Decreases	Balance 6-30-12
Capital Assets				
Not Depreciated:				
Land	\$ 1,500	\$ 0	\$ 0	\$ 1,500
Total Capital Assets				
Not Depreciated	\$ 1,500	\$ 0	\$ 0	\$ 1,500
Capital Assets Depreciated:				
Buildings and				
Improvements	\$ 24,700,458	\$ 0	\$ 0	\$ 24,700,458
Other Capital Assets	2,691,317	136,208	(260,693)	2,566,832
Total Capital Assets				
Depreciated	\$ 27,391,775	\$ 136,208	\$ (260,693)	\$ 27,267,290
Less Accumulated				
Depreciation For:				
Buildings and				
Improvements	\$ 8,800,935	\$ 478,191	\$ 0	\$ 9,279,126
Other Capital Assets	1,441,765	157,666	(231,247)	1,368,184
Total Accumulated				
Depreciation	\$ 10,242,700	\$ 635,857	\$ (231,247)	\$ 10,647,310
Total Capital Assets				
Depreciated, Net	\$ 17,149,075	\$ (499,649)	\$ (29,446)	\$ 16,619,980
Governmental Activities				
Capital Assets, Net	\$ 17,150,575	\$ (499,649)	\$ (29,446)	\$ 16,621,480

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

Governmental Activities:

Support Services	\$ 620,544
Operation of Non-Instructional Services	15,313
Total Depreciation Expense -	
Governmental Activities	<u>\$ 635,857</u>

C. Construction Commitments

At June 30, 2012, Polk County had uncompleted construction contracts of approximately \$32,321 for the renovation of the airport. Funding for these future expenditures is expected to be received from federal and state grants.

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2012, was as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Discretely Presented School Department:		
General Purpose School	School Federal Projects	\$ 10,026

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

Interfund Transfers:

Interfund transfers for the year ended June 30, 2012, consisted of the following amounts:

Primary Government

<u>Transfers Out</u>	<u>Transfers In</u>	
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>
General Fund	\$ 0	\$ 39,553
Nonmajor governmental funds	40,490	0
Total	<u>\$ 40,490</u>	<u>\$ 39,553</u>

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

E. Capital Leases

Discretely Presented Polk County School Department

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

to the buses transfers to the School Department at the end of the lease period. The lease payments are made by the General Purpose School Fund.

The assets acquired through capital leases are as follows:

<u>Asset</u>	<u>Governmental Activities</u>
Machinery and Equipment	\$ 535,508
Less: Accumulated Depreciation	<u>(52,964)</u>
Total Book Value	<u>\$ 482,544</u>

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2012, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Funds</u>
2013	\$ 89,515
2014	89,515
2015	89,516
2016	89,515
2017	89,516
2018	<u>89,516</u>
Total Minimum Lease Payments	\$ 537,093
Less: Amount Representing Interest	<u>(68,969)</u>
Present Value of Minimum Lease Payments	<u>\$ 468,124</u>

F. Long-term Debt

Primary Government

General Obligation Bonds

The county issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. In addition, general obligation bonds have been issued to refund other loans.

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, 2012, will be retired from the General Debt Service Fund.

General obligation bonds outstanding as of June 30, 2012, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-12
General Obligation Bonds - Refunding	4 to 5 %	4-30-25	\$ 22,100,000	\$ 17,520,000

The annual requirements to amortize the bond outstanding as of June 30, 2012, including interest payments, are presented in the following table:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2013	\$ 1,030,000	\$ 802,500	\$ 1,832,500
2014	1,070,000	761,300	1,831,300
2015	1,110,000	718,500	1,828,500
2016	1,155,000	674,100	1,829,100
2017	1,200,000	627,900	1,827,900
2018-2022	6,955,000	2,291,900	9,246,900
2023-2025	5,000,000	508,250	5,508,250
Total	<u>\$ 17,520,000</u>	<u>\$ 6,384,450</u>	<u>\$ 23,904,450</u>

There is \$1,680,145 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$1,041, based on the 2010 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2012, was as follows:

Governmental Activities:

	Bonds	Note
Balance, July 1, 2011	\$ 18,510,000	\$ 75,000
Reductions	(990,000)	(75,000)
Balance, June 30, 2012	<u>\$ 17,520,000</u>	<u>\$ 0</u>
Balance Due Within One Year	<u>\$ 1,030,000</u>	<u>\$ 0</u>

Governmental Activities (Cont.):

	Capital Lease	Compensated Absences
Balance, July 1, 2011	\$ 123,875	\$ 77,678
Additions	0	78,963
Reductions	(123,875)	(80,152)
Balance, June 30, 2012	<u>\$ 0</u>	<u>\$ 76,489</u>
Balance Due Within One Year	<u>\$ 0</u>	<u>\$ 76,489</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2012	\$ 17,596,489
Less: Balance Due Within One Year	<u>(1,106,489)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 16,490,000</u>

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

Discretely Presented Polk County School Department

The capital leases outstanding as of June 30, 2012, for governmental activities are as follows:

Type	Interest Rate		Final Maturity	Original Amount of Issue	Balance 6-30-12
Capital Leases	4.074	%	5-1-18	\$ 535,508	\$ 468,124

Debt per capita, including all capital leases totaled \$28, based on the 2010 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the discretely presented Polk County School Department for the year ended June 30, 2012, was as follows:

Governmental Activities:

	<u>Capital Leases</u>
Balance, July 1, 2011	\$ 535,508
Reductions	<u>(67,384)</u>
Balance, June 30, 2012	<u>\$ 468,124</u>
Balance Due Within One Year	<u>\$ 70,444</u>

	<u>Compensated Absences</u>	<u>Other Postemployment Benefits</u>
Balance, July 1, 2011	\$ 27,535	\$ 875,134
Additions	0	1,446,847
Reductions	<u>(5,058)</u>	<u>(206,611)</u>
Balance, June 30, 2012	<u>\$ 22,477</u>	<u>\$ 2,115,370</u>
Balance Due Within One Year	<u>\$ 22,477</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2012	\$ 2,605,971
Less: Balance Due Within One Year	<u>(92,921)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 2,513,050</u>

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

G. On-Behalf Payments

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, 2012, were

\$65,294 and \$22,496, 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 \$40,909 at June 30, 2012, is being maintained in the Self-Insurance Fund for future use.

B. Subsequent Events

On July 12, 2006, Polk County issued a \$50,000 capital outlay note to provide funds to aid in financing the cost of library construction projects, and on July 14, 2006, the General Debt Service Fund paid off this note. The note proceeds were contributed to Friends of the Library, a nonprofit organization, which had been formed to raise money for future construction of the county's library. On July 24, 2012, Friends of the Library purchased a building in Benton, Tennessee, for \$100,000 to house the library. Polk County has filed a claim in the 10th Judicial District Circuit Court against the Friends of the

Library for the return of the \$50,000. According to the county attorney, this claim is scheduled to be heard by the Circuit Court Judge on March 11, 2013.

Highway Superintendent Harold Hood left office on August 31, 2012, and was succeeded by Roy Gene Thomason on September 1, 2012.

On October 15, 2012, Polk County issued a capital outlay note totaling \$425,000 for five school buses and a lift for one bus.

C. Contingent Liabilities

Whitewater Rafting

A case (High Country Adventures, Inc., v. Polk County, Tennessee) was filed in Chancery Court of Polk County on behalf of commercial rafting outfitters/operators questioning the constitutionality of the amusement tax Polk County applies to participate in whitewater rafting on the Ocoee River. Various outfitters in Polk County have sued the county for a refund of a \$2.50 per rafter privilege/amusement tax. The case has proceeded through the trial court and the Tennessee Court of Appeals. On November 10, 2008, the court of appeals found the Ocoee River to be navigable waters and that the imposition of the privilege/amusement tax was preempted by the *Maritime Transportation Security Act of 2002*, which prohibits a non-federal interest from levying taxes or fees on water crafts or passengers of water crafts on navigable waters of the United States. In addition, the court of appeals ordered Polk County to refund any taxes at issue in the case to customers of the outfitters who had paid the tax. Further, any amounts unclaimed after one year were to be treated as abandoned property and paid to the state Treasurer pursuant to Sections 66-29-110, 66-29-115, and 66-29-121, *Tennessee Code Annotated (TCA)*, with refunds to the county if unclaimed after 18 months.

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

Polk County's position is that it should not be required to refund any of these taxes paid after the enactment of the *Maritime Transportation Security Act of 2002*, as there has been no proper suit to recover taxes for such. However, this issue has not been resolved by any court as of the date of this report.

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

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

In addition to the \$875,782, the court has the discretion to add interest, in an amount determined by the court. In the event that Polk County is ordered to refund these amounts set forth above, any funds not refunded within one year are to be paid over to the state treasurer. The county can request the state treasurer to return the balance of the funds unclaimed after 18 months. Upon return, the county would place the balance in the General Fund. However, no taxpayer or entity has come forth since November of 2008 to seek any refunds from Polk County, and in the opinion of the attorney representing the county in this matter; all persons are barred from doing so at this point, and furthermore, Polk County has previously passed a new amusement tax structure in conjunction with the whitewater rafting operators, and it appears that all matters have been resolved by Polk County and the whitewater rafting operators with the passage of the new rafting tax structure.

Copper Basin Medical Center

Polk County is contingently liable for a hospital revenue-refunding bond of the Copper Basin Medical Center, a jointly governed organization. Polk County would become liable for this bond and the interest thereon in the event of default by the medical center. The medical center missed a scheduled payment in a prior year. The bond holders now require Polk County to make the annual principal, interest, and fee payments. The outstanding balance for this bond as of June 30, 2012, was \$125,000 with interest ranging from 5.15 to 5.2 percent.

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

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, 2012, was \$110,000 with interest ranging from 5.15 to 5.3 percent.

Other

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

D. Change in Administration

On February 17, 2012, Ruth Allen left the Office of Director of Accounts and Budgets and was succeeded by Kelley Morgan on March 15, 2012.

E. Joint Venture

The Tenth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Tenth Judicial District and participating municipalities in the district. The Tenth Judicial District includes Bradley, McMinn, Monroe, and Polk counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a Board of Directors that includes the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within the judicial district. Polk County did not contribute to the DTF for the year ended June 30, 2012, and does not have any equity interest in this joint venture. Complete financial statements for the DTF can be obtained from its administrative office at the following address:

Administrative Office:

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

F. Jointly Governed Organization

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

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

G. Retirement Commitments

Plan Description

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

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

Funding Policy

Polk County requires employees to contribute five percent of their earnable compensation to the plan. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2012, was 7.85 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the county is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2012, Polk County’s annual pension cost of \$365,325 to TCRS was equal to the county’s required and actual contributions. The required contribution was determined as part of the July 1, 2009, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected 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), and (d) projected 3.5 percent annual increase in the Social Security wage base. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. The county’s unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009, was nine years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-12	\$365,325	100%	\$0
6-30-11	288,177	100	0
6-30-10	357,888	100	0

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 96.45 percent funded. The actuarial accrued liability for benefits was \$7.06 million, and the actuarial value of assets was \$6.81 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.25 million. The covered payroll (annual payroll of active employees covered by the plan) was \$4.31 million, and the ratio of the UAAL to the covered payroll was 5.81 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.

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, 2012, was 9.05 percent of annual covered payroll. The employer contribution requirement for the School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2012, 2011, and 2010, were \$869,289, \$869,172, and \$605,905, respectively, equal to the required contributions for each year.

H. Other Postemployment Benefits (OPEB)

The Polk County School Department participates in the state-administered Local Education Group Insurance Plan 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 plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employer 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 \$376 to \$943 per month for their insurance. During the year, expenditures totaling \$206,611 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	\$ 873,000	\$ 576,000
Interest on the NPO	35,005	0
Adjustment to the ARC	(37,158)	0
Annual OPEB cost	\$ 870,847	\$ 576,000
Amount of contribution	(206,611)	0
Increase/decrease in NPO	\$ 664,236	\$ 576,000
Net OPEB obligation, 7-1-11	875,134	0
Net OPEB obligation, 6-30-12	\$ 1,539,370	\$ 576,000

Fiscal Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-10	Local Education Group	\$ 411,194	53.21%	\$ 694,883
6-30-11	"	416,651	56.74	875,134
6-30-12	"	870,847	23.73	1,539,370
6-30-12*	Schools - Medicare Supplement	576,000	0	576,000

* - Data only available for one year.

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2011, was as follows:

	Local Education Group Plan	Schools - Medicare Supplement Plan
Actuarial valuation date	7-1-11	7-1-11
Actuarial accrued liability (AAL)	\$ 6,090,000	\$ 4,806,000
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 6,090,000	\$ 4,806,000
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 10,214,337	\$ N/A
UAAL as a % of covered payroll	59.6%	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, 2011, 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 9.25 percent for fiscal year 2012. The trend rate will decrease to 8.75 percent in fiscal year 2013 and then be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. The annual healthcare cost trend rate for the Medicare Supplement Plan was 6.05 percent for fiscal year 2012. The trend will decrease to 6.25 percent in fiscal year 2013 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2018. 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 June 30, 2008.

I. Termination Benefits

The Polk County School Department offers retiring employees, with 25 years or more of service in the Polk County school system, a lump-sum payment equal to \$200 for each year of service in the Polk County school system or provides a portion of the employee's health care insurance until the employee reaches Medicare age. During the period, two retiring employees opted for the lump-sum payment. Expenditures totaling \$14,400 were recognized for lump-sum payments in-lieu-of postemployment health care.

J. Office of Central Accounting, Budgeting, and Purchasing

Polk County operates under provisions of the Fiscal Control Acts of 1957. These acts provide for a central system of accounting, budgeting, and purchasing covering all funds administered by the county executive and the

highway superintendent. Funds under the supervision of the county executive were maintained by the director of accounts and budgets. However, funds under the supervision of the highway superintendent were maintained by employees of the Highway Department.

