



ANNUAL FINANCIAL REPORT POLK COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2013



ANNUAL FINANCIAL REPORT
POLK COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2013

COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON

DIVISION OF LOCAL GOVERNMENT AUDIT
JAMES R. ARNETTE
Director

CARL LOWE, CGFM
Audit Manager

MICHAEL FORD, CPA, CGFM
Auditor 4

KATHY CLEMENTS, CGFM
JENI PALADENI
State Auditors

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

POLK COUNTY, TENNESSEE

TABLE OF CONTENTS

	Exhibit	Page(s)
Audit Highlights		6-7
<u>INTRODUCTORY SECTION</u>		8
Polk County Officials		9
<u>FINANCIAL SECTION</u>		10
Independent Auditor's Report		11-14
BASIC FINANCIAL STATEMENTS:		15
Government-wide Financial Statements:		
Statement of Net Position	A	16-17
Statement of Activities	B	18-19
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C-1	20
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	C-2	21
Statement of Revenues, Expenditures, and Changes in Fund Balances	C-3	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C-4	23
Statements of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Fund	C-5	24-26
Highway/Public Works Fund	C-6	27
Fiduciary Funds:		
Statement of Fiduciary Assets and Liabilities	D	28
Index and Notes to the Financial Statements		29-66
REQUIRED SUPPLEMENTARY INFORMATION:		67
Schedule of Funding Progress – Pension Plan – Primary Government and Discretely Presented Polk County School Department	E-1	68
Schedule of Funding Progress – Other Postemployment Benefits Plan – Discretely Presented Polk County School Department	E-2	69
Notes to the Required Supplementary Information		70

	Exhibit	Page(s)
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		71
Nonmajor Governmental Funds:		72
Combining Balance Sheet	F-1	73
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	F-2	74
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
Solid Waste/Sanitation Fund	F-3	75
Drug Control Fund	F-4	76
Major Governmental Fund:		77
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
General Debt Service Fund	G	78
Fiduciary Funds:		79
Combining Statement of Fiduciary Assets and Liabilities	H-1	80
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	H-2	81
Component Unit:		
Discretely Presented Polk County School Department:		82
Statement of Activities	I-1	83
Balance Sheet – Governmental Funds	I-2	84
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	I-3	85
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	I-4	86
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	I-5	87
Combining Balance Sheet – Nonmajor Governmental Funds	I-6	88
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	I-7	89
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Purpose School Fund	I-8	90-91
School Federal Projects Fund	I-9	92
Central Cafeteria Fund	I-10	93
Proprietary Fund:		
Statement of Net Position	I-11	94
Statement of Revenues, Expenses, and Changes in Net Position	I-12	95
Statement of Cash Flows	I-13	96

	Exhibit	Page(s)
Miscellaneous Schedules:		97
Schedule of Changes in Long-term Bonds, Capital Leases, and Notes	J-1	98
Schedule of Long-term Debt Requirements by Year	J-2	99
Schedule of Transfers	J-3	100
Schedule of Salaries and Official Bonds of Principal Officials – Primary Government and Discretely Presented Polk County School Department	J-4	101
Schedule of Detailed Revenues – All Governmental Fund Types	J-5	102-105
Schedule of Detailed Revenues – All Governmental Fund Types – Discretely Presented Polk County School Department	J-6	106-107
Schedule of Detailed Expenditures – All Governmental Fund Types	J-7	108-120
Schedule of Detailed Expenditures – All Governmental Fund Types – Discretely Presented Polk County School Department	J-8	121-130
Schedule of Detailed Receipts, Disbursements, and Changes in Cash Balance – City Agency Fund	J-9	131
 <u>SINGLE AUDIT SECTION</u>		 132
 Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>		 133-135
Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133		 136-138
Schedule of Expenditures of Federal Awards and State Grants		139-140
Schedule of Audit Findings Not Corrected		141-142
Schedule of Findings and Questioned Costs		143-149
Auditee Reporting Responsibilities		150

Audit Highlights

Annual Financial Report
Polk County, Tennessee
For the Year Ended June 30, 2013

Scope

We have audited the financial statements of Polk County as of and for the year ended June 30, 2013.

Results

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

Our audit resulted in eight findings and recommendations, which we have reviewed with Polk County management. Detailed findings, recommendations, and management's responses 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, DIRECTOR OF ACCOUNTS AND BUDGETS, AND HIGHWAY SUPERINTENDENT

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

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ Expenditures exceeded appropriations.

OFFICE OF COUNTY CLERK

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

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

- ◆ A cash shortage of \$2,702.28 existed on December 31, 2012.
 - ◆ Multiple employees operated from the same cash drawer.
-

OFFICE OF SHERIFF

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

OFFICES OF COUNTY EXECUTIVE, HIGHWAY SUPERINTENDENT, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER OF DEEDS, 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, 2013

Officials

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

Board of County Commissioners

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

Sheena Gaddis
John Pippenger
Daren Waters
James Woody

Board of Education

Mark Williams, Chairman
James Davis
Jayson Lamb
Tracy Bishop
Harman Harden

Shawn Pritchett
Gary Silvers
L.W. Smith
April Trantham

Audit Committee (Appointed August 15, 2013)

Greg Barker
Kenneth Cloud
Mike Curbow

John Pippenger
Joe Waters

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

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

To the County Executive and Board of County Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Polk County, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Polk Emergency Communications District, which represent 4.19 percent, 5.69 percent, and 1.43 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Polk County Emergency Communications District, is based solely on the report of the other auditors. We conducted

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

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Polk County, Tennessee, as of June 30, 2013, and the respective changes in financial position and the respective budgetary comparison for the General and Highway/Public Works funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note V.B., Polk County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position*, which became effective for the year ended June 30, 2013. Polk County early implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities* and Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*, which have an effective date of June 30, 2014.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the schedules of funding progress – pension plan and other postemployment benefits plan on pages 68-70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Polk County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Polk County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Polk County School Department (a discretely presented component unit), and miscellaneous schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures

in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit and the procedures performed as described above, the combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Polk County School Department (a discretely presented component unit), and miscellaneous schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2014, on our consideration of Polk County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Polk County's internal control over financial reporting and compliance.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

February 5, 2014

JPW/kp

BASIC FINANCIAL STATEMENTS

Exhibit A

Polk County, Tennessee
Statement of Net Position
June 30, 2013

	Primary Government Governmental Activities	Component Units	
		Polk County School Department	County Emergency Communications District
<u>ASSETS</u>			
Cash	\$ 0	\$ 74,388	\$ 400,878
Equity in Pooled Cash and Investments	6,581,234	2,186,234	0
Accounts Receivable	42,093	1,350	11,356
Due from Other Governments	462,461	867,387	0
Due from Component Unit	397,680	0	0
Property Taxes Receivable	5,688,588	2,522,121	0
Allowance for Uncollectible Property Taxes	(583,067)	(270,174)	0
Prepaid Items	0	0	3,129
Accrued Interest Receivable	0	0	71
Capital Assets:			
Assets Not Depreciated:			
Land	0	1,500	0
Construction in Progress	59,633	0	0
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	9,549,229	14,943,135	0
Infrastructure	6,197,463	0	0
Other Capital Assets	834,873	1,465,161	538,153
Total Assets	<u>\$ 29,230,187</u>	<u>\$ 21,791,102</u>	<u>\$ 953,587</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 118,237	\$ 57,658	\$ 5,320
Accrued Payroll	0	19,254	0
Payroll Deductions Payable	2,884	296,074	0
Due to Primary Government	0	397,680	0
Due to State of Tennessee	2,112	0	0
Accrued Interest Payable	129,583	0	0
Other Current Liabilities	5,827	0	0
Noncurrent Liabilities:			
Due Within One Year	1,233,909	0	0
Due in More Than One Year	15,744,366	3,157,609	0
Total Liabilities	<u>\$ 17,236,918</u>	<u>\$ 3,928,275</u>	<u>\$ 5,320</u>

(Continued)

Exhibit A

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

	Primary Government Governmental Activities	<u>Component Units</u>	
		Polk County School Department	County Emergency Communications District
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Current Property Taxes	\$ 4,855,956	\$ 2,137,110	\$ 0
Total Deferred Inflows of Resources	<u>\$ 4,855,956</u>	<u>\$ 2,137,110</u>	<u>\$ 0</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	\$ 9,153,518	\$ 16,409,796	\$ 538,153
Restricted for:			
General Purposes	559,665	23,040	0
Drug Control	67,188	0	0
Highway/Public Works	1,148,519	0	0
Debt Service	1,308,734	0	0
School Federal Projects	0	15,903	0
Central Cafeteria	0	698,718	0
Capital Projects	0	26,264	0
Self Insurance	0	40,940	0
Unrestricted	<u>(5,100,311)</u>	<u>(1,488,944)</u>	<u>410,114</u>
Total Net Position	<u>\$ 7,137,313</u>	<u>\$ 15,725,717</u>	<u>\$ 948,267</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, 2013

Functions/Programs	Program Revenues						Net (Expense) Revenue and Changes in Net Position		
	Expenses			Operating Grants and Contributions			Component Units		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Polk County School Department	Polk County Emergency Communications District	Total Governmental Activities	Polk County School Department	Polk County Emergency Communications District
Primary Government:									
Governmental Activities:									
General Government	\$ 1,272,209	\$ 192,254	\$ 16,164	\$ 0	\$ (1,063,791)	\$ 0	\$ 0	\$ 0	0
Finance	613,000	409,384	0	0	(203,616)	0	0	0	0
Administration of Justice	522,428	400,370	9,000	0	(113,058)	0	0	0	0
Public Safety	3,639,006	1,282,545	176,082	0	(2,180,379)	0	0	0	0
Public Health and Welfare	1,486,930	0	129,565	0	(1,357,365)	0	0	0	0
Social, Cultural, and Recreational Services	96,539	489	69,008	0	(27,042)	0	0	0	0
Agriculture and Natural Resources	69,239	0	1,460	0	(67,779)	0	0	0	0
Other Operations	182,991	0	204,138	13,241	34,388	0	0	0	0
Highways/Public Works	1,932,038	385,466	1,686,690	0	140,118	0	0	0	0
Interest on Long-term Debt	824,451	0	0	0	(824,451)	0	0	0	0
Other Debt Service	25,356	0	669,071	0	643,715	0	0	0	0
Capital Projects Donated	425,000	0	0	0	(425,000)	0	0	0	0
Total Primary Government	\$ 11,089,187	\$ 2,670,508	\$ 2,961,178	\$ 13,241	\$ (5,444,260)	\$ 0	\$ 0	\$ 0	0
Component Units:									
Polk County School Department	\$ 23,231,496	\$ 353,149	\$ 3,066,358	\$ 425,000	\$ 0	\$ (19,386,989)	\$ 0	\$ 0	0
Polk County Emergency Communications District	234,392	231,440	90,161	0	0	0	0	0	87,209
Total Component Units	\$ 23,465,888	\$ 584,589	\$ 3,156,519	\$ 425,000	\$ 0	\$ (19,386,989)	\$ 0	\$ 0	87,209

(Continued)

Exhibit B

Polk County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Net (Expense) Revenue and Changes in Net Position				
	Program Revenues		Component Units		
	Expenses	Charges for Services	Operating	Polk	Polk
			Grants and Contributions	County School Department	County Emergency Communications District
		Grants and Contributions	Governmental Activities	County School Department	County Emergency Communications District
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes			\$ 3,959,020	\$ 2,317,841	\$ 0
Property Taxes Levied for Debt Service			1,129,315	0	0
Hotel/Motel Tax			62,370	0	0
Local Amusement Tax			74,423	0	0
Local Option Sales Taxes			0	1,509,799	0
Litigation Tax - General			55,925	0	0
Litigation Tax - Jail, Workhouse, or Courthouse			31,545	0	0
Business Tax			51,758	23,488	0
Wholesale Beer Tax			257,809	0	0
Other Local Taxes			5,028	2,680	0
Grants and Contributions Not Restricted to Specific Programs			809,298	14,469,019	0
Unrestricted Investment Earnings			15,683	85	1,422
Miscellaneous			10,350	98,184	0
Total General Revenues			\$ 6,462,524	\$ 18,421,096	\$ 1,422
Change in Net Position			\$ 1,018,264	\$ (965,893)	\$ 88,631
Net Position, July 1, 2012			6,119,049	16,691,610	859,636
Net Position, June 30, 2013			\$ 7,137,313	\$ 15,725,717	\$ 948,267

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, 2013

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>ASSETS</u>					
Equity in Pooled Cash and Investments	\$ 3,928,933	\$ 866,119	\$ 1,376,954	\$ 409,228	\$ 6,581,234
Accounts Receivable	26,902	14,169	1,022	0	42,093
Due from Other Governments	166,039	286,170	10,252	0	462,461
Due from Other Funds	198,971	0	0	42,953	241,924
Property Taxes Receivable	4,155,039	0	1,173,549	360,000	5,688,588
Allowance for Uncollectible Property Taxes	(412,836)	0	(130,631)	(39,600)	(583,067)
Total Assets	\$ 8,063,048	\$ 1,166,458	\$ 2,431,146	\$ 772,581	\$ 12,433,233
<u>LIABILITIES</u>					
Accounts Payable	\$ 64,863	\$ 10,421	\$ 0	\$ 42,953	\$ 118,237
Payroll Deductions Payable	361	2,523	0	0	2,884
Due to Other Funds	42,953	0	0	198,971	241,924
Due to State of Tennessee	2,112	0	0	0	2,112
Matured Interest on Bonds	0	0	5,827	0	5,827
Total Liabilities	\$ 110,289	\$ 12,944	\$ 5,827	\$ 241,924	\$ 370,984
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred Current Property Taxes	\$ 3,548,554	\$ 0	\$ 987,002	\$ 320,400	\$ 4,855,956
Deferred Delinquent Property Taxes	170,963	0	49,366	0	220,329
Other Deferred/Unavailable Revenue	19,687	139,000	2,000	0	160,687
Total Deferred Inflows of Resources	\$ 3,739,204	\$ 139,000	\$ 1,038,368	\$ 320,400	\$ 5,236,972
<u>FUND BALANCES</u>					
Restricted:					
Restricted for General Government	\$ 280,795	\$ 0	\$ 0	\$ 0	\$ 280,795
Restricted for Finance	4,476	0	0	0	4,476
Restricted for Administration of Justice	267,588	0	0	0	267,588
Restricted for Public Safety	1,601	0	0	67,188	68,789
Restricted for Public Health and Welfare	5,205	0	0	0	5,205
Restricted for Highways/Public Works	0	1,014,514	0	0	1,014,514
Restricted for Debt Service	0	0	1,386,951	0	1,386,951
Committed:					
Committed for Other Operations	0	0	0	91,523	91,523
Committed for Capital Outlay	0	0	0	27,369	27,369
Assigned:					
Assigned for General Government	7,230	0	0	0	7,230
Assigned for Finance	4,706	0	0	0	4,706
Assigned for Administration of Justice	75	0	0	0	75
Assigned for Public Safety	159,265	0	0	0	159,265
Assigned for Public Health and Welfare	9,979	0	0	0	9,979
Assigned for Social, Cultural, and Recreational Services	34	0	0	0	34
Assigned for Agriculture and Natural Resources	677	0	0	0	677
Assigned for Capital Outlay	0	0	0	24,177	24,177
Unassigned	3,471,924	0	0	0	3,471,924
Total Fund Balances	\$ 4,213,555	\$ 1,014,514	\$ 1,386,951	\$ 210,257	\$ 6,825,277
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 8,063,048	\$ 1,166,458	\$ 2,431,146	\$ 772,581	\$ 12,433,233

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

Exhibit C-2

Polk County, Tennessee
Reconciliation of the Balance Sheet of Governmental
Funds to the Statement of Net Position
June 30, 2013

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)		\$	6,825,277
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: construction in progress	\$	59,633	
Add: buildings and improvements net of accumulated depreciation		9,549,229	
Add: infrastructure net of accumulated depreciation		6,197,463	
Add: other capital assets net of accumulated depreciation		<u>834,873</u>	16,641,198
(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	\$	(16,490,000)	
Less: capital lease payable		(397,680)	
Add: due from component unit for debt retirement		397,680	
Less: compensated absences payable		(90,595)	
Less: accrued interest on bonds and capital lease		<u>(129,583)</u>	(16,710,178)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>381,016</u>
Net position of governmental activities (Exhibit A)		\$	<u><u>7,137,313</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, 2013

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
Revenues					
Local Taxes	\$ 4,114,229	\$ 0	\$ 1,206,461	\$ 526,888	\$ 5,847,578
Licenses and Permits	94,794	0	0	0	94,794
Fines, Forfeitures, and Penalties	114,767	0	0	53,525	168,292
Charges for Current Services	11,606	0	0	25,990	37,596
Other Local Revenues	114,508	385,805	15,683	0	515,996
Fees Received from County Officials	711,418	0	0	0	711,418
State of Tennessee	1,822,556	1,584,184	124,565	0	3,531,305
Federal Government	230,010	101,506	0	201,885	533,401
Other Governments and Citizens Groups	0	0	739,515	32,200	771,715
Total Revenues	\$ 7,213,888	\$ 2,071,495	\$ 2,086,224	\$ 840,488	\$ 12,212,095
Expenditures					
Current:					
General Government	\$ 878,960	\$ 0	\$ 0	\$ 201,885	\$ 1,080,845
Finance	606,766	0	0	0	606,766
Administration of Justice	524,928	0	0	0	524,928
Public Safety	3,548,480	0	0	45,627	3,594,107
Public Health and Welfare	960,041	0	0	526,888	1,486,929
Social, Cultural, and Recreational Services	96,539	0	0	0	96,539
Agriculture and Natural Resources	69,239	0	0	0	69,239
Other Operations	181,870	0	0	1,121	182,991
Highways	0	1,641,349	0	0	1,641,349
Debt Service:					
Principal on Debt	0	0	1,525,444	0	1,525,444
Interest on Debt	0	0	828,618	0	828,618
Other Debt Service	0	0	25,356	0	25,356
Capital Projects - Donated	0	0	0	425,000	425,000
Total Expenditures	\$ 6,866,823	\$ 1,641,349	\$ 2,379,418	\$ 1,200,521	\$ 12,088,111
Excess (Deficiency) of Revenues Over Expenditures	\$ 347,065	\$ 430,146	\$ (293,194)	\$ (360,033)	\$ 123,984
Other Financing Sources (Uses)					
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 425,000	\$ 425,000
Transfers In	62,000	0	0	0	62,000
Transfers Out	0	0	0	(62,000)	(62,000)
Total Other Financing Sources (Uses)	\$ 62,000	\$ 0	\$ 0	\$ 363,000	\$ 425,000
Net Change in Fund Balances	\$ 409,065	\$ 430,146	\$ (293,194)	\$ 2,967	\$ 548,984
Fund Balance, July 1, 2012	3,804,490	584,368	1,680,145	207,290	6,276,293
Fund Balance, June 30, 2013	\$ 4,213,555	\$ 1,014,514	\$ 1,386,951	\$ 210,257	\$ 6,825,277

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, 2013

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)		\$	548,984
(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		\$	101,295
Less: current-year depreciation expense			<u>(617,876)</u>
			(516,581)
(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, 2013		\$	381,016
Less: deferred delinquent property taxes and other deferred June 30, 2012			<u>(415,216)</u>
			(34,200)
(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 position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:			
Less: note proceeds contributed to School Department		\$	(425,000)
Add: principal payments on bonds			1,030,000
Add: principal payments on notes			425,000
Add: principal payments on capital lease			70,444
Less: contributions from School Department for capital lease			<u>(70,444)</u>
			1,030,000
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.			
Change in accrued interest payable		\$	4,167
Change in compensated absences payable			<u>(14,106)</u>
			(9,939)
Change in net position of governmental activities (Exhibit B)		\$	<u><u>1,018,264</u></u>

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

Exhibit C-5

Polk County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
 General Fund
 For the Year Ended June 30, 2013

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 4,114,229	\$ 0	\$ 0	\$ 4,114,229	\$ 4,125,697	\$ 4,125,697	\$ (11,468)
Licenses and Permits	94,794	0	0	94,794	80,650	80,650	14,144
Fines, Forfeitures, and Penalties	114,767	0	0	114,767	159,780	159,780	(45,013)
Charges for Current Services	11,606	0	0	11,606	18,400	18,942	(7,336)
Other Local Revenues	114,508	0	0	114,508	74,247	110,823	3,685
Fees Received from County Officials	711,418	0	0	711,418	681,400	681,400	30,018
State of Tennessee	1,822,556	0	0	1,822,556	1,906,737	1,959,950	(137,394)
Federal Government	230,010	0	0	230,010	60,000	209,681	20,329
Total Revenues	\$ 7,213,888	\$ 0	\$ 0	\$ 7,213,888	\$ 7,106,911	\$ 7,346,923	\$ (133,035)

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 59,378	\$ 0	\$ 0	\$ 59,378	\$ 65,296	\$ 65,296	\$ 5,918
Board of Equalization	1,674	0	0	1,674	2,500	2,500	826
County Mayor/Executive	107,900	0	0	107,900	108,568	110,917	3,017
Election Commission	180,810	(2,130)	498	179,178	180,351	188,130	8,952
Register of Deeds	114,900	0	1,100	116,000	113,267	125,267	9,267
County Buildings	149,196	(2,742)	5,289	151,743	166,812	175,287	23,544
Other General Administration	265,102	(34,473)	343	230,972	202,630	290,364	59,392
<u>Finance</u>							
Accounting and Budgeting	42,782	0	0	42,782	42,889	43,190	408
Property Assessor's Office	201,353	(250)	630	201,733	224,879	227,079	25,346
County Trustee's Office	170,292	(379)	300	170,213	178,195	178,195	7,982
County Clerk's Office	192,339	0	3,776	196,115	205,417	205,417	9,302
<u>Administration of Justice</u>							
Circuit Court	206,394	(240)	75	206,229	194,063	207,762	1,533
General Sessions Court	106,677	0	0	106,677	108,696	108,696	2,019
Drug Court	0	0	0	0	1,500	1,500	1,500
Chancery Court	141,413	(495)	0	140,918	152,783	152,783	11,865

(Continued)