K. Purchasing Laws

Office of County Executive

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

Office of Highway Superintendent

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

Office of Director of Schools

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit E-1

Polk County, Tennessee
 Schedule of Revenues, Expenditures, and Changes
 in Fund Balance - Actual (Budgetary Basis) and Budget
 General Fund
 For the Year Ended June 30, 2012

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2011	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Revenues							
Local Taxes	\$ 4,925,397	\$ 0	\$ 0	\$ 4,925,397	\$ 4,535,145	\$ 4,535,145	\$ 390,252
Licenses and Permits	81,131	0	0	81,131	74,550	74,550	6,581
Fines, Forfeitures, and Penalties	140,960	0	0	140,960	170,450	170,450	(29,490)
Charges for Current Services	10,666	0	0	10,666	36,050	36,050	(25,384)
Other Local Revenues	128,536	0	0	128,536	64,250	77,299	51,237
Fees Received from County Officials	769,800	0	0	769,800	652,900	652,900	116,900
State of Tennessee	1,903,043	0	0	1,903,043	1,684,837	1,655,654	247,389
Federal Government	386,429	0	0	386,429	172,500	613,885	(227,456)
Other Governments and Citizens Groups	0	0	0	0	36,000	36,000	(36,000)
Total Revenues	\$ 8,345,962	\$ 0	\$ 0	\$ 8,345,962	\$ 7,426,682	\$ 7,851,933	\$ 494,029
Expenditures							
General Government							
County Commission	\$ 61,534	\$ 0	\$ 0	\$ 61,534	\$ 57,248	\$ 57,248	\$ (4,286)
Board of Equalization	1,627	0	0	1,627	1,650	1,650	23
County Mayor/Executive	108,579	0	0	108,579	112,653	112,653	4,074
Election Commission	143,916	0	2,130	146,046	126,312	161,884	15,838
Register of Deeds	111,242	(1,200)	0	110,042	112,260	113,552	3,510
County Buildings	162,618	(860)	2,742	164,500	182,383	190,383	25,883
Other General Administration	557,060	(198,268)	34,473	393,265	219,702	614,692	221,427
Finance							
Accounting and Budgeting	52,504	0	0	52,504	55,640	55,650	3,146
Property Assessor's Office	204,780	(250)	250	204,780	235,320	239,099	34,319
County Trustee's Office	168,759	(344)	379	168,794	177,145	177,145	8,351
County Clerk's Office	193,850	0	0	193,850	199,617	199,622	5,772

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2011	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Administration of Justice</u>							
Circuit Court	\$ 186,676	\$ (200)	\$ 240	\$ 186,716	\$ 212,963	\$ 212,963	\$ 26,247
General Sessions Court	103,111	0	0	103,111	105,353	105,353	2,242
Drug Court	0	0	0	0	1,500	1,500	1,500
Chancery Court	144,376	0	495	144,871	150,060	151,680	6,809
Juvenile Court	69,718	0	0	69,718	72,060	71,832	2,114
<u>Public Safety</u>							
Sheriff's Department	1,373,923	(24,809)	11,350	1,360,464	1,347,085	1,396,313	35,849
Correctional Incentive Program Improvements	1,965,936	(415)	3,750	1,969,271	1,986,225	2,060,210	90,939
Fire Prevention and Control	0	0	0	0	1,000	1,000	1,000
Civil Defense	50,449	(2,200)	3,195	51,444	73,053	92,970	41,526
Rescue Squad	124,053	(30,703)	26,859	120,209	100,651	120,568	359
Other Emergency Management	122,386	(116,720)	3,668	9,334	12,536	11,936	2,602
County Coroner/Medical Examiner	0	0	0	0	300	300	300
<u>Public Health and Welfare</u>							
Local Health Center	66,536	(16,157)	4,800	55,179	70,964	70,964	15,785
Ambulance/Emergency Medical Services	720,000	0	0	720,000	720,000	720,000	0
Alcohol and Drug Programs	0	0	0	0	4,000	4,000	4,000
Crippled Children Services	1,250	0	0	1,250	1,250	1,250	0
Other Local Health Services	87,923	0	0	87,923	112,990	112,990	25,067
Sanitation Education/Information	37,165	(5,261)	3,288	35,192	45,792	45,792	10,600
Convenience Centers	414,712	0	0	414,712	416,400	449,400	34,688
Other Public Health and Welfare	73,972	0	431	74,403	99,671	99,671	25,268
<u>Social, Cultural, and Recreational Services</u>							
Senior Citizens Assistance	20,548	0	0	20,548	20,498	20,548	0

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2011	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Social, Cultural, and Recreational Services (Cont.)</u>							
Libraries	\$ 46,211	\$ 0	\$ 6,898	\$ 53,109	\$ 46,548	\$ 64,255	\$ 11,146
Other Social, Cultural, and Recreational Agriculture and Natural Resources	11,550	0	11,550	23,100	0	23,100	0
Agriculture Extension Service	44,813	0	0	44,813	44,317	45,464	651
Soil Conservation	18,770	0	0	18,770	18,770	18,770	0
<u>Other Operations</u>							
Other Economic and Community Development	17,983	0	0	17,983	20,826	20,826	2,843
Airport	0	0	0	0	3,000	3,000	3,000
Veterans' Services	19,041	0	0	19,041	19,526	19,526	485
Other Charges	103,286	0	0	103,286	0	98,500	(4,786)
Contributions to Other Agencies	46,876	0	0	46,876	45,000	45,000	(1,876)
Total Expenditures	\$ 7,637,733	\$ (397,387)	\$ 116,498	\$ 7,356,844	\$ 7,232,268	\$ 8,013,259	\$ 656,415
<u>Excess (Deficiency) of Revenues</u>							
Over Expenditures	\$ 708,229	\$ 397,387	\$ (116,498)	\$ 989,118	\$ 194,414	\$ (161,326)	\$ 1,150,444
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 40,490	\$ 0	\$ 0	\$ 40,490	\$ 0	\$ 40,490	\$ 0
Transfers Out	(39,553)	0	0	(39,553)	0	0	(39,553)
Total Other Financing Sources (Uses)	\$ 937	\$ 0	\$ 0	\$ 937	\$ 0	\$ 40,490	\$ (39,553)
<u>Net Change in Fund Balance</u>							
Fund Balance, July 1, 2011	\$ 709,166	\$ 397,387	\$ (116,498)	\$ 990,055	\$ 194,414	\$ (120,836)	\$ 1,110,891
Fund Balance, July 1, 2011	\$ 3,095,324	\$ (397,387)	\$ 0	\$ 2,697,937	\$ 2,366,168	\$ 2,366,168	\$ 331,769
<u>Fund Balance, June 30, 2012</u>							
	\$ 3,804,490	\$ 0	\$ (116,498)	\$ 3,687,992	\$ 2,560,582	\$ 2,245,332	\$ 1,442,660

Exhibit E-2

Polk County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 352,712	\$ 216,000	\$ 216,000	\$ 136,712
State of Tennessee	1,588,444	1,743,362	1,743,362	(154,918)
Federal Government	90,294	92,500	92,500	(2,206)
Total Revenues	<u>\$ 2,031,450</u>	<u>\$ 2,051,862</u>	<u>\$ 2,051,862</u>	<u>\$ (20,412)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 176,895	\$ 171,750	\$ 176,952	\$ 57
Highway and Bridge Maintenance	782,440	952,531	838,137	55,697
Operation and Maintenance of Equipment	594,123	550,872	577,145	(16,978)
Other Charges	50,156	49,130	50,467	311
Employee Benefits	411,803	369,028	430,598	18,795
Capital Outlay	171,936	290,292	636,160	464,224
Total Expenditures	<u>\$ 2,187,353</u>	<u>\$ 2,383,603</u>	<u>\$ 2,709,459</u>	<u>\$ 522,106</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (155,903)</u>	<u>\$ (331,741)</u>	<u>\$ (657,597)</u>	<u>\$ 501,694</u>
Net Change in Fund Balance	\$ (155,903)	\$ (331,741)	\$ (657,597)	\$ 501,694
Fund Balance, July 1, 2011	<u>740,271</u>	<u>722,658</u>	<u>722,658</u>	<u>17,613</u>
Fund Balance, June 30, 2012	<u>\$ 584,368</u>	<u>\$ 390,917</u>	<u>\$ 65,061</u>	<u>\$ 519,307</u>

Exhibit E-3

Polk County, Tennessee
Schedule of Funding Progress – Pension Plan
Primary Government and Discretely Presented Polk County School Department
June 30, 2012

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7-1-11	\$ 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
7-1-07	4,170	4,516	346	92.34	3,694	9.37

Exhibit E-4

Polk County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plan
Discretely Presented Polk County School Department
June 30, 2012

(Dollar amounts in thousands)

Plans	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Local Education Group	7-1-09	\$ 0	\$ 3,254	\$ 3,254	0 %	\$ 10,480	31.05 %
"	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
Medicare Supplement*	7-1-11	0	4,806	4,806	0	N/A	N/A

* - Data only available for one year.

POLK COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2012

A. BUDGETARY INFORMATION

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

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

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

At June 30, 2012, Polk County reported the following significant encumbrances in the General Fund:

Description	Amount
Rescue Squad Equipment	\$ 15,226
Library Supplies	6,898
Concession Stand	11,550

B. EXPENDITURES EXCEEDED APPROPRIATIONS

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

Fund/Major Appropriation Category	Amount Overspent
General:	
County Commission	\$ 4,286
Other Charges	4,786
Contributions to Other Agencies	1,876
Highway/Public Works:	
Operation and Maintenance of Equipment	16,978

Expenditures that exceed appropriations are a violation of state statutes. These overexpenditures were funded by appropriations exceeding expenditures in other major appropriation categories.

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

Nonmajor Governmental Funds

Special Revenue Funds

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.

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

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

Capital Projects Funds

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.

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.

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, 2012

	Special Revenue Fund	Capital Projects Funds			Total Nonmajor Governmental Funds
	Drug Control	Community Development/ Industrial Park	Other Capital Projects	Total	
<u>ASSETS</u>					
Equity in Pooled Cash and Investments	\$ 80,791	\$ 91,523	\$ 34,565	\$ 126,088	\$ 206,879
Due from Other Governments	411	0	0	0	411
Total Assets	<u>\$ 81,202</u>	<u>\$ 91,523</u>	<u>\$ 34,565</u>	<u>\$ 126,088</u>	<u>\$ 207,290</u>
<u>FUND BALANCES</u>					
Restricted:					
Restricted for Public Safety	\$ 81,202	\$ 0	\$ 0	\$ 0	\$ 81,202
Committed:					
Committed for Other Operations	0	91,523	0	91,523	91,523
Committed for Capital Outlay	0	0	34,565	34,565	34,565
Total Fund Balances	<u>\$ 81,202</u>	<u>\$ 91,523</u>	<u>\$ 34,565</u>	<u>\$ 126,088</u>	<u>\$ 207,290</u>

Exhibit F-2

Polk County, Tennessee
 Combining Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2012

	Special Revenue Funds			Capital Projects Funds				Total Nonmajor Governmental Funds
	Drug Control	Constitu- tional Officers - Fees	Total	Community Development/ Industrial Park	HUD Grant Projects	Other Capital Projects	Total	
<u>Revenues</u>								
Fines, Forfeitures, and Penalties	\$ 54,803	0	\$ 54,803	0	0	0	0	\$ 54,803
Charges for Current Services	0	3,180	3,180	0	0	26,003	26,003	29,183
Federal Government	0	0	0	0	298,115	0	298,115	298,115
Other Governments and Citizens Groups	1,168	0	1,168	0	0	44,650	44,650	45,818
Total Revenues	\$ 55,971	\$ 3,180	\$ 59,151	\$ 0	\$ 298,115	\$ 70,653	\$ 368,768	\$ 427,919
<u>Expenditures</u>								
Current:								
General Government	\$ 0	0	0	0	298,115	0	298,115	298,115
Administration of Justice	0	3,180	3,180	0	0	0	0	3,180
Public Safety	6,116	0	6,116	0	0	75,257	75,257	81,373
Other Operations	573	0	573	0	0	384	384	957
Total Expenditures	\$ 6,689	\$ 3,180	\$ 9,869	\$ 0	\$ 298,115	\$ 75,641	\$ 373,756	\$ 383,625
Excess (Deficiency) of Revenues Over Expenditures	\$ 49,282	0	\$ 49,282	0	0	\$ (4,988)	\$ (4,988)	44,294
<u>Other Financing Sources (Uses)</u>								
Transfers In	0	0	0	0	0	39,553	39,553	39,553
Transfers Out	(40,490)	0	(40,490)	0	0	0	0	(40,490)
Total Other Financing Sources (Uses)	\$ (40,490)	0	\$ (40,490)	0	0	\$ 39,553	\$ 39,553	\$ (937)
Net Change in Fund Balances Fund Balance, July 1, 2011	\$ 8,792	0	\$ 8,792	0	0	\$ 34,565	\$ 34,565	43,357
Fund Balance, July 1, 2011	72,410	0	72,410	91,523	0	0	91,523	163,933
Fund Balance, June 30, 2012	\$ 81,202	0	\$ 81,202	\$ 91,523	0	\$ 34,565	\$ 126,088	207,290

Exhibit F-3

Polk County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 54,803	\$ 65,000	\$ 65,000	\$ (10,197)
State of Tennessee	0	800	800	(800)
Other Governments and Citizens Groups	1,168	1,000	1,000	168
Total Revenues	<u>\$ 55,971</u>	<u>\$ 66,800</u>	<u>\$ 66,800</u>	<u>\$ (10,829)</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 6,116	\$ 76,700	\$ 76,700	\$ 70,584
<u>Other Operations</u>				
Other Charges	573	1,000	1,000	427
Total Expenditures	<u>\$ 6,689</u>	<u>\$ 77,700</u>	<u>\$ 77,700</u>	<u>\$ 71,011</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 49,282</u>	<u>\$ (10,900)</u>	<u>\$ (10,900)</u>	<u>\$ 60,182</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (40,490)	0	(40,490)	0
Total Other Financing Sources (Uses)	<u>\$ (40,490)</u>	<u>0</u>	<u>(40,490)</u>	<u>0</u>
Net Change in Fund Balance	\$ 8,792	\$ (10,900)	\$ (51,390)	\$ 60,182
Fund Balance, July 1, 2011	<u>72,410</u>	<u>56,445</u>	<u>56,445</u>	<u>15,965</u>
Fund Balance, June 30, 2012	<u>\$ 81,202</u>	<u>\$ 45,545</u>	<u>\$ 5,055</u>	<u>\$ 76,147</u>

Major Governmental Fund

General Debt Service Fund

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.