Exhibit C-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Administration of Justice (Cont.)</u>							
Juvenile Court	\$ 70,444	\$ 0	\$ 0	70,444	\$ 73,024	\$ 73,024	\$ 2,580
<u>Public Safety</u>							
Sheriff's Department	1,361,010	(11,350)	12,215	1,361,875	1,355,018	1,442,221	80,346
Correctional Incentive Program Improvements	1,999,842	(3,750)	7,110	2,003,202	2,100,075	2,100,075	96,873
Fire Prevention and Control	1,000	0	0	1,000	1,000	1,000	0
Civil Defense	51,817	(3,195)	1,800	50,422	69,353	69,353	18,931
Rescue Squad	122,382	(26,859)	24,526	120,049	111,900	130,081	10,032
Other Emergency Management	12,429	(3,668)	113,613	122,374	12,525	125,025	2,651
County Coroner/Medical Examiner	0	0	0	0	300	325	325
<u>Public Health and Welfare</u>							
Local Health Center	45,140	(4,800)	1,225	41,565	70,964	69,714	28,149
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	2,500	0	0	2,500	1,250	2,500	0
Other Local Health Services	88,139	0	0	88,139	99,466	99,466	11,327
Sanitation Education/Information	41,494	(3,288)	5,100	43,306	45,905	45,905	2,599
Other Waste Collection	1,368	0	3,654	5,022	0	9,200	4,178
Other Public Health and Welfare	61,400	(431)	0	60,969	78,982	78,982	18,013
<u>Social, Cultural, and Recreational Services</u>							
Senior Citizens Assistance	14,341	0	0	14,341	20,490	20,490	6,149
Libraries	43,515	(6,898)	35	36,652	46,206	51,513	14,861
Other Social, Cultural, and Recreational	38,683	(11,550)	0	27,133	0	27,483	350
<u>Agriculture and Natural Resources</u>							
Agriculture Extension Service	50,368	0	677	51,045	52,445	53,945	2,900
Soil Conservation	18,871	0	0	18,871	18,871	18,871	0
<u>Other Operations</u>							
Other Economic and Community Development	17,533	0	0	17,533	18,640	18,640	1,107
Airport	1,101	0	0	1,101	3,000	3,000	1,899

(Continued)

Exhibit C-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Other Operations (Cont.)</u>							
Veterans' Services	\$ 24,809	\$ 0	\$ 0	\$ 24,809	\$ 19,867	\$ 24,867	\$ 58
Other Charges	98,943	0	0	98,943	98,500	99,000	57
Contributions to Other Agencies	39,484	0	0	39,484	45,000	45,000	5,516
Total Expenditures	\$ 6,866,823	\$ (116,498)	\$ 181,966	\$ 6,932,291	\$ 7,014,627	\$ 7,416,063	\$ 483,772
<u>Excess (Deficiency) of Revenues</u>							
Over Expenditures	\$ 347,065	\$ 116,498	\$ (181,966)	\$ 281,597	\$ 92,284	\$ (69,140)	\$ 350,737
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 62,000	\$ 0	\$ 0	\$ 62,000	\$ 0	\$ 62,000	\$ 0
Total Other Financing Sources	\$ 62,000	\$ 0	\$ 0	\$ 62,000	\$ 0	\$ 62,000	\$ 0
Net Change in Fund Balance	\$ 409,065	\$ 116,498	\$ (181,966)	\$ 343,597	\$ 92,284	\$ (7,140)	\$ 350,737
Fund Balance, July 1, 2012	3,804,490	(116,498)	0	3,687,992	2,599,690	2,599,690	1,088,302
Fund Balance, June 30, 2013	\$ 4,213,555	\$ 0	\$ (181,966)	\$ 4,031,589	\$ 2,691,974	\$ 2,592,550	\$ 1,439,039

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

Exhibit C-6

Polk County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 385,805	\$ 261,000	\$ 261,000	\$ 124,805
State of Tennessee	1,584,184	1,562,220	1,562,220	21,964
Federal Government	101,506	92,500	101,450	56
Total Revenues	<u>\$ 2,071,495</u>	<u>\$ 1,915,720</u>	<u>\$ 1,924,670</u>	<u>\$ 146,825</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 150,267	\$ 174,317	\$ 186,291	\$ 36,024
Highway and Bridge Maintenance	583,283	814,122	722,539	139,256
Operation and Maintenance of Equipment	546,772	582,334	674,784	128,012
Other Charges	24,469	50,267	24,500	31
Employee Benefits	336,558	389,909	402,935	66,377
Capital Outlay	0	3,500	3,500	3,500
Total Expenditures	<u>\$ 1,641,349</u>	<u>\$ 2,014,449</u>	<u>\$ 2,014,549</u>	<u>\$ 373,200</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 430,146</u>	<u>\$ (98,729)</u>	<u>\$ (89,879)</u>	<u>\$ 520,025</u>
Net Change in Fund Balance	\$ 430,146	(98,729)	(89,879)	520,025
Fund Balance, July 1, 2012	<u>584,368</u>	<u>599,951</u>	<u>599,951</u>	<u>(15,583)</u>
Fund Balance, June 30, 2013	<u>\$ 1,014,514</u>	<u>\$ 501,222</u>	<u>\$ 510,072</u>	<u>\$ 504,442</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, 2013

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 1,228,213
Due from Other Governments	<u>64,454</u>
Total Assets	<u><u>\$ 1,292,667</u></u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 64,454
Due to Litigants, Heirs, and Others	<u>1,228,213</u>
Total Liabilities	<u><u>\$ 1,292,667</u></u>

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

POLK COUNTY, TENNESSEE
Index of Notes to Financial Statements

Note	Page(s)
I. Summary of Significant Accounting Policies	
A. Reporting Entity	30
B. Government-wide and Fund Financial Statements	31
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	32
D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance	
1. Deposits and Investments	34
2. Receivables and Payables	35
3. Capital Assets	36
4. Deferred Outflows/Inflows of Resources	37
5. Compensated Absences	37
6. Long-term Obligations	38
7. Net Position and Fund Balance	38
II. Reconciliation of Government-wide and Fund Financial Statements	
A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position	40
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	41
III. Stewardship, Compliance, and Accountability	
A. Budgetary Information	41
B. Cash Shortage - Current Year	42
C. Expenditures Exceeded Appropriations	43
IV. Detailed Notes on All Funds	
A. Deposits and Investments	43
B. Capital Assets	44
C. Interfund Receivables, Payables, and Transfers	46
D. Capital Lease	48
E. Long-term Obligations	49
F. On-Behalf Payments	52
V. Other Information	
A. Risk Management	53
B. Accounting Changes	53
C. Subsequent Event	55
D. Contingent Liabilities	55
E. Change in Administration	56
F. Joint Venture	56
G. Jointly Governed Organization	57
H. Retirement Commitments	57
I. Other Postemployment Benefits (OPEB)	60
J. Termination Benefits	62
K. Office of Central Accounting, Budgeting, and Purchasing	63
L. Purchasing Laws	63
VI. Other Notes - Discretely Presented Polk County Emergency Communications District	63

POLK COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

The Polk County School Department operates the public school system in the county, and the voters of Polk County elect its board. The School Department is fiscally dependent on the county because it may not issue debt and its budget and property tax levy are subject to the County Commission's approval. The School Department's taxes are levied under the taxing authority of the county and are included as part of the county's total tax levy.

The Polk County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Polk County, and the Polk County Commission appoints its governing body. The district is funded primarily through a service charge levied on telephone services. Before the issuance of most debt instruments, the district must obtain the County Commission's approval

The Polk County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the School Department are included in this report as listed in the table of contents. Complete financial statements of the Polk County Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

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

B. Government-wide and Fund Financial Statements

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

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

Polk County issues all debt for the discretely presented Polk County School Department. No debt issues were contributed by the county to the School Department during the year ended June 30, 2013.

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

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

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

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

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

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

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

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

Polk County reports the following major governmental funds:

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

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

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

Additionally, Polk County reports the following fund types:

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

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

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

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. The discretely presented School Department has one proprietary fund, an internal service fund used to account for the employees' dental insurance program. As previously noted, the employees' dental insurance plan was discontinued in October 2002, due to the increased cost of the plan. The balance of \$40,940 at June 30, 2013, is being maintained in the Self-Insurance Fund for future use. The primary revenue received by the fund is interest earned. There were no expenses for the fund during the year.

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

1. Deposits and Investments

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

State statutes authorize the government to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposit accounts at state and federal chartered banks and savings and loan associations; repurchase agreements; the State Treasurer's

Investment Pool; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes.

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

2. Receivables and Payables

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

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 5.86 percent of the total taxes levied.

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

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

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

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

3. Capital Assets

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

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

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

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

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

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

4. Deferred Outflows/Inflows of Resources

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

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

5. Compensated Absences

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

6. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Debt premiums and discounts are deferred and amortized over the life of the new debt using the straight-line method. Debt issuance costs are expensed in the period incurred. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the refunded debt or the life of the new debt issued, whichever is shorter.

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

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

7. Net Position and Fund Balance

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

statements, equity is classified as net position and may be displayed in three components:

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

On the government-wide Statement of Net Position (Exhibit A), the account Restricted for General Purposes for the primary government consists of various restrictions totaling \$559,665, with the primary restrictions being for: (1) alcohol and drug treatment (\$67,627); (2) computer systems for various offices (\$137,461); (3) courthouse and jail maintenance (\$138,990); (4) drug control (\$88,354); and courthouse security (\$120,428). For the discretely presented School Department, the account balance in Restricted for General Purposes totaling \$23,040 consists of a restriction for the Career Ladder Program.

As of June 30, 2013, Polk County had \$9,400,000 in outstanding debt for capital purposes for the discretely presented Polk County School Department. This debt is a liability of Polk County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Polk County has incurred a liability significantly decreasing its unrestricted net position with no corresponding increase in the county's capital assets.

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

In the fund financial statements, governmental funds report fund balance in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on

the specific purposes for which amounts in these funds can be spent. These classifications may consist of the following:

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

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

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

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

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Primary Government

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

Discretely Presented Polk County School Department

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

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

Primary Government

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

Discretely Presented Polk County School Department

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

In prior years, the budgetary statements for the General Fund and major special revenue funds were presented as required supplementary information in the financial statements of its external financial report. Effective for the year ended June 30, 2013, these budgetary statements are presented as part of the basic financial statements. This change in presentation was done to be consistent in the presentation of the information for both municipal and county governments in Tennessee.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the capital projects funds, which adopt project length budgets. All annual appropriations lapse at fiscal year end.

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

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

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

At June 30, 2013, Polk County and the Polk County School Department reported the following significant encumbrances:

Fund	Description	Amount
Primary Government:		
Major Fund:		
General	Various Safety Equipment and Supplies	\$ 159,265
Nonmajor Fund:		
Other Capital Projects	Patrol Car	24,177
School Department:		
Major Fund:		
General Purpose School	Education Supplies	8,525
"	Textbooks	13,000
"	Computers	9,456
Nonmajor Fund:		
School Federal Projects	Education Equipment	6,009

B. Cash Shortage – Current Year

On June 4, 2013, the Comptroller's Division of Investigations released a report of a cash shortage of \$2,702.28 in the Office of County Clerk. Details of this cash shortage are discussed in the Schedule of Findings and Questioned Costs section of this report.

C. Expenditures Exceeded Appropriations

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

Fund	Major Appropriation Category	Amount Overspent
Discretely Presented		
School Department:		
General Purpose School	Alternative Instruction Program	\$ 21,329
"	Attendance	5,083
"	Special Education Program	3,181
"	Regular Capital Outlay	11,186

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

Deposits

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

the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for the purposes of credit risk disclosure.

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

Investments

Legal Provisions. Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposit accounts at state and federal chartered banks and savings and loan associations; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state Comptroller's Office and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the fair value of the securities on the day of purchase. The county had no pooled or nonpooled investments as of June 30, 2013.

B. Capital Assets

Capital assets activity for the year ended June 30, 2013, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-12	Increases	Decreases	Balance 6-30-13
Capital Assets				
Not Depreciated:				
Construction in Progress	\$ 1,250,712	\$	\$ (1,191,079)	\$ 59,633
Total Capital Assets				
Not Depreciated	\$ 1,250,712	\$ 0	\$ (1,191,079)	\$ 59,633
Capital Assets Depreciated:				
Buildings and				
Improvements	\$ 11,017,680	\$ 1,243,892	\$ 0	\$ 12,261,572
Infrastructure	10,790,647	0	0	10,790,647
Other Capital Assets	3,641,120	48,482	0	3,689,602
Total Capital Assets				
Depreciated	\$ 25,449,447	\$ 1,292,374	\$ 0	\$ 26,741,821
Less Accumulated				
Depreciation For:				
Buildings and				
Improvements	\$ 2,474,064	\$ 238,279	\$ 0	\$ 2,712,343
Infrastructure	4,359,045	234,139	0	4,593,184
Other Capital Assets	2,709,271	145,458	0	2,854,729
Total Accumulated				
Depreciation	\$ 9,542,380	\$ 617,876	\$ 0	\$ 10,160,256
Total Capital Assets				
Depreciated, Net	\$ 15,907,067	\$ 674,498	\$ 0	\$ 16,581,565
Governmental Activities				
Capital Assets, Net	\$ 17,157,779	\$ 674,498	\$ (1,191,079)	\$ 16,641,198

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

Governmental Activities:

General Government	\$ 242,742
Finance	3,647
Public Safety	84,297
Highways	287,190
Total Depreciation Expense -	
Governmental Activities	\$ 617,876

Discretely Presented Polk County School Department

Governmental Activities:

	Balance 7-1-12	Increases	Decreases	Balance 6-30-13
Capital Assets				
Not Depreciated:				
Construction in Progress	\$ 1,500	\$	\$ 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	2,566,832	455,522	(143,450)	2,878,904
Total Capital Assets Depreciated	\$ 27,267,290	\$ 455,522	\$ (143,450)	\$ 27,579,362
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 9,279,126	\$ 478,197	\$ 0	\$ 9,757,323
Other Capital Assets	1,368,184	169,940	(124,381)	1,413,743
Total Accumulated Depreciation	\$ 10,647,310	\$ 648,137	\$ (124,381)	\$ 11,171,066
Total Capital Assets Depreciated, Net	\$ 16,619,980	\$ (192,615)	\$ (19,069)	\$ 16,408,296
Governmental Activities Capital Assets, Net	\$ 16,621,480	\$ (192,615)	\$ (19,069)	\$ 16,409,796

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

Governmental Activities:

Support Services	\$ 635,395
Operation of Non-Instructional Services	12,742
Total Depreciation Expense - Governmental Activities	<u>\$ 648,137</u>

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2013, was as follows:

Due to/from Other Funds:

Receivable Fund	Payable Fund	Amount
Primary Government:		
General	Nonmajor governmental	\$ 198,971
Nonmajor governmental	General	42,953
Discretely Presented School Department:		
Nonmajor governmental	General Purpose School	282

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

Due to/from Primary Government and Component Unit:

Receivable	Payable	Amount
Primary Government: Governmental Activities	Component Unit: School Department	\$ 397,680

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

Interfund Transfers:

Interfund transfers for the year ended June 30, 2013, consisted of the following amount:

Primary Government

Transfer Out	Transfer In General Fund
Nonmajor governmental fund	\$ 62,000

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

D. Capital Lease

On May 1, 2011, Polk County entered into a seven-year lease-purchase agreement for the School Department for school buses. The terms of the agreement require total lease payments of \$535,508 plus interest of 4.074 percent. Title to the buses transfers to the School Department at the end of the lease period. The General Purpose School Fund is making contributions for the lease payments to the primary government.

The assets acquired through the capital lease are as follows:

Asset	Governmental Activities
Machinery and Equipment	\$ 535,508
Less: Accumulated Depreciation	<u>(92,688)</u>
Total Book Value	<u><u>\$ 442,820</u></u>

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2013, were as follows:

Year Ending June 30	Governmental Funds
2014	\$ 89,816
2015	89,816
2016	89,816
2017	89,816
2018	<u>89,816</u>
Total Minimum Lease Payments	\$ 449,080
Less: Amount Representing Interest	<u>(51,400)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 397,680</u></u>

E. Long-term Obligations

Primary Government

General Obligation Bonds and Notes

Polk County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities for the primary government and the discretely presented School Department. In addition, general obligation bonds have been issued to refund other loans. Capital outlay notes are also issued to fund capital facilities and other capital outlay purchases, such as equipment.

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, 2013, will be retired from the General Debt Service Fund.

General obligation bonds and the capital lease outstanding as of June 30, 2013, for governmental activities are as follows:

Type	Interest Rate		Final Maturity	Original Amount of Issue	Balance 6-30-13
General Obligation Bonds -					
Refunding	4 to 5	%	4-30-07	\$ 22,100,000	\$ 16,490,000
Capital Lease	4.074		5-1-18	535,508	397,680

The annual requirements to amortize the bond outstanding as of June 30, 2013, including interest payments, are presented in the following table:

Year Ending June 30	Bonds		
	Principal	Interest	Total
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
2019-2023	7,280,000	1,874,000	9,154,000
2024-2025	3,415,000	258,250	3,673,250
Total	<u>\$ 16,490,000</u>	<u>\$ 5,481,950</u>	<u>\$ 21,971,950</u>

There is \$1,386,951 available in the General Debt Service Fund to service long-term debt. Debt per capita, including bonds and the capital lease totaled \$1,004, based on the 2010 federal census.

The School Department is currently servicing some of the debt issued on its behalf by the primary government as noted in the table below. This debt is reflected in the government-wide financial statements as Due to the Primary Government in the financial statements of the School Department and as Due from Component Units in the financial statements of the primary government. In the prior year, this debt was reflected as debt of the School Department; however, this debt has been reclassified as debt of the primary government because the primary government is legally obligated to repay the debt.

Description of Indebtedness	Outstanding 6-30-13
<u>Capital Lease</u>	
<u>Contributions from General Purpose School Fund</u>	
Buses	\$ 397,680

Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2013, was as follows:

Governmental Activities:

	<u>Bonds</u>	<u>Capital Lease</u>
Balance, July 1, 2012	\$ 17,520,000	\$ 0
Reclassification of School Debt	0	468,124
Reductions	<u>(1,030,000)</u>	<u>(70,444)</u>
Balance, June 30, 2013	<u>\$ 16,490,000</u>	<u>\$ 397,680</u>
Balance Due Within One Year	<u>\$ 1,070,000</u>	<u>\$ 73,314</u>

	<u>Notes</u>	<u>Compensated Absences</u>
Balance, July 1, 2012	\$ 0	\$ 76,489
Additions	425,000	81,579
Reductions	<u>(425,000)</u>	<u>(67,473)</u>
Balance, June 30, 2013	<u>\$ 0</u>	<u>\$ 90,595</u>
Balance Due Within One Year	<u>\$ 0</u>	<u>\$ 90,595</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2013	\$ 16,948,275
Less: Balance Due Within One Year	<u>(1,233,909)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 15,714,366</u>

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

Discretely Presented Polk County School Department

Changes in Long-term Obligations

Long-term obligations activity for the discretely presented Polk County School Department for the year ended June 30, 2013, was as follows:

Governmental Activities:

	<u>Capital Lease</u>
Balance, July 1, 2012	\$ 468,124
Reclassification of School Debt	<u>(468,124)</u>
Balance, June 30, 2013	<u><u>\$ 0</u></u>

	<u>Compensated Absences</u>	<u>Other Postemployment Benefits</u>
Balance, July 1, 2012	\$ 22,477	\$ 2,115,370
Additions	0	1,232,798
Reductions	<u>(22,477)</u>	<u>(190,559)</u>
Balance, June 30, 2013	<u><u>\$ 0</u></u>	<u><u>\$ 3,157,609</u></u>
Balance Due Within One Year	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2013	\$ 3,157,609
Less: Balance Due Within One Year	<u>0</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u><u>\$ 3,157,609</u></u>

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

F. On-Behalf Payments

Discretely Presented Polk County School Department

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Polk County School Department. These payments are made

by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2013, were \$64,935 and \$27,943, 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 \$40,940 at June 30, 2013, is being maintained in the Self-Insurance Fund for future use.

B. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; Statement No. 61, *The Financial Reporting Entity: Omnibus*

(an amendment of GASB Statements No. 14 and No. 34); Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position* became effective for the year ended June 30, 2013. Polk County early implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities* and Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*, which have an effective date of June 30, 2014.

GASB Statement No. 60 provides accounting and financial reporting guidance related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The standard establishes criteria for determining whether a SCA exists, how to account for SCAs, and requires certain disclosures associated with a SCA.

GASB Statement No. 61 amends Statements No. 14 and No. 34 and modifies certain requirements for inclusion of component units in the financial reporting entity to ensure that the reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. Statement No. 61 also clarifies the criteria for blending component units and presenting business-type component units.

GASB Statement No. 62 incorporates into GASB's literature the provisions in Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' Committee on Accounting Procedure issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements. The option to use subsequent FASB guidance has been removed.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources that were introduced and defined by Concepts Statement No. 4, *Elements of Financial Statements*. Previous financial reporting standards did not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. In addition, the previous Statement of Net Assets was renamed to a Statement of Financial Position.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassifies, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

GASB Statement No. 66 resolves conflicting guidance by removing the provision that limits fund based reporting of an entity's risk financing activities to the General Fund and the internal service fund type. Under

Statement No. 66 decisions about fund type classifications are based on the nature of the activity to be reported as required by Statements No. 54 and No. 34. This statement also modifies guidance on operating lease payments, purchased loans, and servicing fees related to mortgage loans.

C. Subsequent Event

On May 23, 2013, Polk County approved the formation of an Audit Committee. This committee was selected on August 15, 2013.

D. 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. Subsequently, the Tennessee 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, and any unclaimed funds were to be treated as abandoned property and paid to the state Treasurer pursuant to Section 66-29-110, *Tennessee Code Annotated*, with refund to the county if unclaimed after 18 months. The potential exposure to Polk County for refund is \$875,782. In the opinion of the attorney representing the county, since no taxpayer has come forth since November 2008 to seek any refunds from Polk County, all persons are now barred from seeking refunds, and it appears that all matters have been resolved by Polk County and the whitewater rafting operators with the passage of a new amusement 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, 2013, was \$65,000 with interest at 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, 2013, was \$75,000 with interest ranging from 5.25 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.

E. Change in Administration

On August 31, 2012, Harold Hood left the Office of Highway Superintendent and was succeeded by Roy Gene Thomason.

F. Joint Venture

The Tenth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Tenth Judicial District and participating municipalities in the district. The Tenth Judicial District includes Bradley, McMinn, Monroe, and Polk counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a Board of Directors that includes the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within the judicial district. Polk County did not contribute to the DTF for the year ended June 30, 2013, and does not have any equity interest in this joint venture. Complete financial statements for the DTF can be obtained from its administrative office at the following address:

Administrative Office:

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

G. Jointly Governed 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 nor pays any expenses; therefore it has no financial statements.