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, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,333,793	\$ 1,209,150	\$ 1,209,150	\$ 124,643
Other Local Revenues	34,304	22,500	22,500	11,804
State of Tennessee	127,974	113,900	113,900	14,074
Other Governments and Citizens Groups	727,560	725,000	725,000	2,560
Total Revenues	<u>\$ 2,223,631</u>	<u>\$ 2,070,550</u>	<u>\$ 2,070,550</u>	<u>\$ 153,081</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 340,000	\$ 732,900	\$ 399,586	\$ 59,586
Education	725,000	1,245,900	745,900	20,900
<u>Interest on Debt</u>				
General Government	286,314	0	287,314	1,000
Education	558,345	13,125	559,125	780
<u>Other Debt Service</u>				
General Government	27,050	29,600	29,600	2,550
Total Expenditures	<u>\$ 1,936,709</u>	<u>\$ 2,021,525</u>	<u>\$ 2,021,525</u>	<u>\$ 84,816</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 286,922</u>	<u>\$ 49,025</u>	<u>\$ 49,025</u>	<u>\$ 237,897</u>
Net Change in Fund Balance	\$ 286,922	\$ 49,025	\$ 49,025	\$ 237,897
Fund Balance, July 1, 2011	1,393,223	1,287,324	1,287,324	105,899
Fund Balance, June 30, 2012	<u>\$ 1,680,145</u>	<u>\$ 1,336,349</u>	<u>\$ 1,336,349</u>	<u>\$ 343,796</u>

Fiduciary Funds

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.

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

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

Exhibit H-1

Polk County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2012

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 1,463,355	\$ 1,463,355
Due from Other Governments	72,135	0	72,135
Total Assets	<u>\$ 72,135</u>	<u>\$ 1,463,355</u>	<u>\$ 1,535,490</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 72,135	\$ 0	\$ 72,135
Due to Litigants, Heirs, and Others	0	1,463,355	1,463,355
Total Liabilities	<u>\$ 72,135</u>	<u>\$ 1,463,355</u>	<u>\$ 1,535,490</u>

Exhibit H-2

Polk County, Tennessee
Combining Statement of Changes in Assets and Liabilities - All Agency Funds
For the Year Ended June 30, 2012

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 393,988	\$ 393,988	\$ 0
Due from Other Governments	64,138	72,135	64,138	72,135
Total Assets	\$ 64,138	\$ 466,123	\$ 458,126	\$ 72,135
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 64,138	\$ 466,123	\$ 458,126	\$ 72,135
Total Liabilities	\$ 64,138	\$ 466,123	\$ 458,126	\$ 72,135
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 789,193	\$ 4,623,492	\$ 3,949,330	\$ 1,463,355
Total Assets	\$ 789,193	\$ 4,623,492	\$ 3,949,330	\$ 1,463,355
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 789,193	\$ 4,623,492	\$ 3,949,330	\$ 1,463,355
Total Liabilities	\$ 789,193	\$ 4,623,492	\$ 3,949,330	\$ 1,463,355
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 789,193	\$ 4,623,492	\$ 3,949,330	\$ 1,463,355
Equity in Pooled Cash and Investments	0	393,988	393,988	0
Due from Other Governments	64,138	72,135	64,138	72,135
Total Assets	\$ 853,331	\$ 5,089,615	\$ 4,407,456	\$ 1,535,490
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 64,138	\$ 466,123	\$ 458,126	\$ 72,135
Due to Litigants, Heirs, and Others	789,193	4,623,492	3,949,330	1,463,355
Total Liabilities	\$ 853,331	\$ 5,089,615	\$ 4,407,456	\$ 1,535,490

Polk County School Department

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.

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, 2012

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets Total Governmental Activities
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 13,269,710	\$ 341	\$ 1,259,990	\$ (12,009,379)
Support Services	7,022,443	415	389,388	(6,632,640)
Operation of Non-Instructional Services	1,915,912	415,076	1,668,374	167,538
Interest on Debt	21,622	0	0	(21,622)
Other Debt Service	727,560	0	0	(727,560)
Total Governmental Activities	\$ 22,957,247	\$ 415,832	\$ 3,317,752	\$ (19,223,663)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 2,453,664
Local Option Sales Taxes				1,440,317
Business Tax				23,429
Other Local Taxes				1,937
Grants and Contributions Not Restricted to Specific Programs				13,900,181
Unrestricted Investment Earnings				143
Miscellaneous				127,790
Total General Revenues				\$ 17,947,461
Change in Net Assets				\$ (1,276,202)
Net Assets, July 1, 2011				17,967,812
Net Assets, June 30, 2012				\$ 16,691,610

Exhibit I-2

Polk County, Tennessee
 Balance Sheet - Governmental Funds
 Discretely Presented Polk County School Department
 June 30, 2012

	Major Funds			Nonmajor Fund	Total Governmental Funds
	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 2,152	\$ 0	\$ 2,152
Equity in Pooled Cash and Investments	1,088,437	30,726	635,016	26,264	1,780,443
Accounts Receivable	1,241	0	0	0	1,241
Due from Other Governments	931,174	146,657	92,075	0	1,169,906
Due from Other Funds	0	10,026	0	0	10,026
Property Taxes Receivable	2,504,930	0	0	0	2,504,930
Allowance for Uncollectible Property Taxes	(226,269)	0	0	0	(226,269)
Total Assets	\$ 4,299,513	\$ 187,409	\$ 729,243	\$ 26,264	\$ 5,242,429
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 27,017	\$ 50,680	\$ 0	\$ 0	\$ 77,697
Accrued Payroll	7,821	0	0	0	7,821
Payroll Deductions Payable	357,668	0	0	0	357,668
Due to Other Funds	10,026	0	0	0	10,026
Deferred Revenue - Current Property Taxes	2,150,846	0	0	0	2,150,846
Deferred Revenue - Delinquent Property Taxes	115,051	0	0	0	115,051
Other Deferred Revenues	148,396	0	0	0	148,396
Total Liabilities	\$ 2,816,825	\$ 50,680	\$ 0	\$ 0	\$ 2,867,505
<u>Fund Balances</u>					
Restricted:					
Restricted for Education	\$ 43,892	\$ 15,780	\$ 676,772	\$ 26,264	\$ 762,708
Committed:					
Committed for Education	0	100,000	0	0	100,000
Assigned:					
Assigned for Education	22,978	20,949	52,471	0	96,398
Unassigned	1,415,818	0	0	0	1,415,818
Total Fund Balances	\$ 1,482,688	\$ 136,729	\$ 729,243	\$ 26,264	\$ 2,374,924
Total Liabilities and Fund Balances	\$ 4,299,513	\$ 187,409	\$ 729,243	\$ 26,264	\$ 5,242,429

Exhibit I-3

Polk County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
Discretely Presented Polk County School Department
June 30, 2012

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

Total fund balances - balance sheet - governmental funds (Exhibit I-2)		\$ 2,374,924
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 1,500	
Add: buildings and improvements net of accumulated depreciation	15,421,332	
Add: other capital assets net of accumulated depreciation	<u>1,198,648</u>	16,621,480
(2) Internal service funds are used by management to charge the cost of employee self-insurance benefits to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		40,909
(3) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: capital leases payable	\$ (468,124)	
Less: compensated absences payable	(22,477)	
Less: other postemployment benefits liability	(2,115,370)	
Less: accrued interest on capital leases	<u>(3,179)</u>	(2,609,150)
(4) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>263,447</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 16,691,610</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, 2012

	Major Funds			Nonmajor Fund	Total Governmental Funds
	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	
<u>Revenues</u>					
Local Taxes	\$ 4,014,765	\$ 0	\$ 0	\$ 0	\$ 4,014,765
Licenses and Permits	1,577	0	0	0	1,577
Fines, Forfeitures, and Penalties	223	0	0	0	223
Charges for Current Services	192	0	400,103	0	400,295
Other Local Revenues	156,171	0	1,524	0	157,695
State of Tennessee	13,937,544	0	14,035	0	13,951,579
Federal Government	522,758	1,589,667	1,106,432	0	3,218,857
Total Revenues	\$ 18,633,230	\$ 1,589,667	\$ 1,522,094	\$ 0	\$ 21,744,991
<u>Expenditures</u>					
Current:					
Instruction	\$ 10,808,369	\$ 1,161,091	\$ 0	\$ 0	\$ 11,969,460
Support Services	6,164,904	448,756	0	0	6,613,660
Operation of Non-Instructional Services	448,296	0	1,451,840	0	1,900,136
Capital Outlay	59,718	0	0	0	59,718
Debt Service:					
Other Debt Service	727,560	0	0	0	727,560
Total Expenditures	\$ 18,208,847	\$ 1,609,847	\$ 1,451,840	\$ 0	\$ 21,270,534
Excess (Deficiency) of Revenues					
Over Expenditures	\$ 424,383	\$ (20,180)	\$ 70,254	\$ 0	\$ 474,457
Net Change in Fund Balances					
Fund Balance, July 1, 2011	\$ 1,058,305	\$ 156,909	\$ 658,989	\$ 26,264	\$ 1,900,467
Fund Balance, June 30, 2012	\$ 1,482,688	\$ 136,729	\$ 729,243	\$ 26,264	\$ 2,374,924

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, 2012

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)		\$	474,457
(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	\$	136,208	
Less: current-year depreciation expense		<u>(635,857)</u>	(499,649)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets			
Less: loss on disposal of capital assets			(29,446)
(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, 2012	\$	263,447	
Less: deferred delinquent property taxes and other deferred June 30, 2011		<u>(317,810)</u>	(54,363)
(4) The issuance of long-term debt (e.g., notes and capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the effect of these differences in the treatment of long-term debt and related items:			
Add: principal payments on capital leases			67,384
(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 compensated absences payable	\$	5,058	
Change in other postemployment benefits liability		(1,240,236)	
Change in accrued interest payable		<u>510</u>	(1,234,668)
(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>83</u>
Change in net assets of governmental activities (Exhibit B)			<u>\$ (1,276,202)</u>

Exhibit I-6

Polk County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Polk County School Department
General Purpose School Fund
For the Year Ended June 30, 2012

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2011	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 4,014,765	\$ 0	\$ 0	\$ 4,014,765	\$ 3,729,013	\$ 3,809,960	\$ 204,805
Licenses and Permits	1,577	0	0	1,577	1,500	1,500	77
Fines, Forfeitures, and Penalties	223	0	0	223	0	0	223
Charges for Current Services	192	0	0	192	5,000	5,000	(4,808)
Other Local Revenues	156,171	0	0	156,171	79,020	99,020	57,151
State of Tennessee	13,937,544	0	0	13,937,544	13,209,800	13,927,073	10,471
Federal Government	522,758	0	0	522,758	305,699	718,377	(195,619)
Total Revenues	\$ 18,633,230	\$ 0	\$ 0	\$ 18,633,230	\$ 17,330,032	\$ 18,560,930	\$ 72,300
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 8,907,486	\$ (290)	\$ 0	\$ 8,907,196	\$ 8,906,778	\$ 8,945,934	\$ 38,738
Alternative Instruction Program	105,283	0	0	105,283	122,361	112,802	7,519
Special Education Program	899,763	0	0	899,763	890,935	919,335	19,572
Vocational Education Program	807,544	0	0	807,544	777,314	803,814	(3,730)
Student Body Education Program	54,210	0	0	54,210	114,500	55,000	790
Adult Education Program	34,083	0	0	34,083	0	0	(34,083)
<u>Support Services</u>							
Attendance	40,768	0	0	40,768	43,700	43,700	2,932
Health Services	82,940	0	0	82,940	85,882	86,449	3,509
Other Student Support	1,081,552	(46,158)	7,283	1,042,677	557,997	989,864	(52,813)
Regular Instruction Program	378,751	0	0	378,751	305,022	385,204	6,453
Special Education Program	168,624	0	0	168,624	225,430	175,569	6,945
Vocational Education Program	49,593	0	0	49,593	46,522	158,366	108,773

(Continued)

Exhibit I-6

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2011	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Adult Programs	\$ 61,143	\$ (1,024)	\$ 4,616	\$ 64,735	\$ 8,699	\$ 106,848	\$ 42,113
Other Programs	87,790	0	0	87,790	0	87,790	0
Board of Education	372,164	(95)	153	372,222	414,627	404,998	32,776
Director of Schools	289,993	(735)	0	289,258	308,455	307,943	18,685
Office of the Principal	1,030,298	0	0	1,030,298	1,068,974	1,040,265	9,967
Fiscal Services	132,412	(142)	0	132,270	128,533	132,353	83
Operation of Plant	1,377,976	(879)	800	1,377,897	1,499,846	1,509,035	131,138
Maintenance of Plant	133,834	0	0	133,834	120,102	134,552	718
Transportation	877,066	(5,522)	3,542	875,086	876,976	925,176	50,090
<u>Operation of Non-Instructional Services</u>							
Food Service	45,859	0	0	45,859	42,379	46,062	203
Early Childhood Education	402,437	(3,192)	5,157	404,402	0	404,871	469
<u>Capital Outlay</u>							
Regular Capital Outlay	59,718	(8,157)	1,427	52,988	0	0	(52,988)
Other Debt Service							
Education	727,560	0	0	727,560	785,000	785,000	57,440
<u>Total Expenditures</u>	<u>\$ 18,208,847</u>	<u>\$ (66,194)</u>	<u>\$ 22,978</u>	<u>\$ 18,165,631</u>	<u>\$ 17,330,032</u>	<u>\$ 18,560,930</u>	<u>\$ 395,299</u>
<u>Excess (Deficiency) of Revenues</u>							
Over Expenditures	\$ 424,383	\$ 66,194	\$(22,978)	\$ 467,599	\$ 0	\$ 0	\$ 467,599
Net Change in Fund Balance	\$ 424,383	\$ 66,194	\$(22,978)	\$ 467,599	\$ 0	\$ 0	\$ 467,599
Fund Balance, July 1, 2011	1,058,305	(66,194)	0	992,111	637,682	637,682	354,429
Fund Balance, June 30, 2012	\$ 1,482,688	\$ 0	\$(22,978)	\$ 1,459,710	\$ 637,682	\$ 637,682	\$ 822,028

Exhibit I-7

Polk County, Tennessee
 Schedule of Revenues, Expenditures, and Changes
 in Fund Balance - Actual (Budgetary Basis) and Budget
 Discretely Presented Polk County School Department
 School Federal Projects Fund
 For the Year Ended June 30, 2012