H. Retirement Commitments

Plan Description

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

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

Funding Policy

Polk County requires employees to contribute five percent of their earnable compensation to the plan. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2013, was 7.78 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the county is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2013, Polk County’s annual pension cost of \$359,561 to TCRS was equal to the county’s required and actual contributions. The required contribution was determined as part of the July 1, 2011, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected three percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected postretirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. The county’s unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011, was two years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6-30-13	\$359,561	100%	\$0
6-30-12	365,325	100	0
6-30-11	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, 2013, was 8.88 percent of annual covered payroll. The employer contribution requirement for the School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2013, 2012, and 2011, were \$859,308, \$869,289, and \$869,172, respectively, equal to the required contributions for each year.

I. Other Postemployment Benefits (OPEB)

The Polk County School Department participates in the state-administered Local Education Group Insurance Plan and Medicare Supplement Plan for healthcare benefits. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plan. Benefits are established and amended by an insurance committee created by Section 8-27-302, *Tennessee Code Annotated (TCA)*, for local education employees, and Section 8-27-701, *TCA*, for the Medicare Supplement. Prior to reaching the age of 65, all members have the option of choosing between the standard or partnership preferred provider organization (PPO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare Supplement Plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tn.gov/finance/act/cafr.html>.

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The 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 \$282 to \$1,088 per month for their insurance. During the year, expenditures totaling \$190,559 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	\$ 826,000	\$ 412,000
Interest on the NOPEBO	61,575	23,040
Adjustment to the ARC	(65,360)	(24,457)
Annual OPEB cost	\$ 822,215	\$ 410,583
Amount of contribution	(190,559)	0
Increase/decrease in NOPEBO	\$ 631,656	\$ 410,583
Net OPEB obligation, 7-1-12	1,539,370	576,000
Net OPEB obligation, 6-30-13	\$ 2,171,026	\$ 986,583

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-11	Local Education Group	\$ 416,651	56.74%	\$ 875,134
6-30-12	"	870,847	23.73	1,539,370
6-30-13	"	822,215	23.18	2,171,026
6-30-12*	Schools - Medicare Supplement	576,000	0	576,000
6-30-13*		410,583	0	986,583

* - Data only available for two years.

Funded Status and Funding Progress

The funded status of the plans 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 8.75 percent for fiscal year 2013. The trend rate will decrease to 8.25 percent in fiscal year 2014 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 6.25 percent for fiscal year 2013. The trend will decrease to six percent in fiscal year 2014 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 July 1, 2007.

J. Termination Benefits

The Polk County School Department offers retiring employees that have 25 years or more of service in the Polk County school system a lump-sum payment equal to \$200 for each year of service in the Polk County school system or provides a portion of the employee's health care insurance until the employee reaches Medicare age. During the period, one retiring employee opted for the lump-sum payment. Expenditures totaling \$5,800 were recognized for lump-sum payments in-lieu-of postemployment health care.

K. Office of Central Accounting, Budgeting, and Purchasing

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

L. Purchasing Laws

Office of County Executive

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

Office of Highway Superintendent

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

Office of Director of Schools

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

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

A. General Information

Public Chapter No. 867 of the 1984 Tennessee Public Acts ("The Emergency Communications District Law") was enacted to establish local emergency telephone services; to provide for the funding of such services and such district; and to provide for the levying of a telephone service charge.

B. Summary of Significant Accounting Policies

Basis of Accounting

The district is a governmental unit, subject to accounting directives issued by the Governmental Accounting Standards Board (GASB), and anticipates recovering the cost of its services in a manner similar to a private business enterprise. Therefore the district uses the flow of economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Operating revenues are those that result from the activities of the district, including telephone service charges, expense reimbursements, and grants for operations. Revenue from other sources is considered non-operating.

Cash and Cash Equivalents

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

Use of Estimates

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

Capital Assets

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

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

Component Unit

The Polk County “911” Emergency Communications District is a component of Polk County, Tennessee. As such, Polk County exercises significant influence over the district by having control over the appointment of the district’s board. The district must file a budget with Polk County, and any bonds issued by the district are subject to approval by Polk County, Tennessee.

Budgets and Budgetary Accounting

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

C. Cash on Deposit

The treasurer of the district is responsible for receiving, disbursing, depositing and investing the district’s funds. The district’s policy related to deposits and investment risk is to invest in certificates of deposit usually with a maturity of three years or less. The district’s policy is designed to maximize its earnings, while protecting the security and providing maximum liquidity, in accordance with all applicable state laws. All deposits with a bank or other financial institution shall be secured by collateral or in a collateral pool as allowed by state statutes. As of June 30, 2013, all deposits with financial institutions were secured by collateral. A schedule of cash and investments classified by category of credit risk at June 30, 2013, is as follows:

	Carrying Amount	Bank Balance
Cash, insured by Federal Depository Insurance (FDIC)	\$ 201,707	\$ 206,893
Certificates of Deposit, insured by Federal Depository Insurance (FDIC)	48,293	43,107
Certificates of Deposit, insured by Pledged Collateral	150,878	156,064
Total	<u>\$ 400,878</u>	<u>\$ 406,064</u>

D. Accounts Receivable

The accounts receivable balance represents amounts due from telephone companies subscriber service charges at June 30, 2013.

E. Capital Assets

The following is a schedule of changes to capital assets:

	Balance 7-1-12	Additions	Balance 6-30-13	Accumulated Depreciation 6-30-13
Communications Equipment	\$ 492,673	\$ 251,641	\$ 744,314	\$ 423,555
Furniture and Fixtures	17,160	0	17,160	9,020
Office Equipment	12,063	1,175	13,238	9,187
Leasehold Improvement	137,701	3,098	140,799	19,337
Vehicles	0	88,459	88,459	4,718
Total	<u>\$ 659,597</u>	<u>\$ 344,373</u>	<u>\$ 1,003,970</u>	<u>\$ 465,817</u>

Provision for depreciation totaled \$57,687 for the year ended June 30, 2013.

F. Risk Management – Claims and Insurance

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

G. Lease Commitments

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

H. Subsequent Events

Subsequent events were evaluated through January 27, 2013.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit E-1

Polk County, Tennessee
Schedule of Funding Progress – Pension Plan
Primary Government and Discretely Presented Polk County School Department
June 30, 2013

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Liability (AAL) Frozen Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7-1-11	\$ 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-2

Polk County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plan
Discretely Presented Polk County School Department
June 30, 2013

(Dollar amounts in thousands)

Plans	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (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, 2013

BUDGETARY INFORMATION

In prior years, the budgetary statements for the General Fund and major special revenue funds were presented as required supplementary information in the financial statements of its external financial report. Effective for the year ended June 30, 2013, these budgetary statements are presented as part of the basic financial statements. This change in presentation was done to be consistent in the presentation of the information for both municipal and county governments in Tennessee.

**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.

Solid Waste/Sanitation Fund – The Solid Waste/Sanitation Fund is used to account for Polk County’s solid waste disposal.

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

Capital Projects Funds

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.

Education Capital Projects Fund – The Education Capital Projects Fund is used to account for debt issued by Polk County that is subsequently contributed to the discretely presented Polk County School Department for purchase of buses.

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, 2013

	Special Revenue Funds		Capital Projects Funds			Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Total	Community Development/ Industrial Park	Other Capital Projects	
ASSETS						
Equity in Pooled Cash and Investments	\$ 198,971	\$ 67,188	\$ 266,159	\$ 91,523	\$ 51,546	\$ 409,228
Due from Other Funds	42,953	0	42,953	0	0	42,953
Property Taxes Receivable	360,000	0	360,000	0	0	360,000
Allowance for Uncollectible Property Taxes	(39,600)	0	(39,600)	0	0	(39,600)
Total Assets	\$ 562,324	\$ 67,188	\$ 629,512	\$ 91,523	\$ 51,546	\$ 772,581
LIABILITIES						
Accounts Payable	\$ 42,953	0	\$ 42,953	0	0	\$ 42,953
Due to Other Funds	198,971	0	198,971	0	0	198,971
Total Liabilities	\$ 241,924	0	\$ 241,924	0	0	\$ 241,924
DEFERRED INFLOWS OF RESOURCES						
Deferred Current Property Taxes	\$ 320,400	0	\$ 320,400	0	0	\$ 320,400
Total Deferred Inflows of Resources	\$ 320,400	0	\$ 320,400	0	0	\$ 320,400
FUND BALANCES						
Restricted:	\$ 0	\$ 67,188	\$ 67,188	0	0	\$ 67,188
Committed:						
Committed for Public Safety	0	0	0	91,523	0	91,523
Committed for Other Operations	0	0	0	0	27,369	27,369
Committed for Capital Outlay	0	0	0	0	24,177	24,177
Assigned:						
Assigned for Capital Outlay	0	67,188	67,188	91,523	51,546	143,069
Total Fund Balances	\$ 0	\$ 67,188	\$ 67,188	\$ 91,523	\$ 51,546	\$ 210,257
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 562,324	\$ 67,188	\$ 629,512	\$ 91,523	\$ 51,546	\$ 772,581

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, 2013

	Special Revenue Funds			Capital Projects Funds					Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Total	Community Development/ Industrial Park	HUD Grant Projects	Education Capital Projects	Other Capital Projects	Total	
Revenues									
Local Taxes	\$ 526,888	\$ 0	\$ 526,888	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 526,888
Fines, Forfeitures, and Penalties	0	53,525	53,525	0	0	0	0	0	53,525
Changes for Current Services	0	0	0	0	0	0	25,990	25,990	25,990
Federal Government	0	0	0	0	201,885	0	0	201,885	201,885
Other Governments and Citizens Groups	0	0	0	0	0	0	32,200	32,200	32,200
Total Revenues	\$ 526,888	\$ 53,525	\$ 580,413	\$ 0	\$ 201,885	\$ 0	\$ 58,190	\$ 260,075	\$ 840,488
Expenditures									
Current:									
General Government	\$ 0	\$ 0	\$ 0	\$ 0	\$ 201,885	\$ 0	\$ 0	\$ 201,885	\$ 201,885
Public Safety	0	5,000	5,000	0	0	0	40,627	40,627	45,627
Public Health and Welfare	526,888	0	526,888	0	0	0	0	0	526,888
Other Operations	0	539	539	0	0	0	582	582	1,121
Capital Projects - Donated	0	0	0	0	0	425,000	0	425,000	425,000
Total Expenditures	\$ 526,888	\$ 5,539	\$ 532,427	\$ 0	\$ 201,885	\$ 425,000	\$ 41,209	\$ 668,094	\$ 1,200,521
Excess (Deficiency) of Revenues Over Expenditures	\$ 0	\$ 47,986	\$ 47,986	\$ 0	\$ 0	\$ (425,000)	\$ 16,981	\$ (408,019)	\$ (360,033)
Other Financing Sources (Uses)									
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 425,000	\$ 0	\$ 425,000	\$ 425,000
Transfers Out	0	(62,000)	(62,000)	0	0	0	0	0	(62,000)
Total Other Financing Sources (Uses)	\$ 0	\$ (62,000)	\$ (62,000)	\$ 0	\$ 0	\$ 425,000	\$ 0	\$ 425,000	\$ 363,000
Net Change in Fund Balances	\$ 0	\$ (14,014)	\$ (14,014)	\$ 0	\$ 0	\$ 0	\$ 16,981	\$ 16,981	\$ 2,967
Fund Balance, July 1, 2012	0	81,202	81,202	91,523	0	0	34,565	126,088	207,290
Fund Balance, June 30, 2013	\$ 0	\$ 67,188	\$ 67,188	\$ 91,523	\$ 0	\$ 0	\$ 51,546	\$ 143,069	\$ 210,257