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2011	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)		Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	Original	Final	
<u>Revenues</u>								
Federal Government	\$ 1,589,667	\$ 0	\$ 0	\$ 1,589,667	\$ 1,814,874	\$ 1,900,140	\$ (310,473)	
Total Revenues	\$ 1,589,667	\$ 0	\$ 0	\$ 1,589,667	\$ 1,814,874	\$ 1,900,140	\$ (310,473)	
<u>Expenditures</u>								
<u>Instruction</u>								
Regular Instruction Program	\$ 559,400	\$ (937)	\$ 0	\$ 558,463	\$ 703,348	\$ 724,739	\$ 166,276	
Special Education Program	567,859	(6,868)	0	560,991	616,624	609,514	48,523	
Vocational Education Program	33,832	(10,867)	6,777	29,742	29,762	29,952	210	
<u>Support Services</u>								
Health Services	1,026	0	0	1,026	1,800	1,800	774	
Other Student Support	133,906	0	0	133,906	132,206	133,846	(60)	
Regular Instruction Program	215,172	(175)	14,172	229,169	240,200	299,311	70,142	
Special Education Program	38,082	0	0	38,082	40,408	40,408	2,326	
Vocational Education Program	2,124	0	0	2,124	2,124	2,124	0	
Office of the Principal	58,446	0	0	58,446	48,402	58,446	0	
Total Expenditures	\$ 1,609,847	\$ (18,847)	\$ 20,949	\$ 1,611,949	\$ 1,814,874	\$ 1,900,140	\$ 288,191	
Excess (Deficiency) of Revenues Over Expenditures	\$ (20,180)	\$ 18,847	\$ (20,949)	\$ (22,282)	\$ 0	\$ 0	\$ (22,282)	
<u>Other Financing Sources (Uses)</u>								
Transfers In	\$ 0	\$ 0	\$ 0	\$ 0	\$ 123,458	\$ 8,900	\$ (8,900)	
Transfers Out	0	0	0	0	(123,458)	(8,900)	8,900	
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	
Net Change in Fund Balance Fund Balance, July 1, 2011	\$ (20,180)	\$ 18,847	\$ (20,949)	\$ (22,282)	\$ 0	\$ 0	\$ (22,282)	
Fund Balance, June 30, 2012	156,909	(18,847)	0	138,062	100,000	100,000	38,062	
	\$ 136,729	\$ 0	\$ (20,949)	\$ 115,780	\$ 100,000	\$ 100,000	\$ 15,780	

Exhibit I-8

Polk County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Polk County School Department
Central Cafeteria Fund
For the Year Ended June 30, 2012

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2011	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Charges for Current Services	\$ 400,103	\$ 0	\$ 0	\$ 400,103	\$ 450,000	\$ 450,000	\$ (49,897)
Other Local Revenues	1,524	0	0	1,524	6,200	6,200	(4,676)
State of Tennessee	14,035	0	0	14,035	15,000	15,000	(965)
Federal Government	1,106,432	0	0	1,106,432	1,040,000	1,106,365	67
Total Revenues	\$ 1,522,094	\$ 0	\$ 0	\$ 1,522,094	\$ 1,511,200	\$ 1,577,565	\$ (55,471)
<u>Expenditures</u>							
<u>Operation of Non-Instructional Services</u>							
Food Service	\$ 1,451,840	\$ (96,600)	\$ 52,471	\$ 1,407,711	\$ 1,427,850	\$ 1,494,215	\$ 86,504
Total Expenditures	\$ 1,451,840	\$ (96,600)	\$ 52,471	\$ 1,407,711	\$ 1,427,850	\$ 1,494,215	\$ 86,504
Excess (Deficiency) of Revenues Over Expenditures	\$ 70,254	\$ 96,600	\$ (52,471)	\$ 114,383	\$ 83,350	\$ 83,350	\$ 31,033
Net Change in Fund Balance Fund Balance, July 1, 2011	\$ 70,254	\$ 96,600	\$ (52,471)	\$ 114,383	\$ 83,350	\$ 83,350	\$ 31,033
	658,989	(96,600)	0	562,389	468,780	468,780	93,609
Fund Balance, June 30, 2012	\$ 729,243	\$ 0	\$ (52,471)	\$ 676,772	\$ 552,130	\$ 552,130	\$ 124,642

Exhibit I-9

Polk County, Tennessee
Statement of Net Assets
Discretely Presented Polk County School Department
Proprietary Fund
June 30, 2012

	<u>Governmental Activities - Internal Service Fund Self-Insurance Fund</u>
<u>ASSETS</u>	
Current Assets:	
Cash in Bank	\$ 40,909
Total Assets	<u>\$ 40,909</u>
<u>NET ASSETS</u>	
Unrestricted	<u>\$ 40,909</u>
Total Net Assets	<u>\$ 40,909</u>

Exhibit I-10

Polk County, Tennessee
Statement of Revenues, Expenses, and
Changes in Net Assets
Discretely Presented Polk County School Department
Proprietary Fund
For the Year Ended June 30, 2012

	Governmental Activities - Internal Service Fund <hr/> Self-Insurance Fund <hr/>
<u>Non-Operating Revenues</u>	
Investment Income	\$ 83
Total Non-Operating Revenues	<hr/> \$ 83 <hr/>
Change in Net Assets	\$ 83
Net Assets, July 1, 2011	<hr/> 40,826 <hr/>
Net Assets, June 30, 2012	<hr/> <hr/> \$ 40,909 <hr/> <hr/>

Exhibit I-11

Polk County, Tennessee
Statement of Cash Flows
Discretely Presented Polk County School Department
Proprietary Fund
For the Year Ended June 30, 2012

	Governmental Activities - Internal Service Fund <hr/> Self-Insurance Fund <hr/>
<u>Cash Flows from Investing Activities</u>	
Interest on Investments	\$ 83
Net Cash Provided By (Used In) Investing Activities	<hr/> \$ 83 <hr/>
Net Increase (Decrease) in Cash	\$ 83
Cash, July 1, 2011	<hr/> 40,826 <hr/>
Cash, June 30, 2012	<hr/> <hr/> \$ 40,909 <hr/> <hr/>

MISCELLANEOUS SCHEDULES

Exhibit J-1

Polk County, Tennessee
Schedule of Changes in Long-term Notes, Capital Leases, and Bonds
Primary Government and Discretely Presented Polk County School Department
For the Year Ended June 30, 2012

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-11	Paid and/or Matured During Period	Outstanding 6-30-12
<u>PRIMARY GOVERNMENT</u>							
<u>NOTES PAYABLE</u>							
Payable through General Debt Service Fund Athletic Complex	\$ 450,000	3.5 %	9-1-05	9-1-11	\$ 75,000	\$ 75,000	\$ 0
Total Notes Payable					\$ 75,000	\$ 75,000	\$ 0
<u>CAPITAL LEASES PAYABLE</u>							
Payable through General Fund Patrol Cars	47,259	3	11-17-08	11-17-11	\$ 8,405	\$ 8,405	\$ 0
Payable through Highway/Public Works Fund Backhoe	158,500	6.75	11-5-10	12-5-11	\$ 115,470	\$ 115,470	\$ 0
Total Capital Leases Payable					\$ 123,875	\$ 123,875	\$ 0
<u>BONDS PAYABLE</u>							
Payable through General Debt Service Fund General Obligation Refunding Bond, Series 2007	22,100,000	4 to 5	4-30-07	4-30-25	\$ 18,510,000	\$ 990,000	\$ 17,520,000
Total Bonds Payable					\$ 18,510,000	\$ 990,000	\$ 17,520,000
<u>DISCRETELY PRESENTED POLK COUNTY SCHOOL DEPARTMENT</u>							
<u>CAPITAL LEASES PAYABLE</u>							
Payable through General Purpose School Fund School Buses	535,508	4.074	5-1-11	5-1-18	\$ 535,508	\$ 67,384	\$ 468,124
Total Capital Leases Payable					\$ 535,508	\$ 67,384	\$ 468,124

Exhibit J-2

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

PRIMARY GOVERNMENT

Year Ending June 30	Bonds		
	Principal	Interest	Total
2013	\$ 1,030,000	\$ 802,500	\$ 1,832,500
2014	1,070,000	761,300	1,831,300
2015	1,110,000	718,500	1,828,500
2016	1,155,000	674,100	1,829,100
2017	1,200,000	627,900	1,827,900
2018	1,260,000	567,900	1,827,900
2019	1,320,000	504,900	1,824,900
2020	1,390,000	438,900	1,828,900
2021	1,465,000	369,400	1,834,400
2022	1,520,000	310,800	1,830,800
2023	1,585,000	250,000	1,835,000
2024	1,665,000	170,750	1,835,750
2025	1,750,000	87,500	1,837,500
Total	\$ 17,520,000	\$ 6,284,450	\$ 23,804,450

DISCRETELY PRESENTED POLK
COUNTY SCHOOL DEPARTMENT

Year Ending June 30	Capital Leases		
	Principal	Interest	Total
2013	\$ 70,444	\$ 19,071	\$ 89,515
2014	73,314	16,201	89,515
2015	76,301	13,215	89,516
2016	79,409	10,106	89,515
2017	82,645	6,871	89,516
2018	86,011	3,505	89,516
Total	\$ 468,124	\$ 68,969	\$ 537,093

Exhibit J-3

Polk County, Tennessee
Schedule of Transfers
For the Year Ended June 30, 2012

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Other Capital Projects	Reimbursement	\$ 39,553
Drug Control	General	"	<u>40,490</u>
Total Transfers			<u>\$ 80,043</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, 2012

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Executive	Section 8-24-102, TCA	\$ 66,702	\$ 50,000	Travelers Casualty and Surety Company
Highway Superintendent	Section 8-24-102, TCA	63,527	100,000	"
Director of Schools	State Board of Education and Polk County Board of Education	101,204 (1)	(2)	"
Trustee	Section 8-24-102, TCA	57,751	741,705	"
Assessor of Property	Section 8-24-102, TCA	57,751	10,000	"
Director of Accounts and Budgets:				
Ruth Allen (7-1-11 through 2-17-12)	County Commission	23,930	15,000	"
Kelley Morgan (3-15-12 through 6-30-12)	County Commission	8,687	(3)	"
County Clerk	Section 8-24-102, TCA	57,751	50,000	"
Circuit and General Sessions Courts Clerk	Section 8-24-102, TCA	57,751	50,000	"
Clerk and Master	Section 8-24-102, TCA	57,751 (4)	50,000	State Farm Fire and Casualty Company
Register	Section 8-24-102, TCA	57,751	50,000	Travelers Casualty and Surety Company
Sheriff	Section 8-24-102, TCA	63,527	25,000	"
Other Bonds:				
Public Employee Dishonesty			150,000	Tennessee Risk Management Trust

(1) Does not include \$2,952 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.

(4) Does not include special commissioner fees of \$3,180.

Exhibit J-5

Polk County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2012

	Special Revenue Funds				Debt Service Fund			Capital Projects Funds			Total
	General	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	HUD Grant Projects	Other Capital Projects				
<u>Local Taxes</u>											
<u>County Property Taxes</u>											
Current Property Tax	\$ 3,608,749	\$ 0	\$ 0	\$ 0	\$ 1,042,014	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,650,763	
Trustee's Collections - Prior Year	241,753	0	0	0	69,806	0	0	0	0	311,559	
Circuit/Clerk & Master Collections - Prior Years	455,342	0	0	0	137,029	0	0	0	0	592,371	
Interest and Penalty	44,190	0	0	0	12,763	0	0	0	0	56,953	
Payments in-Lieu-of Taxes - T.V.A.	60,049	0	0	0	17,359	0	0	0	0	77,408	
Payments in-Lieu-of Taxes - Other	49,822	0	0	0	14,386	0	0	0	0	64,208	
<u>County Local Option Taxes</u>											
Hotel/Motel Tax	47,400	0	0	0	23,700	0	0	0	0	71,100	
Local Amusement Tax	18,384	0	0	0	0	0	0	0	0	18,384	
Litigation Tax - General	54,216	0	0	0	0	0	0	0	0	54,216	
Litigation Tax - Jail, Workhouse, or Courthouse	30,747	0	0	0	0	0	0	0	0	30,747	
Litigation Tax - Courtroom Security	2,285	0	0	0	0	0	0	0	0	2,285	
Business Tax	41,643	0	0	0	11,998	0	0	0	0	53,641	
<u>Statutory Local Taxes</u>											
Bank Excise Tax	16,410	0	0	0	4,738	0	0	0	0	21,148	
Wholesale Beer Tax	251,414	0	0	0	0	0	0	0	0	251,414	
Beer Privilege Tax	2,993	0	0	0	0	0	0	0	0	2,993	
Total Local Taxes	\$ 4,925,397	\$ 0	\$ 0	\$ 0	\$ 1,333,793	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,259,190	
<u>Licenses and Permits</u>											
<u>Licenses</u>											
Cable TV Franchise	66,428	0	0	0	0	0	0	0	0	66,428	
<u>Permits</u>											
Beer Permits	1,425	0	0	0	0	0	0	0	0	1,425	
Building Permits	2,752	0	0	0	0	0	0	0	0	2,752	
Electrical Permits	10,526	0	0	0	0	0	0	0	0	10,526	
Total Licenses and Permits	\$ 81,131	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 81,131	

(Continued)

Exhibit J-5

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

	Special Revenue Funds				Debt Service Fund			Capital Projects Funds			Total
	General	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	HUD Grant Projects	Other Capital Projects				
<u>Fines, Forfeitures, and Penalties</u>											
<u>Circuit Court</u>											
Fines	\$ 12,897	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	12,897
Officers Costs	4,685	0	0	0	0	0	0	0	0	0	4,685
Drug Control Fines	0	13,722	0	0	0	0	0	0	0	0	13,722
Drug Court Fees	2,562	0	0	0	0	0	0	0	0	0	2,562
Jail Fees	2,237	0	0	0	0	0	0	0	0	0	2,237
DUI Treatment Fines	380	0	0	0	0	0	0	0	0	0	380
Data Entry Fee - Circuit Court	493	0	0	0	0	0	0	0	0	0	493
<u>General Sessions Court</u>											
Fines	23,006	0	0	0	0	0	0	0	0	0	23,006
Officers Costs	21,541	0	0	0	0	0	0	0	0	0	21,541
Game and Fish Fines	63	0	0	0	0	0	0	0	0	0	63
Drug Control Fines	760	30,826	0	0	0	0	0	0	0	0	31,586
Drug Court Fees	8,695	0	0	0	0	0	0	0	0	0	8,695
Jail Fees	11,569	0	0	0	0	0	0	0	0	0	11,569
DUI Treatment Fines	5,795	285	0	0	0	0	0	0	0	0	6,080
Data Entry Fee - General Sessions Court	9,774	0	0	0	0	0	0	0	0	0	9,774
Courtroom Security Fee	29,152	0	0	0	0	0	0	0	0	0	29,152
<u>Juvenile Court</u>											
Data Entry Fee - Juvenile Court	185	0	0	0	0	0	0	0	0	0	185
<u>Chancery Court</u>											
Officers Costs	84	0	0	0	0	0	0	0	0	0	84
Data Entry Fee - Chancery Court	638	0	0	0	0	0	0	0	0	0	638
<u>Judicial District Drug Program</u>											
Courtroom Security Fee	28	0	0	0	0	0	0	0	0	0	28
<u>Other Fines, Forfeitures, and Penalties</u>											
Proceeds from Confiscated Property	6,416	9,970	0	0	0	0	0	0	0	0	16,386
Total Fines, Forfeitures, and Penalties	\$ 140,960	\$ 54,803	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 195,763

(Continued)

Exhibit J-5

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

	Special Revenue Funds				Capital Projects Funds			Total
	General	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	HUD Grant Projects	Other Capital Projects	
<u>Charges for Current Services Fees</u>								
Copy Fees	\$ 1,607	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,607
Library Fees	483	0	0	0	0	0	0	483
Telephone Commissions	0	0	0	0	0	0	26,003	26,003
Special Commissioner Fees/Special Master Fees	0	0	3,180	0	0	0	0	3,180
Data Processing Fee - Register	5,204	0	0	0	0	0	0	5,204
Data Processing Fee - Sheriff	1,740	0	0	0	0	0	0	1,740
Sexual Offender Registration Fees - Sheriff	500	0	0	0	0	0	0	500
Data Processing Fee - County Clerk	1,132	0	0	0	0	0	0	1,132
Total Charges for Current Services	\$ 10,666	\$ 0	\$ 3,180	\$ 0	\$ 0	\$ 0	\$ 26,003	\$ 39,849
<u>Other Local Revenues</u>								
<u>Recurring Items</u>								
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 34,268	\$ 0	\$ 0	\$ 34,268
Lease/Rentals	11,240	0	0	0	0	0	0	11,240
Commissary Sales	41,693	0	0	0	0	0	0	41,693
Sale of Gasoline	0	0	343,293	0	0	0	0	343,293
Sale of Recycled Materials	289	0	0	0	0	0	0	289
Cobra Insurance Payments	5,953	0	0	0	0	0	0	5,953
Miscellaneous Refunds	48,006	0	0	9,419	36	0	0	57,461
<u>Nonrecurring Items</u>								
Damages Recovered from Individuals	4,505	0	0	0	0	0	0	4,505
Contributions and Gifts	16,850	0	0	0	0	0	0	16,850
Total Other Local Revenues	\$ 128,536	\$ 0	\$ 352,712	\$ 34,304	\$ 0	\$ 0	\$ 0	\$ 515,552
<u>Fees Received from County Officials</u>								
<u>Fees in-Lieu-of Salary</u>								
County Clerk	\$ 164,792	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 164,792
Circuit Court Clerk	54,955	0	0	0	0	0	0	54,955
General Sessions Court Clerk	95,096	0	0	0	0	0	0	95,096
Clerk and Master	145,750	0	0	0	0	0	0	145,750

(Continued)

Exhibit J-5

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

	Special Revenue Funds				Debt Service Fund		Capital Projects Funds			Total
	General	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	HUD Grant Projects	Other Capital Projects			
<u>Fees Received from County Officials (Cont.)</u>										
<u>Fees in-Lieu-of-Salary (Cont.)</u>										
Register	\$ 62,029	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 62,029
Sheriff	4,401	0	0	0	0	0	0	0	0	4,401
Trustee	242,777	0	0	0	0	0	0	0	0	242,777
Total Fees Received from County Officials	\$ 769,800	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 769,800
<u>State of Tennessee</u>										
<u>General Government Grants</u>										
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,000
Airport Maintenance Program	179	0	0	0	0	0	0	0	0	179
Child Restraint Program	2,621	0	0	0	0	0	0	0	0	2,621
Aging Programs	13,581	0	0	0	0	0	0	0	0	13,581
<u>Public Safety Grants</u>										
Law Enforcement Training Programs	12,000	0	0	0	0	0	0	0	0	12,000
Other Public Safety Grants	13,385	0	0	0	0	0	0	0	0	13,385
<u>Health and Welfare Grants</u>										
Health Department Programs	67,389	0	0	0	0	0	0	0	0	67,389
<u>Public Works Grants</u>										
Litter Program	5,287	0	0	0	0	0	0	0	0	5,287
<u>Other State Revenues</u>										
Income Tax	13,847	0	0	0	3,998	0	0	0	0	17,845
Beer Tax	18,421	0	0	0	0	0	0	0	0	18,421
Alcoholic Beverage Tax	39,123	0	0	0	0	0	0	0	0	39,123
State Revenue Sharing - T.V.A.	429,360	0	0	0	123,976	0	0	0	0	553,336
Contracted Prisoner Boarding	1,245,230	0	0	0	0	0	0	0	0	1,245,230
Gasoline and Motor Fuel Tax	0	0	0	1,576,304	0	0	0	0	0	1,576,304
Petroleum Special Tax	0	0	0	12,140	0	0	0	0	0	12,140
Registrar's Salary Supplement	15,164	0	0	0	0	0	0	0	0	15,164
Other State Grants	1,700	0	0	0	0	0	0	0	0	1,700
Other State Revenues	16,756	0	0	0	0	0	0	0	0	16,756
Total State of Tennessee	\$ 1,903,043	\$ 0	\$ 0	\$ 1,588,444	\$ 127,974	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,619,461

(Continued)

Exhibit J-5

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

	Special Revenue Funds				Debt Service Fund	Capital Projects Funds			Total
	General	Drug Control	Constitutional Officers - Fees	Highway / Public Works		General Debt Service	HUD Grant Projects	Other Capital Projects	
<u>Federal Government</u>									
<u>Federal Through State</u>									
Disaster Relief	\$ 26,162	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 26,162
Homeland Security Grants	5,000	0	0	0	0	0	0	0	5,000
Other Federal through State	315,432	0	0	0	0	298,115	0	0	613,547
<u>Direct Federal Revenue</u>	39,835	0	0	90,294	0	0	0	0	130,129
Forest Service									
Total Federal Government	\$ 386,429	\$ 0	\$ 0	\$ 90,294	\$ 0	\$ 298,115	\$ 0	\$ 0	\$ 774,838
<u>Other Governments and Citizens Groups</u>									
<u>Other Governments</u>									
Contributions	\$ 0	\$ 1,168	\$ 0	\$ 0	\$ 727,560	\$ 0	\$ 0	\$ 0	\$ 728,728
Contracted Services	0	0	0	0	0	0	44,650	0	44,650
Total Other Governments and Citizens Groups	\$ 0	\$ 1,168	\$ 0	\$ 0	\$ 727,560	\$ 0	\$ 44,650	\$ 0	\$ 773,378
Total	\$ 8,345,962	\$ 55,971	\$ 3,180	\$ 2,031,450	\$ 2,223,631	\$ 298,115	\$ 70,653	\$ 13,028,962	

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, 2012

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 2,029,964	\$ 0	\$ 0	\$ 2,029,964
Trustee's Collections - Prior Year	152,491	0	0	152,491
Circuit/Clerk & Master Collections - Prior Years	262,585	0	0	262,585
Interest and Penalty	25,775	0	0	25,775
Payments in-Lieu-of Taxes - T.V.A.	30,970	0	0	30,970
Payments in-Lieu-of Taxes - Other	28,032	0	0	28,032
<u>County Local Option Taxes</u>				
Local Option Sales Tax	1,450,349	0	0	1,450,349
Business Tax	23,429	0	0	23,429
<u>Statutory Local Taxes</u>				
Bank Excise Tax	9,233	0	0	9,233
Interstate Telecommunications Tax	1,937	0	0	1,937
Total Local Taxes	\$ 4,014,765	\$ 0	\$ 0	\$ 4,014,765
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 1,577	\$ 0	\$ 0	\$ 1,577
Total Licenses and Permits	\$ 1,577	\$ 0	\$ 0	\$ 1,577
<u>Fines, Forfeitures, and Penalties</u>				
<u>Juvenile Court</u>				
Fines	\$ 223	\$ 0	\$ 0	\$ 223
Total Fines, Forfeitures, and Penalties	\$ 223	\$ 0	\$ 0	\$ 223
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Lunch Payments - Children	\$ 0	\$ 0	\$ 189,394	\$ 189,394
Lunch Payments - Adults	0	0	39,538	39,538
Income from Breakfast	0	0	40,748	40,748
Special Milk Sales	0	0	45	45
A la carte Sales	0	0	130,378	130,378
TBI Criminal Background Fees	192	0	0	192
Total Charges for Current Services	\$ 192	\$ 0	\$ 400,103	\$ 400,295
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 9	\$ 0	\$ 51	\$ 60
Lease/Rentals	13,500	0	0	13,500
Retirees' Insurance Payments	12,370	0	0	12,370
Miscellaneous Refunds	108,740	0	0	108,740
<u>Nonrecurring Items</u>				
Sale of Equipment	15,928	0	0	15,928
Damages Recovered from Individuals	418	0	0	418
Contributions and Gifts	4,865	0	0	4,865
<u>Other Local Revenues</u>				
Other Local Revenues	341	0	1,473	1,814
Total Other Local Revenues	\$ 156,171	\$ 0	\$ 1,524	\$ 157,695

(Continued)

Exhibit J-6

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-Behalf Contributions for OPEB	\$ 87,790	\$ 0	\$ 0	\$ 87,790
<u>State Education Funds</u>				
Basic Education Program	12,839,000	0	0	12,839,000
Early Childhood Education	404,871	0	0	404,871
School Food Service	0	0	14,035	14,035
Driver Education	9,872	0	0	9,872
Other State Education Funds	237,004	0	0	237,004
Statewide Student Management System (SSMS) - ARRA	6,952	0	0	6,952
Career Ladder Program	50,817	0	0	50,817
Career Ladder - Extended Contract	40,500	0	0	40,500
Career Ladder - Extended Contract - ARRA	11,375	0	0	11,375
<u>Other State Revenues</u>				
Income Tax	7,791	0	0	7,791
State Revenue Sharing - T.V.A.	241,572	0	0	241,572
Total State of Tennessee	\$ 13,937,544	\$ 0	\$ 14,035	\$ 13,951,579
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 728,352	\$ 728,352
USDA - Commodities	0	0	66,365	66,365
Breakfast	0	0	286,755	286,755
USDA - Other	0	0	24,960	24,960
Adult Education State Grant Program	100,692	0	0	100,692
Vocational Education - Basic Grants to States	0	42,517	0	42,517
Title I Grants to Local Education Agencies	0	519,776	0	519,776
Special Education - Grants to States	0	609,543	0	609,543
Rural Education	0	43,643	0	43,643
Eisenhower Professional Development State Grants	0	120,735	0	120,735
Race-to-the-Top - ARRA	0	193,939	0	193,939
Other Federal through State	286,626	59,514	0	346,140
<u>Direct Federal Revenue</u>				
Forest Service	135,440	0	0	135,440
Total Federal Government	\$ 522,758	\$ 1,589,667	\$ 1,106,432	\$ 3,218,857
Total	\$ 18,633,230	\$ 1,589,667	\$ 1,522,094	\$ 21,744,991

Exhibit J-7

Polk County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2012

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	20,050	
Social Security		1,534	
Employee and Dependent Insurance		39,437	
Unemployment Compensation		51	
Workers' Compensation Insurance		462	
Total County Commission			\$ 61,534

Board of Equalization

Board and Committee Members Fees	\$	1,627	
Total Board of Equalization			1,627

County Mayor/Executive

County Official/Administrative Officer	\$	66,702	
Secretary(ies)		14,902	
Social Security		6,237	
State Retirement		6,406	
Employee and Dependent Insurance		10,897	
Unemployment Compensation		133	
Travel		2,399	
Workers' Compensation Insurance		453	
Data Processing Equipment		450	
Total County Mayor/Executive			108,579

Election Commission

County Official/Administrative Officer	\$	46,750	
Clerical Personnel		17,001	
Election Commission		10,739	
Election Workers		14,136	
In-Service Training		7,063	
Social Security		5,438	
State Retirement		5,005	
Employee and Dependent Insurance		13,166	
Unemployment Compensation		513	
Communication		2,205	
Legal Notices, Recording, and Court Costs		1,441	
Maintenance and Repair Services - Equipment		1,000	
Printing, Stationery, and Forms		1,064	
Rentals		1,600	
Other Contracted Services		13,663	
Office Supplies		782	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Other Supplies and Materials	\$	1,259	
Workers' Compensation Insurance		191	
Furniture and Fixtures		900	
Total Election Commission			\$ 143,916

Register of Deeds

County Official/Administrative Officer	\$	57,751	
Clerical Personnel		25,790	
Social Security		6,391	
State Retirement		6,120	
Employee and Dependent Insurance		3,889	
Unemployment Compensation		226	
Dues and Memberships		383	
Maintenance Agreements		7,086	
Printing, Stationery, and Forms		893	
Workers' Compensation Insurance		222	
Data Processing Equipment		2,491	
Total Register of Deeds			111,242

County Buildings

Custodial Personnel	\$	29,385	
Social Security		2,176	
State Retirement		2,307	
Employee and Dependent Insurance		3,739	
Unemployment Compensation		262	
Communication		192	
Maintenance and Repair Services - Buildings		31,663	
Maintenance and Repair Services - Equipment		2,000	
Custodial Supplies		3,265	
Utilities		85,526	
Other Supplies and Materials		450	
Workers' Compensation Insurance		1,653	
Total County Buildings			162,618

Other General Administration

Life Insurance	\$	5,045	
Audit Services		5,596	
Communication		42,671	
Contributions		15,000	
Dues and Memberships		1,582	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Other General Administration (Cont.)