Exhibit F-3

Polk County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 526,888	\$ 515,436	\$ 527,436	\$ (548)
Total Revenues	\$ 526,888	\$ 515,436	\$ 527,436	\$ (548)
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Management	\$ 526,888	\$ 515,436	\$ 527,436	\$ 548
Total Expenditures	\$ 526,888	\$ 515,436	\$ 527,436	\$ 548
Excess (Deficiency) of Revenues Over Expenditures	\$ 0	\$ 0	\$ 0	\$ 0
Net Change in Fund Balance	\$ 0	\$ 0	\$ 0	\$ 0
Fund Balance, July 1, 2012	0	0	0	0
Fund Balance, June 30, 2013	\$ 0	\$ 0	\$ 0	\$ 0

Exhibit F-4

Polk County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 53,525	\$ 47,000	\$ 47,000	\$ 6,525
State of Tennessee	0	800	800	(800)
Total Revenues	<u>\$ 53,525</u>	<u>\$ 47,800</u>	<u>\$ 47,800</u>	<u>\$ 5,725</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 5,000	\$ 85,000	\$ 23,000	\$ 18,000
<u>Other Operations</u>				
Other Charges	539	1,000	1,000	461
Total Expenditures	<u>\$ 5,539</u>	<u>\$ 86,000</u>	<u>\$ 24,000</u>	<u>\$ 18,461</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 47,986</u>	<u>\$ (38,200)</u>	<u>\$ 23,800</u>	<u>\$ 24,186</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (62,000)	0	(62,000)	0
Total Other Financing Sources	<u>\$ (62,000)</u>	<u>0</u>	<u>(62,000)</u>	<u>0</u>
Net Change in Fund Balance	\$ (14,014)	\$ (38,200)	\$ (38,200)	\$ 24,186
Fund Balance, July 1, 2012	81,202	109,986	109,986	(28,784)
Fund Balance, June 30, 2013	<u>\$ 67,188</u>	<u>\$ 71,786</u>	<u>\$ 71,786</u>	<u>\$ (4,598)</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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,206,461	\$ 1,205,608	\$ 1,205,608	\$ 853
Other Local Revenues	15,683	20,000	20,000	(4,317)
State of Tennessee	124,565	125,000	125,000	(435)
Other Governments and Citizens Groups	739,515	650,000	739,515	0
Total Revenues	<u>\$ 2,086,224</u>	<u>\$ 2,000,608</u>	<u>\$ 2,090,123</u>	<u>\$ (3,899)</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 380,000	\$ 380,000	\$ 380,000	\$ 0
Education	1,145,444	706,980	1,145,444	0
<u>Interest on Debt</u>				
General Government	296,925	296,925	296,925	0
Education	531,693	536,971	536,971	5,278
<u>Other Debt Service</u>				
General Government	25,356	30,000	30,000	4,644
Total Expenditures	<u>\$ 2,379,418</u>	<u>\$ 1,950,876</u>	<u>\$ 2,389,340</u>	<u>\$ 9,922</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (293,194)</u>	<u>\$ 49,732</u>	<u>\$ (299,217)</u>	<u>\$ 6,023</u>
Net Change in Fund Balance	\$ (293,194)	\$ 49,732	\$ (299,217)	\$ 6,023
Fund Balance, July 1, 2012	1,680,145	1,582,152	1,582,152	97,993
Fund Balance, June 30, 2013	<u>\$ 1,386,951</u>	<u>\$ 1,631,884</u>	<u>\$ 1,282,935</u>	<u>\$ 104,016</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, 2013

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 1,228,213	\$ 1,228,213
Due from Other Governments	64,454	0	64,454
Total Assets	<u>\$ 64,454</u>	<u>\$ 1,228,213</u>	<u>\$ 1,292,667</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 64,454	\$ 0	\$ 64,454
Due to Litigants, Heirs, and Others	0	1,228,213	1,228,213
Total Liabilities	<u>\$ 64,454</u>	<u>\$ 1,228,213</u>	<u>\$ 1,292,667</u>

Exhibit H-2

Polk County, Tennessee
Combining Statement of Changes in Assets and Liabilities - All Agency Funds
For the Year Ended June 30, 2013

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 437,526	\$ 437,526	\$ 0
Due from Other Governments	72,135	64,454	72,135	64,454
Total Assets	\$ 72,135	\$ 501,980	\$ 509,661	\$ 64,454
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 72,135	\$ 501,980	\$ 509,661	\$ 64,454
Total Liabilities	\$ 72,135	\$ 501,980	\$ 509,661	\$ 64,454
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 1,463,355	\$ 4,707,372	\$ 4,942,514	\$ 1,228,213
Total Assets	\$ 1,463,355	\$ 4,707,372	\$ 4,942,514	\$ 1,228,213
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 1,463,355	\$ 4,707,372	\$ 4,942,514	\$ 1,228,213
Total Liabilities	\$ 1,463,355	\$ 4,707,372	\$ 4,942,514	\$ 1,228,213
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 1,463,355	\$ 4,707,372	\$ 4,942,514	\$ 1,228,213
Equity in Pooled Cash and Investments	0	437,526	437,526	0
Due from Other Governments	72,135	64,454	72,135	64,454
Total Assets	\$ 1,535,490	\$ 5,209,352	\$ 5,452,175	\$ 1,292,667
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 72,135	\$ 501,980	\$ 509,661	\$ 64,454
Due to Litigants, Heirs, and Others	1,463,355	4,707,372	4,942,514	1,228,213
Total Liabilities	\$ 1,535,490	\$ 5,209,352	\$ 5,452,175	\$ 1,292,667

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, 2013

Functions/Programs	Program Revenues			Expenses	Net (Expense) Revenue and Changes in Net Position	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Total Governmental Activities	
Governmental Activities:						
Instruction	\$ 13,035,708	\$ 248	\$ 1,109,111	\$ 0	\$ (11,926,349)	
Support Services	7,429,920	874	181,643	425,000	(6,822,403)	
Operation of Non-Instructional Services	2,115,868	352,027	1,775,604	0	11,763	
Other Debt Service	650,000	0	0	0	(650,000)	
Total Governmental Activities	\$ 23,231,496	\$ 353,149	\$ 3,066,358	\$ 425,000	\$ (19,386,989)	
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes					\$ 2,317,841	
Local Option Sales Taxes					1,509,799	
Business Tax					23,488	
Other Local Taxes					2,680	
Grants and Contributions Not Restricted to Specific Programs					14,469,019	
Unrestricted Investment Earnings					85	
Miscellaneous					98,184	
Total General Revenues					\$ 18,421,096	
Change in Net Position					\$ (965,893)	
Net Position, July 1, 2012					16,691,610	
Net Position, June 30, 2013					\$ 15,725,717	

Exhibit I-2

Polk County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Polk County School Department
June 30, 2013

	Major Funds		Nonmajor	Total
	General Purpose School	Central Cafeteria	Funds	
			Other Governmental Funds	
				Governmental Funds
<u>ASSETS</u>				
Cash	\$ 0	\$ 33,448	\$ 0	\$ 33,448
Equity in Pooled Cash and Investments	1,557,166	579,070	49,998	2,186,234
Accounts Receivable	1,350	0	0	1,350
Due from Other Governments	658,011	86,200	123,176	867,387
Due from Other Funds	0	0	282	282
Property Taxes Receivable	2,522,121	0	0	2,522,121
Allowance for Uncollectible Property Taxes	(270,174)	0	0	(270,174)
Total Assets	\$ 4,468,474	\$ 698,718	\$ 173,456	\$ 5,340,648
<u>LIABILITIES</u>				
Accounts Payable	\$ 57,658	\$ 0	\$ 0	\$ 57,658
Accrued Payroll	19,254	0	0	19,254
Payroll Deductions Payable	270,794	0	25,280	296,074
Due to Other Funds	282	0	0	282
Total Liabilities	\$ 347,988	\$ 0	\$ 25,280	\$ 373,268
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Current Property Taxes	\$ 2,137,110	\$ 0	\$ 0	\$ 2,137,110
Deferred Delinquent Property Taxes	102,358	0	0	102,358
Other Deferred/Unavailable Revenue	168,704	0	0	168,704
Total Deferred Inflows of Resources	\$ 2,408,172	\$ 0	\$ 0	\$ 2,408,172
<u>FUND BALANCES</u>				
Restricted:				
Restricted for Education	\$ 23,040	\$ 698,718	\$ 42,167	\$ 763,925
Committed:				
Committed for Education	0	0	100,000	100,000
Assigned:				
Assigned for Education	33,981	0	6,009	39,990
Unassigned	1,655,293	0	0	1,655,293
Total Fund Balances	\$ 1,712,314	\$ 698,718	\$ 148,176	\$ 2,559,208
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 4,468,474	\$ 698,718	\$ 173,456	\$ 5,340,648

Exhibit I-3

Polk County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
Discretely Presented Polk County School Department
June 30, 2013

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

Total fund balances - balance sheet - governmental funds (Exhibit I-2)		\$ 2,559,208
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 1,500	
Add: buildings and improvements net of accumulated depreciation	14,943,135	
Add: other capital assets net of accumulated depreciation	<u>1,465,161</u>	16,409,796
(2) Internal service funds are used by management to charge the cost of employee self-insurance benefits to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		40,940
(3) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: principal on capital leases to be contributed on primary government debt	\$ (397,680)	
Less: other postemployment benefits liability	<u>(3,157,609)</u>	(3,555,289)
(4) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>271,062</u>
Net position of governmental activities (Exhibit A)		<u>\$ 15,725,717</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, 2013

	Major Funds		Nonmajor	Total
	General	Central	Funds	
			Other	
Purpose	Cafeteria	Govern-	Governmental	
	School		Funds	Funds
<u>Revenues</u>				
Local Taxes	\$ 3,958,550	\$ 0	\$ 0	\$ 3,958,550
Licenses and Permits	1,387	0	0	1,387
Fines, Forfeitures, and Penalties	338	0	0	338
Charges for Current Services	0	337,716	0	337,716
Other Local Revenues	552,212	861	0	553,073
State of Tennessee	14,244,870	14,717	0	14,259,587
Federal Government	324,913	1,083,217	1,744,916	3,153,046
Total Revenues	\$ 19,082,270	\$ 1,436,511	\$ 1,744,916	\$ 22,263,697
<u>Expenditures</u>				
Current:				
Instruction	\$ 10,776,423	\$ 0	\$ 1,116,214	\$ 11,892,637
Support Services	6,678,661	0	643,519	7,322,180
Operation of Non-Instructional Services	634,947	1,467,036	0	2,101,983
Capital Outlay	112,613	0	0	112,613
Debt Service:				
Other Debt Service	650,000	0	0	650,000
Total Expenditures	\$ 18,852,644	\$ 1,467,036	\$ 1,759,733	\$ 22,079,413
Excess (Deficiency) of Revenues				
Over Expenditures	\$ 229,626	\$ (30,525)	\$ (14,817)	\$ 184,284
Net Change in Fund Balances	\$ 229,626	\$ (30,525)	\$ (14,817)	\$ 184,284
Fund Balance, July 1, 2012	1,482,688	729,243	162,993	2,374,924
Fund Balance, June 30, 2013	\$ 1,712,314	\$ 698,718	\$ 148,176	\$ 2,559,208