Legal Services	\$	15,076	
Legal Notices, Recording, and Court Costs		840	
Maintenance and Repair Services - Equipment		28,566	
Medical and Dental Services		30,297	
Pest Control		4,711	
Postal Charges		27,876	
Permits		1,235	
Contracts for Development Costs		250,880	
Other Contracted Services		19,225	
Office Supplies		4,515	
Other Supplies and Materials		2,092	
Building and Contents Insurance		5,556	
Liability Insurance		3,200	
Other Charges		77,298	
Other Equipment		15,799	
Total Other General Administration			\$ 557,060

Finance

Accounting and Budgeting

County Official/Administrative Officer	\$	32,617	
Social Security		2,348	
State Retirement		2,443	
Employee and Dependent Insurance		7,169	
Unemployment Compensation		239	
Data Processing Services		7,550	
Workers' Compensation Insurance		138	
Total Accounting and Budgeting			52,504

Property Assessor's Office

County Official/Administrative Officer	\$	57,751
Assistant(s)		44,260
Deputy(ies)		16,383
Social Security		8,715
State Retirement		9,294
Employee and Dependent Insurance		21,443
Unemployment Compensation		366
Data Processing Services		10,050
Dues and Memberships		400
Travel		1,878
Permits		8,975

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Other Contracted Services	\$	17,589	
Office Supplies		893	
Other Supplies and Materials		282	
Workers' Compensation Insurance		326	
Data Processing Equipment		6,175	
Total Property Assessor's Office			\$ 204,780

County Trustee's Office

County Official/Administrative Officer	\$	57,751	
Deputy(ies)		55,402	
In-Service Training		534	
Social Security		7,432	
State Retirement		7,963	
Employee and Dependent Insurance		24,432	
Unemployment Compensation		427	
Communication		774	
Data Processing Services		7,813	
Dues and Memberships		393	
Legal Notices, Recording, and Court Costs		216	
Printing, Stationery, and Forms		1,090	
Rentals		419	
Travel		1,752	
Data Processing Supplies		1,033	
Office Supplies		382	
Workers' Compensation Insurance		310	
Data Processing Equipment		636	
Total County Trustee's Office			168,759

County Clerk's Office

County Official/Administrative Officer	\$	57,751	
Deputy(ies)		59,974	
Secretary to Board		50	
Social Security		8,798	
State Retirement		9,241	
Employee and Dependent Insurance		41,217	
Unemployment Compensation		510	
Communication		1,068	
Dues and Memberships		383	
Legal Notices, Recording, and Court Costs		166	
Maintenance Agreements		10,088	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

Travel	\$	1,556	
Office Supplies		2,615	
Workers' Compensation Insurance		271	
Office Equipment		162	
Total County Clerk's Office			\$ 193,850

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	57,751	
Deputy(ies)		66,645	
Jury and Witness Expense		3,630	
Social Security		8,981	
State Retirement		9,383	
Employee and Dependent Insurance		27,581	
Unemployment Compensation		508	
Maintenance Agreements		7,260	
Printing, Stationery, and Forms		2,137	
Other Supplies and Materials		2,439	
Workers' Compensation Insurance		361	
Total Circuit Court			186,676

General Sessions Court

Judge(s)	\$	83,723	
Social Security		6,326	
State Retirement		6,572	
Employee and Dependent Insurance		3,889	
Dues and Memberships		70	
Building and Contents Insurance		1,100	
Liability Insurance		1,200	
Workers' Compensation Insurance		231	
Total General Sessions Court			103,111

Chancery Court

County Official/Administrative Officer	\$	57,751	
Deputy(ies)		41,674	
Social Security		7,297	
State Retirement		7,805	
Employee and Dependent Insurance		21,086	
Unemployment Compensation		288	
Data Processing Services		6,414	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court (Cont.)

Dues and Memberships	\$	383	
Printing, Stationery, and Forms		1,405	
Workers' Compensation Insurance		273	
Total Chancery Court			\$ 144,376

Juvenile Court

Assistant(s)	\$	19,946	
Youth Service Officer(s)		25,878	
Attendants		4,088	
Social Security		3,019	
State Retirement		3,311	
Employee and Dependent Insurance		10,121	
Unemployment Compensation		288	
Travel		2,675	
Other Supplies and Materials		276	
Workers' Compensation Insurance		116	
Total Juvenile Court			69,718

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	63,527	
Deputy(ies)		420,807	
Investigator(s)		103,675	
Salary Supplements		4,000	
Dispatchers/Radio Operators		69,888	
Clerical Personnel		21,790	
Overtime Pay		55,700	
Other Salaries and Wages		45,328	
In-Service Training		1,195	
Social Security		52,800	
State Retirement		58,438	
Employee and Dependent Insurance		161,521	
Unemployment Compensation		3,194	
Communication		214	
Dues and Memberships		1,000	
Evaluation and Testing		140	
Maintenance Agreements		428	
Maintenance and Repair Services - Buildings		1,414	
Maintenance and Repair Services - Equipment		2,084	
Maintenance and Repair Services - Vehicles		30,131	

(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.)

Printing, Stationery, and Forms	\$	966	
Travel		693	
Gasoline		96,859	
Law Enforcement Supplies		42,175	
Office Supplies		1,490	
Tires and Tubes		11,870	
Uniforms		1,386	
Other Supplies and Materials		12,191	
Building and Contents Insurance		11,000	
Liability Insurance		55,000	
Vehicle and Equipment Insurance		15,503	
Workers' Compensation Insurance		16,261	
Principal on Capital Leases		8,405	
Interest on Capital Leases		170	
Data Processing Equipment		2,680	
Total Sheriff's Department			\$ 1,373,923

Correctional Incentive Program Improvements

Supervisor/Director	\$	37,936
Dispatchers/Radio Operators		138,194
Guards		549,423
Maintenance Personnel		26,841
Overtime Pay		144,856
In-Service Training		1,689
Social Security		66,835
State Retirement		65,258
Employee and Dependent Insurance		205,258
Unemployment Compensation		4,784
Maintenance Agreements		42,140
Maintenance and Repair Services - Buildings		5,455
Maintenance and Repair Services - Equipment		16,910
Medical and Dental Services		169,171
Postal Charges		1,056
Printing, Stationery, and Forms		350
Travel		987
Custodial Supplies		17,229
Food Supplies		205,139
Prisoners Clothing		4,969
Uniforms		3,813
Utilities		180,754

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Correctional Incentive Program Improvements (Cont.)

Other Supplies and Materials	\$	18,078	
Workers' Compensation Insurance		25,453	
Building Improvements		29,867	
Furniture and Fixtures		3,491	
Total Correctional Incentive Program Improvements			\$ 1,965,936

Civil Defense

Maintenance and Repair Services - Vehicles	\$	1,499	
Gasoline		1,320	
Utilities		4,452	
Building and Contents Insurance		5,691	
Vehicle and Equipment Insurance		6,462	
Communication Equipment		3,150	
Other Equipment		27,875	
Total Civil Defense			50,449

Rescue Squad

In-Service Training	\$	44	
Maintenance and Repair Services - Equipment		6,068	
Maintenance and Repair Services - Vehicles		23,377	
Medical and Dental Services		1,341	
Gasoline		12,664	
Instructional Supplies and Materials		585	
Office Supplies		800	
Utilities		6,468	
Other Supplies and Materials		2,795	
Building and Contents Insurance		5,690	
Vehicle and Equipment Insurance		8,775	
Other Equipment		55,446	
Total Rescue Squad			124,053

Other Emergency Management

County Official/Administrative Officer	\$	3,047	
Social Security		225	
State Retirement		239	
Employee and Dependent Insurance		410	
Unemployment Compensation		31	
Communication		815	
Maintenance and Repair Services - Equipment		1,044	
Maintenance and Repair Services - Vehicles		920	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Other Emergency Management (Cont.)

Gasoline	\$	300	
Other Supplies and Materials		115,171	
Workers' Compensation Insurance		184	
Total Other Emergency Management			\$ 122,386

Public Health and Welfare

Local Health Center

Contracts with Government Agencies	\$	44,000	
Travel		70	
Other Supplies and Materials		17,566	
Other Charges		4,900	
Total Local Health Center			66,536

Ambulance/Emergency Medical Services

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

Crippled Children Services

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

Other Local Health Services

Assistant(s)	\$	42,232	
Attendants		18,096	
Social Security		3,918	
State Retirement		2,092	
Employee and Dependent Insurance		11,343	
Unemployment Compensation		631	
Travel		9,335	
Workers' Compensation Insurance		276	
Total Other Local Health Services			87,923

Sanitation Education/Information

Supervisor/Director	\$	16,621	
Social Security		1,227	
State Retirement		1,305	
Employee and Dependent Insurance		2,933	
Unemployment Compensation		180	
Maintenance and Repair Services - Vehicles		1,469	
Gasoline		3,067	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Sanitation Education/Information (Cont.)

Instructional Supplies and Materials	\$	7,669	
Kindergarten Textbooks		288	
Tires and Tubes		500	
Other Supplies and Materials		1,318	
Workers' Compensation Insurance		588	
Total Sanitation Education/Information			\$ 37,165

Convenience Centers

Contracts with Private Agencies	\$	414,712	
Total Convenience Centers			414,712

Other Public Health and Welfare

Assistant(s)	\$	53,534	
Social Security		4,095	
State Retirement		4,154	
Employee and Dependent Insurance		3,727	
Unemployment Compensation		405	
Travel		7,686	
Workers' Compensation Insurance		371	
Total Other Public Health and Welfare			73,972

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Supervisor/Director	\$	17,618	
Social Security		1,348	
State Retirement		1,383	
Unemployment Compensation		154	
Workers' Compensation Insurance		45	
Total Senior Citizens Assistance			20,548

Libraries

Assistant(s)	\$	20,846	
Social Security		1,510	
State Retirement		1,270	
Employee and Dependent Insurance		6,660	
Unemployment Compensation		239	
Other Supplies and Materials		15,210	
Workers' Compensation Insurance		476	
Total Libraries			46,211

(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.)

Other Social, Cultural, and Recreational

Site Development	\$ 11,550	
Total Other Social, Cultural, and Recreational		\$ 11,550

Agriculture and Natural Resources

Agriculture Extension Service

County Official/Administrative Officer	\$ 11,987	
Supervisor/Director	9,445	
Secretary(ies)	5,658	
Social Security	2,072	
State Retirement	4,254	
Advertising	700	
Travel	2,147	
Other Supplies and Materials	8,550	
Total Agriculture Extension Service		44,813

Soil Conservation

Secretary(ies)	\$ 15,912	
Social Security	1,217	
Dues and Memberships	306	
Instructional Supplies and Materials	548	
Office Supplies	687	
Premiums on Corporate Surety Bonds	100	
Total Soil Conservation		18,770

Other Operations

Other Economic and Community Development

Contracts with Government Agencies	\$ 9,250	
Contracts with Other Public Agencies	3,019	
Contracts with Private Agencies	5,000	
Travel	714	
Total Other Economic and Community Development		17,983

Veterans' Services

Supervisor/Director	\$ 8,403	
Clerical Personnel	6,737	
Social Security	1,102	
State Retirement	529	
Unemployment Compensation	180	
Travel	2,007	
Workers' Compensation Insurance	83	
Total Veterans' Services		19,041

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations (Cont.)

Other Charges

Trustee's Commission	\$ 103,286	
Total Other Charges		\$ 103,286

Contributions to Other Agencies

Remittance of Revenue Collected	\$ 46,876	
Total Contributions to Other Agencies		<u>46,876</u>

Total General Fund		\$ 7,637,733
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Drug Control Fund

Public Safety

Drug Enforcement

Communication	\$ 130	
Confidential Drug Enforcement Payments	5,000	
Other Supplies and Materials	986	
Total Drug Enforcement		\$ 6,116

Other Operations

Other Charges

Trustee's Commission	\$ 573	
Total Other Charges		<u>573</u>

Total Drug Control Fund		6,689
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Constitutional Officers - Fees Fund

Administration of Justice

Chancery Court

Special Commissioner Fees/Special Master Fees	\$ 3,180	
Total Chancery Court		<u>\$ 3,180</u>

Total Constitutional Officers - Fees Fund		3,180
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Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 63,527
Accountants/Bookkeepers	33,224
Clerical Personnel	36,088
Social Security	8,621
Employer Medicare	3,479

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Communication	\$	15,803	
Data Processing Services		5,535	
Dues and Memberships		2,970	
Postal Charges		642	
Travel		226	
Drugs and Medical Supplies		33	
Office Supplies		1,064	
Uniforms		5,683	
Total Administration			\$ 176,895

Highway and Bridge Maintenance

Foremen	\$	80,339	
Equipment Operators - Heavy		99,344	
Equipment Operators - Light		82,665	
Truck Drivers		111,913	
Laborers		131,904	
Overtime Pay		10,575	
Social Security		33,342	
Employer Medicare		7,379	
Contracts with Private Agencies		39,284	
Asphalt - Hot Mix		31,516	
Asphalt - Liquid		36,530	
Crushed Stone		108,336	
Pipe		5,273	
Road Signs		4,022	
Other Supplies and Materials		18	
Total Highway and Bridge Maintenance			782,440

Operation and Maintenance of Equipment

Mechanic(s)	\$	26,912	
Social Security		1,689	
Employer Medicare		378	
Diesel Fuel		239,294	
Equipment and Machinery Parts		61,221	
Garage Supplies		8,795	
Gasoline		231,970	
Lubricants		5,901	
Tires and Tubes		17,963	
Total Operation and Maintenance of Equipment			594,123

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Other Charges

Electricity	\$	5,907	
Water and Sewer		918	
Building and Contents Insurance		2,421	
Liability Insurance		6,208	
Trustee's Commission		15,964	
Vehicle and Equipment Insurance		18,738	
Total Other Charges			\$ 50,156

Employee Benefits

State Retirement	\$	50,518	
Employee and Dependent Insurance		293,876	
Workers' Compensation Insurance		67,409	
Total Employee Benefits			411,803

Capital Outlay

Principal on Capital Leases	\$	115,470	
Interest on Capital Leases		5,930	
Bridge Construction		25,777	
Data Processing Equipment		10,960	
Highway Equipment		13,799	
Total Capital Outlay			171,936

Total Highway/Public Works Fund \$ 2,187,353

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	340,000	
Total General Government			\$ 340,000

Education

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

Interest on Debt

General Government

Interest on Bonds	\$	286,314	
Total General Government			286,314

(Continued)

Exhibit J-7

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

<u>General Debt Service Fund (Cont.)</u>		
<u>Interest on Debt (Cont.)</u>		
<u>Education</u>		
Interest on Bonds	\$ 555,786	
Interest on Notes	<u>2,559</u>	
Total Education		\$ 558,345
 <u>Other Debt Service</u>		
<u>General Government</u>		
Trustee's Commission	\$ 26,473	
Other Debt Service	<u>577</u>	
Total General Government		<u>27,050</u>
Total General Debt Service Fund		\$ 1,936,709
 <u>HUD Grant Projects Fund</u>		
<u>General Government</u>		
<u>Other General Administration</u>		
Contracts for Development Costs	\$ <u>298,115</u>	
Total Other General Administration		\$ <u>298,115</u>
Total HUD Grant Projects Fund		298,115
 <u>Other Capital Projects Fund</u>		
<u>Public Safety</u>		
<u>Sheriff's Department</u>		
Motor Vehicles	\$ <u>75,257</u>	
Total Sheriff's Department		\$ 75,257
 <u>Other Operations</u>		
<u>Other Charges</u>		
Trustee's Commission	\$ <u>384</u>	
Total Other Charges		<u>384</u>
Total Other Capital Projects Fund		<u>75,641</u>
Total Governmental Funds - Primary Government		<u>\$ 12,145,420</u>