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, 2013

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)		\$ 184,284
(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	\$ 455,522	
Less: current-year depreciation expense	<u>(648,137)</u>	(192,615)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position		
Less: loss on disposal of capital assets		(19,069)
(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, 2013	\$ 271,062	
Less: deferred delinquent property taxes and other deferred June 30, 2012	<u>(263,447)</u>	7,615
(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 position. This amount is the effect of these differences in the treatment of long-term debt and related items:		
Add: principal contributions on capital leases for primary government		70,444
(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	\$ 22,477	
Change in other postemployment benefits liability	(1,042,239)	
Change in accrued interest payable	<u>3,179</u>	(1,016,583)
(6) Internal service funds are used by management to charge the cost of employee self-insurance benefits to individual funds. The net revenue of certain activities of the internal service fund is reported with governmental activities in the statement of activities.		<u>31</u>
Change in net position of governmental activities (Exhibit B)		<u>\$ (965,893)</u>

Polk County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Polk County School Department
June 30, 2013

	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>School Federal Projects</u>	<u>Education Capital Projects</u>	
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 23,734	\$ 26,264	\$ 49,998
Due from Other Governments	123,176	0	123,176
Due from Other Funds	282	0	282
Total Assets	<u>\$ 147,192</u>	<u>\$ 26,264</u>	<u>\$ 173,456</u>
<u>LIABILITIES</u>			
Payroll Deductions Payable	\$ 25,280	\$ 0	\$ 25,280
Total Liabilities	<u>\$ 25,280</u>	<u>\$ 0</u>	<u>\$ 25,280</u>
<u>FUND BALANCES</u>			
Restricted:			
Restricted for Education	\$ 15,903	\$ 26,264	\$ 42,167
Committed:			
Committed for Education	100,000	0	100,000
Assigned:			
Assigned for Education	6,009	0	6,009
Total Fund Balances	<u>\$ 121,912</u>	<u>\$ 26,264</u>	<u>\$ 148,176</u>
Total Liabilities and Fund Balances	<u>\$ 147,192</u>	<u>\$ 26,264</u>	<u>\$ 173,456</u>

Exhibit I-7

Polk County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Nonmajor Governmental Funds
Discretely Presented Polk County School Department
For the Year Ended June 30, 2013

	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	School Federal Projects	Education Capital Projects	
<hr/>			
<u>Revenues</u>			
Federal Government	\$ 1,744,916	\$ 0	\$ 1,744,916
Total Revenues	<u>\$ 1,744,916</u>	<u>\$ 0</u>	<u>\$ 1,744,916</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 1,116,214	\$ 0	\$ 1,116,214
Support Services	643,519	0	643,519
Total Expenditures	<u>\$ 1,759,733</u>	<u>\$ 0</u>	<u>\$ 1,759,733</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (14,817)</u>	<u>\$ 0</u>	<u>\$ (14,817)</u>
Net Change in Fund Balances	\$ (14,817)	\$ 0	\$ (14,817)
Fund Balance, July 1, 2012	136,729	26,264	162,993
<hr/>			
Fund Balance, June 30, 2013	<u>\$ 121,912</u>	<u>\$ 26,264</u>	<u>\$ 148,176</u>

Exhibit I-8

Polk County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Polk County School Department
General Purpose School Fund
For the Year Ended June 30, 2013

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Revenues							
Local Taxes	\$ 3,958,550	\$ 0	\$ 0	\$ 3,958,550	\$ 3,970,589	\$ 3,970,589	\$ (12,039)
Licenses and Permits	1,387	0	0	1,387	1,500	1,500	(113)
Fines, Forfeitures, and Penalties	338	0	0	338	200	200	138
Charges for Current Services	0	0	0	0	500	500	(500)
Other Local Revenues	552,212	0	0	552,212	202,020	556,547	(4,335)
State of Tennessee	14,244,870	0	0	14,244,870	13,370,800	14,222,957	21,913
Federal Government	324,913	0	0	324,913	277,000	463,422	(138,509)
Total Revenues	\$ 19,082,270	\$ 0	\$ 0	\$ 19,082,270	\$ 17,822,609	\$ 19,215,715	\$ (133,445)
Expenditures							
<u>Instruction</u>							
Regular Instruction Program	\$ 8,909,900	\$ 0	\$ 13,000	\$ 8,922,900	\$ 9,059,390	\$ 9,061,490	\$ 138,590
Alternative Instruction Program	130,219	0	0	130,219	107,890	108,890	(21,329)
Special Education Program	883,746	0	0	883,746	892,811	896,811	13,065
Vocational Education Program	776,233	0	0	776,233	780,856	780,856	4,623
Student Body Education Program	54,004	0	0	54,004	56,000	56,000	1,996
Adult Education Program	22,321	0	0	22,321	0	22,352	31
<u>Support Services</u>							
Attendance	66,369	0	0	66,369	61,286	61,286	(5,083)
Health Services	85,572	0	0	85,572	87,848	87,848	2,276
Other Student Support	895,303	(7,283)	8,525	896,545	550,054	911,466	14,921
Regular Instruction Program	332,086	0	0	332,086	342,723	344,223	12,137
Special Education Program	222,778	0	0	222,778	219,597	219,597	(3,181)
Vocational Education Program	47,692	0	0	47,692	47,084	49,084	1,392
Adult Programs	57,088	(4,616)	0	52,472	0	54,821	2,349
Other Programs	92,878	0	0	92,878	0	92,878	0
Board of Education	393,250	(153)	0	393,097	447,791	445,591	52,494
Director of Schools	282,558	0	0	282,558	313,667	308,267	25,709

(Continued)

Exhibit I-8

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Office of the Principal	\$ 1,154,911	\$ 0	\$ 0	\$ 1,154,911	\$ 1,181,291	\$ 1,186,291	\$ 31,380
Fiscal Services	134,478	0	0	134,478	138,937	138,937	4,459
Operation of Plant	1,409,304	(800)	3,000	1,411,504	1,545,890	1,552,002	140,498
Maintenance of Plant	137,080	0	0	137,080	139,538	142,538	5,458
Transportation	1,367,314	(3,542)	0	1,363,772	1,064,867	1,398,283	34,511
<u>Operation of Non-Instructional Services</u>							
Food Service	46,153	0	0	46,153	47,760	47,760	1,607
Community Services	1,557	0	0	1,557	0	2,000	443
Early Childhood Education	587,237	(5,157)	9,456	591,536	87,329	597,196	5,660
<u>Capital Outlay</u>							
Regular Capital Outlay	112,613	(1,427)	0	111,186	0	100,000	(11,186)
<u>Other Debt Service</u>							
Education	650,000	0	0	650,000	650,000	650,000	0
Total Expenditures	\$ 18,852,644	\$ (22,978)	\$ 33,981	\$ 18,863,647	\$ 17,822,609	\$ 19,316,467	\$ 452,820
<u>Excess (Deficiency) of Revenues</u>							
Over Expenditures	\$ 229,626	\$ 22,978	\$ (33,981)	\$ 218,623	\$ 0	\$ (100,752)	\$ 319,375
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 100,000	\$ (100,000)
Total Other Financing Sources	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 100,000	\$ (100,000)
Net Change in Fund Balance	\$ 229,626	\$ 22,978	\$ (33,981)	\$ 218,623	\$ 0	\$ (752)	\$ 219,375
Fund Balance, July 1, 2012	1,482,688	(22,978)	0	1,459,710	1,540,489	1,540,489	(80,779)
Fund Balance, June 30, 2013	\$ 1,712,314	\$ 0	\$ (33,981)	\$ 1,678,333	\$ 1,540,489	\$ 1,539,737	\$ 138,596

Exhibit I-9

Polk County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Polk County School Department
School Federal Projects Fund
For the Year Ended June 30, 2013

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Revenues							
Federal Government	\$ 1,744,916	\$ 0	\$ 0	\$ 1,744,916	\$ 1,938,100	\$ 1,939,981	\$ (195,065)
Total Revenues	\$ 1,744,916	\$ 0	\$ 0	\$ 1,744,916	\$ 1,938,100	\$ 1,939,981	\$ (195,065)
Expenditures							
<u>Instruction</u>							
Regular Instruction Program	\$ 549,504	\$ 0	\$ 0	\$ 549,504	\$ 640,541	\$ 624,955	\$ 75,451
Special Education Program	533,967	0	0	533,967	582,401	569,053	35,086
Vocational Education Program	32,743	(6,777)	6,009	31,975	31,136	32,010	35
<u>Support Services</u>							
Health Services	744	0	0	744	1,000	2,000	1,256
Other Student Support	274,101	0	0	274,101	286,525	287,768	13,667
Regular Instruction Program	295,718	(14,172)	0	281,546	309,408	331,610	50,064
Special Education Program	70,816	0	0	70,816	71,155	83,503	12,687
Vocational Education Program	2,140	0	0	2,140	2,224	2,224	84
Transportation	0	0	0	0	1,577	1,577	1,577
Total Expenditures	\$ 1,759,733	\$ (20,949)	\$ 6,009	\$ 1,744,793	\$ 1,925,967	\$ 1,934,700	\$ 189,907
Excess (Deficiency) of Revenues Over Expenditures	\$ (14,817)	\$ 20,949	\$ (6,009)	\$ 123	\$ 12,133	\$ 5,281	\$ (5,158)
Other Financing Sources (Uses)							
Transfers In	\$ 0	\$ 0	\$ 0	\$ 0	\$ 125,854	\$ 125,854	\$ (125,854)
Transfers Out	0	0	0	0	(131,114)	(131,135)	131,135
Total Other Financing Sources	\$ 0	\$ 0	\$ 0	\$ 0	\$ (5,260)	\$ (5,281)	\$ 5,281
Net Change in Fund Balance Fund Balance, July 1, 2012	\$ (14,817)	\$ 20,949	\$ (6,009)	\$ 123	\$ 6,873	\$ 0	\$ 123
Fund Balance, July 1, 2012	136,729	(20,949)	0	115,780	0	0	115,780
Fund Balance, June 30, 2013	\$ 121,912	\$ 0	\$ (6,009)	\$ 115,903	\$ 6,873	\$ 0	\$ 115,903

Exhibit I-10

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, 2013

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Charges for Current Services	\$ 337,716	\$ 0	\$ 337,716	\$ 458,000	\$ 458,000	\$ (120,284)
Other Local Revenues	861	0	861	2,100	2,100	(1,239)
State of Tennessee	14,717	0	14,717	17,500	17,500	(2,783)
Federal Government	1,083,217	0	1,083,217	1,079,000	1,079,000	4,217
Total Revenues	\$ 1,436,511	\$ 0	\$ 1,436,511	\$ 1,556,600	\$ 1,556,600	\$ (120,089)
<u>Expenditures</u>						
<u>Operation of Non-Instructional Services</u>						
Food Service	\$ 1,467,036	\$ (52,471)	\$ 1,414,565	\$ 1,556,600	\$ 1,556,600	\$ 142,035
Total Expenditures	\$ 1,467,036	\$ (52,471)	\$ 1,414,565	\$ 1,556,600	\$ 1,556,600	\$ 142,035
Excess (Deficiency) of Revenues Over Expenditures	\$ (30,525)	\$ 52,471	\$ 21,946	\$ 0	\$ 0	\$ 21,946
Net Change in Fund Balance Fund Balance, July 1, 2012	\$ (30,525)	\$ 52,471	\$ 21,946	\$ 0	\$ 0	\$ 21,946
	729,243	(52,471)	676,772	676,954	676,954	(182)
Fund Balance, June 30, 2013	\$ 698,718	\$ 0	\$ 698,718	\$ 676,954	\$ 676,954	\$ 21,764