Exhibit J-8

Polk County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Polk County School Department
For the Year Ended June 30, 2012

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 6,185,120	
Career Ladder Program	30,000	
Career Ladder Extended Contracts	25,168	
Homebound Teachers	32,233	
Educational Assistants	128,735	
Other Salaries and Wages	119,294	
Certified Substitute Teachers	630	
Non-certified Substitute Teachers	87,617	
Social Security	393,126	
State Retirement	578,165	
Life Insurance	3,556	
Medical Insurance	948,187	
Dental Insurance	75,148	
Unemployment Compensation	2,795	
Employer Medicare	92,958	
Payments to Retirees	14,400	
Instructional Supplies and Materials	71,779	
Textbooks	117,958	
Other Supplies and Materials	617	
Total Regular Instruction Program		\$ 8,907,486

Alternative Instruction Program

Teachers	\$ 78,248	
Career Ladder Program	1,000	
Non-certified Substitute Teachers	225	
Social Security	4,837	
State Retirement	7,172	
Life Insurance	48	
Medical Insurance	11,254	
Dental Insurance	1,109	
Employer Medicare	1,135	
Other Supplies and Materials	255	
Total Alternative Instruction Program		105,283

Special Education Program

Teachers	\$ 524,533
Career Ladder Program	2,000
Homebound Teachers	4,940
Educational Assistants	85,775

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Other Salaries and Wages	\$	38,133	
Non-certified Substitute Teachers		4,230	
Social Security		39,204	
State Retirement		57,490	
Life Insurance		459	
Medical Insurance		120,414	
Dental Insurance		7,210	
Unemployment Compensation		880	
Employer Medicare		9,227	
Instructional Supplies and Materials		5,268	
Total Special Education Program			\$ 899,763

Vocational Education Program

Teachers	\$	565,699	
Career Ladder Program		6,000	
Career Ladder Extended Contracts		6,000	
Non-certified Substitute Teachers		5,535	
Social Security		33,696	
State Retirement		52,282	
Life Insurance		278	
Medical Insurance		83,008	
Dental Insurance		6,433	
Employer Medicare		7,891	
Operating Lease Payments		3,484	
Other Contracted Services		3,526	
Instructional Supplies and Materials		18,332	
Vocational Instruction Equipment		15,380	
Total Vocational Education Program			807,544

Student Body Education Program

Other Contracted Services	\$	54,210	
Total Student Body Education Program			54,210

Adult Education Program

Other Salaries and Wages	\$	31,661	
Social Security		1,963	
Employer Medicare		459	
Total Adult Education Program			34,083

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services

Attendance

Supervisor/Director	\$	33,709	
Career Ladder Program		1,000	
Social Security		2,131	
State Retirement		3,141	
Life Insurance		12	
Dental Insurance		277	
Employer Medicare		498	
Total Attendance			\$ 40,768

Health Services

Medical Personnel	\$	59,767	
Social Security		3,676	
State Retirement		4,262	
Life Insurance		43	
Medical Insurance		10,224	
Dental Insurance		721	
Employer Medicare		860	
Other Contracted Services		2,820	
Drugs and Medical Supplies		567	
Total Health Services			82,940

Other Student Support

Teachers	\$	48,199	
Career Ladder Program		1,000	
Guidance Personnel		117,432	
Career Ladder Extended Contracts		2,000	
Clerical Personnel		10,624	
Other Salaries and Wages		338,999	
Non-certified Substitute Teachers		2,160	
Social Security		25,543	
State Retirement		33,733	
Life Insurance		72	
Medical Insurance		21,478	
Dental Insurance		2,218	
Unemployment Compensation		318	
Employer Medicare		7,354	
Communication		1,584	
Contracts with Government Agencies		75,800	
Evaluation and Testing		3,296	

(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.)

Travel	\$	23,883	
Other Contracted Services		8,384	
Other Supplies and Materials		321,314	
In Service/Staff Development		24,459	
Other Charges		11,702	
Total Other Student Support			\$ 1,081,552

Regular Instruction Program

Supervisor/Director	\$	65,929	
Career Ladder Program		3,000	
Career Ladder Extended Contracts		3,000	
Librarians		149,017	
Education Media Personnel		36,252	
Non-certified Substitute Teachers		4,635	
Social Security		15,669	
State Retirement		22,197	
Life Insurance		187	
Medical Insurance		43,463	
Dental Insurance		2,163	
Employer Medicare		3,667	
Travel		9,998	
In Service/Staff Development		2,574	
Other Charges		17,000	
Total Regular Instruction Program			378,751

Special Education Program

Supervisor/Director	\$	74,107	
Career Ladder Program		2,000	
Psychological Personnel		52,785	
Social Security		7,563	
State Retirement		11,665	
Life Insurance		48	
Medical Insurance		15,779	
Dental Insurance		1,109	
Employer Medicare		1,769	
Travel		1,799	
Total Special Education Program			168,624

(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	\$	36,127	
Career Ladder Program		1,000	
Career Ladder Extended Contracts		1,000	
Secretary(ies)		1,725	
Social Security		2,426	
State Retirement		3,586	
Life Insurance		12	
Medical Insurance		2,873	
Dental Insurance		277	
Employer Medicare		567	
Total Vocational Education Program			\$ 49,593

Adult Programs

Supervisor/Director	\$	34,000	
Clerical Personnel		2,400	
Social Security		2,195	
State Retirement		188	
Life Insurance		12	
Medical Insurance		5,627	
Employer Medicare		513	
In Service/Staff Development		2,105	
Other Charges		14,103	
Total Adult Programs			61,143

Other Programs

On-Behalf Payments to OPEB	\$	87,790	
Total Other Programs			87,790

Board of Education

Secretary to Board	\$	1,200	
Board and Committee Members Fees		11,500	
Social Security		645	
Unemployment Compensation		2,151	
Employer Medicare		167	
Other Fringe Benefits		75,771	
Audit Services		11,988	
Dues and Memberships		12,344	
Legal Services		7,663	
Liability Insurance		33,871	

(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.)

Board of Education (Cont.)

Premiums on Corporate Surety Bonds	\$	1,912	
Trustee's Commission		92,259	
Workers' Compensation Insurance		118,409	
Criminal Investigation of Applicants - TBI		96	
Other Charges		2,188	
Total Board of Education			\$ 372,164

Director of Schools

County Official/Administrative Officer	\$	101,204	
Career Ladder Program		1,100	
Secretary(ies)		25,000	
Other Salaries and Wages		2,952	
Social Security		8,297	
State Retirement		12,397	
Life Insurance		48	
Medical Insurance		11,254	
Dental Insurance		555	
Employer Medicare		2,036	
Other Fringe Benefits		9,000	
Communication		91,000	
Postal Charges		2,757	
Travel		4,007	
Other Contracted Services		13,012	
Other Supplies and Materials		2,855	
In Service/Staff Development		2,519	
Total Director of Schools			289,993

Office of the Principal

Principals	\$	437,291	
Career Ladder Program		6,000	
Accountants/Bookkeepers		92,904	
Career Ladder Extended Contracts		3,000	
Assistant Principals		137,576	
Clerical Personnel		88,854	
Other Salaries and Wages		9,962	
Non-certified Substitute Teachers		1,215	
Social Security		47,256	
State Retirement		62,713	
Life Insurance		484	

(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.)

Office of the Principal (Cont.)

Medical Insurance	\$	123,284	
Dental Insurance		4,548	
Employer Medicare		11,106	
Dues and Memberships		400	
Travel		2,455	
Other Contracted Services		1,250	
Total Office of the Principal			\$ 1,030,298

Fiscal Services

Supervisor/Director	\$	42,076	
Clerical Personnel		42,291	
Social Security		5,150	
State Retirement		6,623	
Life Insurance		60	
Medical Insurance		14,367	
Employer Medicare		1,204	
Data Processing Services		15,209	
Office Supplies		5,432	
Total Fiscal Services			132,412

Operation of Plant

Supervisor/Director	\$	17,101	
Custodial Personnel		258,402	
Other Salaries and Wages		6,720	
Social Security		16,214	
State Retirement		11,828	
Life Insurance		372	
Medical Insurance		86,407	
Unemployment Compensation		7,538	
Employer Medicare		4,035	
Travel		40	
Other Contracted Services		42,420	
Custodial Supplies		59,139	
Electricity		537,237	
Fuel Oil		78,993	
Water and Sewer		76,666	
Other Supplies and Materials		59,290	
Boiler Insurance		5,558	
Building and Contents Insurance		101,266	

(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.)

Plant Operation Equipment	\$ 8,750	
Total Operation of Plant		\$ 1,377,976

Maintenance of Plant

Maintenance Personnel	\$ 99,354	
Social Security	5,307	
State Retirement	6,855	
Life Insurance	96	
Medical Insurance	17,480	
Employer Medicare	1,416	
Operating Lease Payments	1,526	
Motor Vehicles	1,800	
Total Maintenance of Plant		133,834

Transportation

Supervisor/Director	\$ 19,986	
Mechanic(s)	51,583	
Bus Drivers	299,401	
Other Salaries and Wages	56,814	
In-Service Training	1,682	
Social Security	25,822	
State Retirement	16,028	
Life Insurance	472	
Medical Insurance	28,854	
Unemployment Compensation	2,360	
Employer Medicare	6,196	
Medical and Dental Services	1,520	
Other Contracted Services	21,780	
Diesel Fuel	113,257	
Gasoline	17,206	
Lubricants	2,753	
Tires and Tubes	10,890	
Vehicle Parts	72,327	
Other Supplies and Materials	3,296	
Vehicle and Equipment Insurance	31,266	
In Service/Staff Development	60	
Other Charges	3,997	
Principal on Capital Leases	67,384	
Interest on Capital Leases	22,132	
Total Transportation		877,066

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	32,957	
Social Security		2,043	
State Retirement		2,587	
Life Insurance		24	
Medical Insurance		5,747	
Employer Medicare		478	
Travel		2,023	
Total Food Service	\$		45,859

Early Childhood Education

Teachers	\$	171,147	
Clerical Personnel		13,430	
Educational Assistants		65,037	
Other Salaries and Wages		9,076	
Non-certified Substitute Teachers		5,265	
Social Security		15,493	
State Retirement		20,365	
Life Insurance		204	
Medical Insurance		58,495	
Dental Insurance		2,218	
Employer Medicare		3,623	
Communication		735	
Travel		4,043	
Instructional Supplies and Materials		33,306	
Total Early Childhood Education			402,437

Capital Outlay

Regular Capital Outlay

Other Contracted Services	\$	3,859	
Other Supplies and Materials		8,157	
Building Improvements		47,702	
Total Regular Capital Outlay			59,718

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$	727,560	
Total Education			727,560

Total General Purpose School Fund \$ 18,208,847

(Continued)

Exhibit J-8

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

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	156,956	
Educational Assistants		150,727	
Non-certified Substitute Teachers		4,437	
Social Security		18,369	
State Retirement		23,899	
Life Insurance		299	
Medical Insurance		81,200	
Dental Insurance		2,218	
Employer Medicare		4,302	
Instructional Supplies and Materials		48,079	
Regular Instruction Equipment		68,914	
Total Regular Instruction Program			\$ 559,400

Special Education Program

Teachers	\$	14,450	
Educational Assistants		252,457	
Speech Pathologist		43,151	
Other Salaries and Wages		972	
Non-certified Substitute Teachers		6,990	
Social Security		19,343	
State Retirement		22,462	
Life Insurance		374	
Medical Insurance		89,268	
Dental Insurance		616	
Employer Medicare		4,543	
Contracts with Private Agencies		48,801	
Other Contracted Services		391	
Instructional Supplies and Materials		16,071	
Other Supplies and Materials		9,354	
Other Charges		5,616	
Special Education Equipment		33,000	
Total Special Education Program			567,859

Vocational Education Program

Other Supplies and Materials	\$	3,028	
Vocational Instruction Equipment		30,804	
Total Vocational Education Program			33,832

(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	\$	900	
Health Equipment		126	
Total Health Services			\$ 1,026

Other Student Support

Assessment Personnel	\$	88,059	
Bus Drivers		227	
Other Salaries and Wages		6,885	
Social Security		5,741	
State Retirement		8,572	
Life Insurance		48	
Medical Insurance		11,374	
Dental Insurance		1,109	
Employer Medicare		1,343	
Travel		9,866	
Other Supplies and Materials		682	
Total Other Student Support			133,906

Regular Instruction Program

Supervisor/Director	\$	105,435	
Clerical Personnel		11,821	
Other Salaries and Wages		1,195	
Social Security		7,194	
State Retirement		10,544	
Life Insurance		48	
Medical Insurance		11,434	
Dental Insurance		832	
Employer Medicare		1,682	
Travel		6,472	
Other Supplies and Materials		1,731	
In Service/Staff Development		56,784	
Total Regular Instruction Program			215,172

Special Education Program

Clerical Personnel	\$	11,821	
Social Security		733	
State Retirement		899	
Life Insurance		12	
Medical Insurance		2,873	

(Continued)

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.)

Special Education Program (Cont.)

Employer Medicare	\$	171	
Travel		14,810	
Other Supplies and Materials		2,232	
In Service/Staff Development		4,531	
Total Special Education Program			\$ 38,082

Vocational Education Program

In Service/Staff Development	\$	2,124	
Total Vocational Education Program			2,124

Office of the Principal

Assistant Principals	\$	45,127	
Social Security		2,447	
State Retirement		3,880	
Life Insurance		19	
Medical Insurance		5,957	
Dental Insurance		444	
Employer Medicare		572	
Total Office of the Principal			58,446

Total School Federal Projects Fund \$ 1,609,847

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Cafeteria Personnel	\$	434,815	
Social Security		26,868	
Life Insurance		815	
Medical Insurance		28,914	
Unemployment Compensation		940	
Employer Medicare		6,284	
Communication		1,606	
Dues and Memberships		869	
Maintenance Agreements		10,335	
Maintenance and Repair Services - Equipment		35,526	
Food Supplies		642,048	
USDA - Commodities		66,365	
Other Supplies and Materials		50,229	
Refunds		68	

(Continued)

Exhibit J-8

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

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

In Service/Staff Development	\$	1,352	
Other Charges		45,381	
Food Service Equipment		<u>99,425</u>	
Total Food Service			<u>\$ 1,451,840</u>

Total Central Cafeteria Fund \$ 1,451,840

Total Governmental Funds - Polk County School Department \$ 21,270,534

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, 2012

	<u>Cities - Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 393,988
Total Cash Receipts	<u>\$ 393,988</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 390,048
Trustee's Commission	3,940
Total Cash Disbursements	<u>\$ 393,988</u>
Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ 0
Cash Balance, July 1, 2011	<u>0</u>
Cash Balance, June 30, 2012	<u><u>\$ 0</u></u>

SINGLE AUDIT SECTION



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

January 23, 2013

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

To the County Executive and Board of County Commissioners:

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Polk County, Tennessee, as of and for the year ended June 30, 2012, which collectively comprise Polk County's basic financial statements and have issued our report thereon dated January 23, 2013. Our report on the aggregate discretely presented component units financial statements was qualified due to not including the financial statements of the Polk County Emergency Communications District, which were not available from other auditors as of the date of this report. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Polk County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Polk County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Polk County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Polk County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material

weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness: 12.04.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies: 12.01, 12.06, 12.08, 12.09, 12.10, and 12.12.

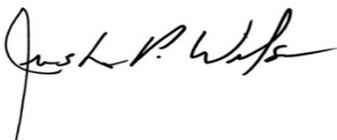
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Polk County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying Schedule of Findings and Questioned Costs as items 12.02, 12.03, 12.05, 12.07, and 12.11.

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

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

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury

JPW/sb



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT AUDIT
SUITE 1500
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REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Independent Auditor's Report

January 23, 2013

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

To the County Executive and Board of County Commissioners:

Compliance

We have audited Polk County's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. Polk County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Polk County's management. Our responsibility is to express an opinion on Polk County's compliance based on our audit.

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

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

In our opinion, Polk County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of Polk County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Polk County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Polk County's internal control over compliance.

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Polk County as of and for the year ended June 30, 2012, and have issued our report thereon dated January 23, 2013. Our report on the aggregate discretely presented component units financial statements was qualified due to not including the financial statements of the Polk County Emergency Communications District, which were not available from other auditors as of the date of this report. Our audit was performed for the purpose of forming our opinions on the financial statements as a whole. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

Yours very truly,

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

Justin P. Wilson
Comptroller of the Treasury

JPW/sb

Polk County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2012

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	\$ 66,365 (3)
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	286,755
National School Lunch Program	10.555	N/A	728,352 (3)
Passed-through State Library and Archives:			
Community Facilities Loans and Grants	10.766	N/A	16,076
Total U.S. Department of Agriculture			<u>\$ 1,097,548</u>
U.S. Department of Housing and Urban Development:			
Passed-through TN Housing Development Agency:			
Home Investment Partnerships Program	14.239	HM-07-32	\$ 298,115
Total U.S. Department of Housing and Urban Development			<u>\$ 298,115</u>
U.S. Department of Interior:			
Direct Program:			
Payments in-Lieu-of Taxes	15.226	N/A	\$ 93,040
Total U.S. Department of Interior			<u>\$ 93,040</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Airport Improvement Program	20.106	(4)	\$ 244,029
Total U.S. Department of Transportation			<u>\$ 244,029</u>
U.S. Institute of Museum and Library Services:			
Passed-through Southeast Tennessee Development District:			
Grants to States	45.310	(2)	\$ 3,500
Total U.S. Institute of Museum and Library Services			<u>\$ 3,500</u>
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - Basic Grants to States	84.002	(5)	\$ 75,519
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	554,521
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	582,537
Special Education - Preschool Grants	84.173	N/A	17,289
Special Education - Preschool Grants, Recovery Act	84.392	H392A090095	3,861
Career and Technical Education - Basic Grants to States	84.048	N/A	109,007
Safe and Drug-free Schools and Communities - State Grants	84.186	(2)	124
Twenty-first Century Community Learning Centers	84.287	192-08-3-009	223,698
Educational Technology State Grants Cluster:			
Education Technology State Grants	84.318	N/A	458
Education Technology State Grants, Recovery Act	84.386	N/A	646
Rural Education	84.358	N/A	44,441
Improving Teacher Quality State Grants	84.367	N/A	118,385

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Passed-through Entity Identifying Number	Expenditures
U.S. Department of Education (Cont.):			
Passed-through State Department of Education (Cont.):			
State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	S397A090043	\$ 18,327
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	S395A100032	179,767
Education Jobs Fund	84.410	S410A100043	61,739
Total U.S. Department of Education			\$ 1,990,319
U.S. Department of Health and Human Services:			
Passed-through State Commission on Aging:			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	(2)	\$ 28,376
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	(2)	30,335
National Family Caregiver Support, Title III, Part E	93.052	(2)	4,427
Total U.S. Department of Health and Human Services			\$ 63,138
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1974-DR-TN	\$ 26,162
Homeland Security Grant Program	97.067	(2)	5,000
Total U.S. Department of Homeland Security			\$ 31,162
Total Expenditures of Federal Awards			\$ 3,820,851

State Grants		Contract Number	
Juvenile Services Program - State Commission on Children and Youth	N/A	(2)	\$ 9,000
Litter Program - State Department of Transportation	N/A	(2)	5,287
Local Health Services - State Department of Health	N/A	Z-1243732-00-03	67,389
State Senior Center Program - Southeast Tennessee Development District	N/A	(2)	9,338
Agriculture Growth Initiative Program - State Department of Agriculture	N/A	(2)	700
Airport Maintenance Grant - State Department of Transportation	N/A	(2)	179
Options Program - Southeast Tennessee Development District	N/A	(2)	4,243
Child Safety Seat Grant - State Department of Health	N/A	(2)	2,621
Certified Voting Equipment Grant - State Department of Elections	N/A	(2)	1,000
Waste Tire Grant - State Department of Environment and Conservation	N/A	Z-08-212987-02	13,385
Voluntary Pre-K for Tennessee - Lottery Commission	N/A	(2)	404,871
Lottery Education After School Programs - Lottery Commission	N/A	119-09-3-040	94,945
ConnecTN - State Department of Education	N/A	(2)	9,424
Coordinated School Health - State Department of Education	N/A	(2)	100,000
Family Resource Center - State Department of Education	N/A	(2)	29,612
Adult Education - State Department of Labor and Workforce Development	N/A	(6)	25,173
Total State Grants			\$ 777,167

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 \$794,717.
- (4) Z-08-2008-10-00: \$25,944; GG-10-229290-00: \$218,085.
- (5) DG1131220: \$6,524; DG1234579: \$68,995.
- (6) DG1131220: \$2,175; DG1234579: \$22,998.

Polk County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2012

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, 2011, which have not been corrected.

OFFICES OF COUNTY EXECUTIVE AND DIRECTOR OF ACCOUNTS AND BUDGETS

Finding Number	Page Number	Subject
11.04	150	Adequate records were not maintained for state and federal grants
11.06	151	Expenditures exceeded appropriations
11.12	154	The director of accounts and budgets did not maintain accounting records for the Highway Department
11.13	155	Polk County has a material recurring audit finding

OFFICE OF DIRECTOR OF SCHOOLS

Finding Number	Page Number	Subject
11.16	157	Expenditures exceeded appropriations

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

Finding Number	Page Number	Subject
11.17	157	Duties were not segregated adequately

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

Finding Number	Page Number	Subject
11.18	158	Multiple employees operated from the same cash drawer

OFFICE OF SHERIFF

Finding Number	Page Number	Subject
11.19	158	Some collections were not deposited within three days of receipt

POLK COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2012

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the aggregate discretely presented component units is qualified. Our report on the governmental activities, each major fund, and the aggregate remaining fund information is unqualified.
2. The audit of the financial statements of Polk County disclosed significant deficiencies in internal control. One of these conditions was considered to be a material weakness.
3. The audit disclosed one instance of noncompliance that is material to the financial statements of Polk County.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555); Title I Grants to Local Educational Agencies (CFDA No. 84.010); and the Special Education Cluster: Special Education – Grants to States, Special Education – Preschool Grants, and Special Education – Preschool Grants, Recovery Act, (CFDA Nos. 84.027, 84.173, and 84.392) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Polk County did not qualify as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

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

OFFICES OF COUNTY EXECUTIVE AND DIRECTOR OF ACCOUNTS AND BUDGETS

FINDING 12.01 ADEQUATE RECORDS WERE NOT MAINTAINED FOR STATE AND FEDERAL GRANTS
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Adequate records were not maintained for state and federal grants received by the county. The offices did not provide a list of federal awards and their Catalog of Federal Domestic Assistance (CFDA) numbers. We obtained the grant information for the Schedule of Expenditures of Federal Awards and State Grants from revenue transmittals, direct bank deposit information maintained by the county trustee, and state pass-through agencies. This deficiency can be attributed to the failure of management to correct the finding noted in the prior-year audit report.

RECOMMENDATION

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

FINDING 12.02 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 Commission	\$ 4,286
Other Charges	4,786
Contributions to Other Agencies	1,876

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.

FINDING 12.03 **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 the prior-year audit report.

RECOMMENDATION

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

FINDING 12.04 **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>
12.04, 11.12, 10.06	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. The Local Government Modernization Act of 2005 in Section 9-3-405, *Tennessee Code Annotated (TCA)*, encourages local governments to consider establishing an Audit Committee and further provides that the Comptroller may

require that an Audit Committee be established in any local government that (1) is in noncompliance with the accounting and financial reporting standards required by the Governmental Accounting Standards Board, or (2) has recurring findings from the annual audit for three or more consecutive years as determined by the Comptroller to be a material weakness in internal control or material noncompliance under *Government Auditing Standards*. The responsibilities and duties of an Audit Committee are to address financial and other reporting practices, internal control, compliance with laws and regulations, and ethics.

RECOMMENDATION

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

OFFICE OF HIGHWAY SUPERINTENDENT

FINDING 12.05 **EXPENDITURES EXCEEDED APPROPRIATIONS**
(Noncompliance Under *Government Auditing Standards*)

Expenditures exceeded appropriations approved by the County Commission in the Operation and Maintenance of Equipment major appropriation category (the legal level of control) of the Highway/Public Works Fund by \$16,978. 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 present a final budget amendment that had been prepared by the department to the County Commission for approval. Only those amendments approved by the County Commission as of June 30, 2012, are reflected in the financial statements of this report.

RECOMMENDATION

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

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

FINDING 12.06 **INVOICES WERE PAID WITHOUT DOCUMENTATION THAT
GOODS HAD BEEN RECEIVED OR SERVICES RENDERED**
(Internal Control – Significant Deficiency Under *Government Auditing
Standards*)

Our examination of purchasing procedures revealed that some invoices were paid without documentation that goods had been received or services rendered. The practice of paying invoices without documentation that goods were received and/or services were rendered increases the risk of paying for something that was never received. This deficiency can be attributed to the failure of management to adequately monitor purchasing procedures.

RECOMMENDATION

The offices should maintain adequate documentation that goods have been received and/or services have been rendered before invoices are paid.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 12.07 **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>
Instruction:	
Vocational Education Program	\$ 3,730
Adult Education Program	34,083
Support Services:	
Other Student Support	52,813
Capital Outlay:	
Regular Capital Outlay	52,988

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 TRUSTEE

FINDING 12.08 **USERNAMES AND PASSWORDS WERE SHARED BY EMPLOYEES**

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

Although each employee had been assigned a unique username and password for accessing the office's accounting software, this information was shared with other employees. The employees also used a shared username and password when processing transactions. If inappropriate activity were to occur, the employee responsible for this activity would not be easily identified because employees had access to each other's username and password and sometimes used the shared user account. Sound business practices dictate that each transaction be identified to the individual creating the transaction. This deficiency was the result of a lack of management oversight. This practice was discontinued when brought to the attention of management in June 2012.

RECOMMENDATION

The shared username and password should be removed from the application. Each employee should access the application using his or her unique username and password to ensure that transactions are properly identified to that employee. Usernames and passwords should remain confidential and should not be shared among employees.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 12.09 **MULTIPLE EMPLOYEES OPERATED FROM THE SAME CASH DRAWER**

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

Multiple employees operated from the same cash drawer in the Office of Circuit and General Sessions Courts Clerk. Good internal controls dictate that each employee have their own cash drawer, start the day with a standard fixed amount of cash, and remove all but that beginning amount at the end of each day. This amount should be verified to the employee's receipts at the end of each day. Failure to adhere to this control regimen greatly increases the risk that a cash shortage may not be detected in a timely manner. Furthermore, in the event of a cash shortage, the official would not be able to determine

who was responsible for the shortage because multiple employees were working from one cash drawer. This deficiency has been a management decision resulting in a loss of control over assets. Also, this deficiency can be attributed to the failure of management to correct the finding noted in the prior-year audit report.

RECOMMENDATION

The clerk should assign each employee their own cash drawer.

OFFICE OF REGISTER

FINDING 12.10 **USERNAMES AND PASSWORDS WERE SHARED BY EMPLOYEES**

(Internal Control – Significant Deficiency Under Government Auditing Standards)

Although each employee had been assigned a unique username and password for accessing the office’s accounting software, this information was shared with other employees. If inappropriate activity were to occur, the employee responsible for this activity would not be easily identified because employees had access to each other’s username and password. Sound business practices dictate that each transaction be identified to the individual creating the transaction. This deficiency was the result of a lack of management oversight. This practice was discontinued when brought to the attention of management in June 2012.

RECOMMENDATION

Each employee should access the application using his or her unique username and password to ensure that transactions are properly identified to that employee. Usernames and passwords should remain confidential and should not be shared among employees.

OFFICE OF SHERIFF

FINDING 12.11 **SOME COLLECTIONS WERE NOT DEPOSITED WITHIN THREE DAYS OF RECEIPT**

(Noncompliance Under *Government Auditing Standards*)

Some collections were not deposited to the office bank accounts within three days of receipt as required by Section 5-8-207, *Tennessee Code Annotated*. In most instances, this deficiency was the result of management’s decision to group several days’ collections together before making a deposit. Also, this deficiency can be attributed to the failure of management to correct the finding noted in the prior-year audit report.

RECOMMENDATION

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

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

FINDING 12.12

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, Sheriff, and the Food Service Department. 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.

BEST PRACTICE

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

Polk County does not have a central system of accounting, budgeting, and purchasing for all departments. Polk County operates under the provisions of the Fiscal Control Acts of 1957. These acts provide for a central system of accounting, budgeting, and purchasing covering all funds administered by the county 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 for all departments would significantly improve internal controls over the accounting, budgeting, and purchasing processes. The absence of a central system of accounting, budgeting, and purchasing has been a management decision by the County Commission resulting in decentralization and some duplication of effort. We recommend the adoption of the County Financial Management System of 1981 or a private act, which would provide for a central system of accounting, budgeting, and purchasing covering all county departments.

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

There were no findings and questioned costs for federal awards.

POLK COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2012

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