Exhibit I-11

Polk County, Tennessee
Statement of Net Position
Discretely Presented Polk County School Department
Proprietary Fund
June 30, 2013

	<u>Governmental Activities - Internal Service Fund</u>	<u>Self- Insurance Fund</u>
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 40,940	
Total Assets	<u>\$ 40,940</u>	
<u>NET POSITION</u>		
Restricted	<u>\$ 40,940</u>	
Total Net Position	<u><u>\$ 40,940</u></u>	

Exhibit I-12

Polk County, Tennessee
Statement of Revenues, Expenses, and
Changes in Net Position
Discretely Presented Polk County School Department
Proprietary Fund
For the Year Ended June 30, 2013

	Governmental Activities - Internal Service Fund
	Self- Insurance Fund
<u>Non-Operating Revenues</u>	
Investment Income	\$ 31
Total Non-Operating Revenues	<u>\$ 31</u>
Change in Net Position	\$ 31
Net Position, July 1, 2012	<u>40,909</u>
Net Position, June 30, 2013	<u><u>\$ 40,940</u></u>

Exhibit I-13

Polk County, Tennessee
Statement of Cash Flows
Discretely Presented Polk County School Department
Proprietary Fund
For the Year Ended June 30, 2013

	Governmental Activities - Internal Service Fund
	<u>Self- Insurance Fund</u>
<u>Cash Flows from Investing Activities</u>	
Interest on Investments	\$ 31
Net Cash Provided By (Used In) Investing Activities	<u>\$ 31</u>
Net Increase (Decrease) in Cash	\$ 31
Cash, July 1, 2012	<u>40,909</u>
Cash, June 30, 2013	<u><u>\$ 40,940</u></u>

MISCELLANEOUS SCHEDULES

Exhibit J-1

Polk County, Tennessee
 Schedule of Changes in Long-term Bonds, Capital Leases, and Notes
 For the Year Ended June 30, 2013

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-12	Issued During Period	Paid and/or	
							Matured During Period	Outstanding 6-30-13
BONDS PAYABLE								
Payable through General Debt Service Fund								
General Obligation Refunding Bond, Series 2007	\$ 22,100,000	4 to 5%	4-30-07	4-30-25	\$ 17,520,000	\$ 0	\$ 1,030,000	\$ 16,490,000
Total Bonds Payable					<u>\$ 17,520,000</u>	<u>\$ 0</u>	<u>\$ 1,030,000</u>	<u>\$ 16,490,000</u>
CAPITAL LEASES PAYABLE								
Payable by School Department through General Purpose School Fund								
School Buses	535,508	4.074	5-1-11	5-1-18	\$ 468,124	\$ 0	\$ 70,444	\$ 397,680
Total Capital Leases Payable					<u>\$ 468,124</u>	<u>\$ 0</u>	<u>\$ 70,444</u>	<u>\$ 397,680</u>
NOTES PAYABLE								
Payable through General Debt Service Fund								
School Buses	425,000	2.54	10-11-12	6-13-13	\$ 0	\$ 425,000	\$ 425,000	\$ 0
Total Notes Payable					<u>\$ 0</u>	<u>\$ 425,000</u>	<u>\$ 425,000</u>	<u>\$ 0</u>

Exhibit J-2

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

Year Ending June 30	Bond		
	Principal	Interest	Total
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	\$ 16,490,000	\$ 5,481,950	\$ 21,971,950

Year Ending June 30	Capital Lease		
	Principal	Interest	Total
2014	\$ 73,314	\$ 16,502	\$ 89,816
2015	76,301	13,515	89,816
2016	79,409	10,407	89,816
2017	82,645	7,171	89,816
2018	86,011	3,805	89,816
Total	\$ 397,680	\$ 51,400	\$ 449,080

Exhibit J-3

Polk County, Tennessee
Schedule of Transfers
For the Year Ended June 30, 2013

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Drug Control	General	Reimbursement for Salaries	\$ 62,000
Total Transfers			<u>\$ 62,000</u>

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, 2013

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Executive	Section 8-24-102, TCA	\$ 67,843	\$ 50,000	Travelers Casualty and Surety Company
Highway Superintendent:				
Harold Hood (7-1-12 through 8-31-12)	Section 8-24-102, TCA	11,183	100,000	"
Roy Gene Thomason (9-1-12 through 6-30-13)	Section 8-24-102, TCA	53,430	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	58,739	741,705	"
Assessor of Property	Section 8-24-102, TCA	58,739	50,000	"
Director of Accounts and Budgets	County Commission	29,396	(3)	
County Clerk	Section 8-24-102, TCA	58,739	50,000	"
Circuit and General Sessions Courts Clerk	Section 8-24-102, TCA	58,739	50,000	"
Clerk and Master	Section 8-24-102, TCA	58,739	50,000	State Farm Fire and Casualty Company
Register of Deeds	Section 8-24-102, TCA	58,739	50,000	Travelers Casualty and Surety Company
Sheriff	Section 8-24-102, TCA	64,613	25,000	"
Other Bonds:				
Public Employee Dishonesty			150,000	Tennessee Risk Management Trust

(1) Does not include \$3,795 for unused vacation days, career ladder program of \$900, 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.

Polk County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2013

	Special Revenue Funds			Debt Service Fund			Capital Projects Funds			Total
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	General Debt Service	HUD Grant Projects	Other Capital Projects			
<u>Local Taxes</u>										
<u>County Property Taxes</u>										
Current Property Tax	\$ 3,064,036	\$ 526,888	\$ 0	\$ 0	\$ 1,015,563	\$ 0	\$ 0	\$ 0	\$ 4,606,487	
Trustee's Collections - Prior Year	175,889	0	0	0	50,788	0	0	0	226,677	
Circuit/Clerk & Master Collections - Prior Years	194,100	0	0	0	58,540	0	0	0	252,640	
Interest and Penalty	32,630	0	0	0	9,424	0	0	0	42,054	
Payments in-Lieu-of Taxes - T.V.A.	59,647	0	0	0	16,936	0	0	0	76,583	
Payments in-Lieu-of Taxes - Other	60,532	0	0	0	17,117	0	0	0	77,649	
<u>County Local Option Taxes</u>										
Hotel/Motel Tax	41,580	0	0	0	20,790	0	0	0	62,370	
Local Amusement Tax	74,423	0	0	0	0	0	0	0	74,423	
Litigation Tax - General	55,925	0	0	0	0	0	0	0	55,925	
Litigation Tax - Jail, Workhouse, or Courthouse	31,545	0	0	0	0	0	0	0	31,545	
Litigation Tax - Courtroom Security	2,099	0	0	0	0	0	0	0	2,099	
Business Tax	40,325	0	0	0	11,433	0	0	0	51,758	
<u>Statutory Local Taxes</u>										
Bank Excise Tax	20,760	0	0	0	5,870	0	0	0	26,630	
Wholesale Beer Tax	257,809	0	0	0	0	0	0	0	257,809	
Beer Privilege Tax	2,929	0	0	0	0	0	0	0	2,929	
Total Local Taxes	\$ 4,114,229	\$ 526,888	\$ 0	\$ 0	\$ 1,206,461	\$ 0	\$ 0	\$ 0	\$ 5,847,578	
<u>Licenses and Permits</u>										
<u>Licenses</u>										
Cable TV Franchise	\$ 82,493	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 82,493	
<u>Permits</u>										
Beer Permits	1,188	0	0	0	0	0	0	0	1,188	
Building Permits	2,511	0	0	0	0	0	0	0	2,511	
Electrical Permits	8,602	0	0	0	0	0	0	0	8,602	
Total Licenses and Permits	\$ 94,794	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 94,794	
<u>Fines, Forfeitures, and Penalties</u>										
<u>Circuit Court</u>										
Fines	\$ 13,148	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 13,148	
Officers Costs	5,448	0	0	0	0	0	0	0	5,448	
Drug Control Fines	0	0	23,557	0	0	0	0	0	23,557	
Drug Court Fees	1,914	0	0	0	0	0	0	0	1,914	
Jail Fees	2,836	0	0	0	0	0	0	0	2,836	
DUI Treatment Fines	855	0	0	0	0	0	0	0	855	
Data Entry Fee - Circuit Court	1,009	0	0	0	0	0	0	0	1,009	

(Continued)

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

	Special Revenue Funds				Debt Service Fund			Capital Projects Funds			Total
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	General Debt Service	HUD Grant Projects	Other Capital Projects				
<u>Fines, Forfeitures, and Penalties (Cont.)</u>											
<u>Criminal Court</u>											
Drug Control Fines	\$ 0	\$ 0	2,660	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	2,660
<u>General Sessions Court</u>											
Fines	13,838	0	0	0	0	0	0	0	0	0	13,838
Officers Costs	19,971	0	0	0	0	0	0	0	0	0	19,971
Game and Fish Fines	543	0	0	0	0	0	0	0	0	0	543
Drug Control Fines	0	0	18,024	0	0	0	0	0	0	0	18,024
Drug Court Fees	5,980	0	0	0	0	0	0	0	0	0	5,980
Jail Fees	9,015	0	0	0	0	0	0	0	0	0	9,015
DUJ Treatment Fines	3,895	0	0	0	0	0	0	0	0	0	3,895
Data Entry Fee - General Sessions Court	4,354	0	0	0	0	0	0	0	0	0	4,354
Courtroom Security Fee	29,828	0	0	0	0	0	0	0	0	0	29,828
<u>Juvenile Court</u>											
Data Entry Fee - Juvenile Court	295	0	0	0	0	0	0	0	0	0	295
<u>Chancery Court</u>											
Officers Costs	106	0	0	0	0	0	0	0	0	0	106
Data Entry Fee - Chancery Court	1,673	0	0	0	0	0	0	0	0	0	1,673
<u>Judicial District Drug Program</u>											
Courtroom Security Fee	59	0	0	0	0	0	0	0	0	0	59
<u>Other Fines, Forfeitures, and Penalties</u>											
Proceeds from Confiscated Property	0	0	9,284	0	0	0	0	0	0	0	9,284
Total Fines, Forfeitures, and Penalties	\$ 114,767	\$ 0	\$ 53,525	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 168,292
<u>Charges for Current Services</u>											
<u>General Service Charges</u>											
Self-Insurance Premiums/Contributions	\$ 677	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 677
<u>Fees</u>											
Copy Fees	1,830	0	0	0	0	0	0	0	0	0	1,830
Library Fees	489	0	0	0	0	0	0	0	0	0	489
Telephone Commissions	0	0	0	0	0	0	0	0	25,990	0	25,990
Data Processing Fee - Registrar	5,434	0	0	0	0	0	0	0	0	0	5,434
Data Processing Fee - Sheriff	1,364	0	0	0	0	0	0	0	0	0	1,364
Sexual Offender Registration Fees - Sheriff	600	0	0	0	0	0	0	0	0	0	600
Data Processing Fee - County Clerk	1,212	0	0	0	0	0	0	0	0	0	1,212
Total Charges for Current Services	\$ 11,606	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 25,990	\$ 0	\$ 37,596

(Continued)

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

	Special Revenue Funds				Debt Service Fund		Capital Projects Funds			Total
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	General Debt Service	HUD Grant Projects	Other Capital Projects			
<u>Other Local Revenues</u>										
<u>Recurring Items</u>										
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 15,683	\$ 0	\$ 0	\$ 0	\$ 15,683	
Lease/Rentals	11,909	0	0	0	0	0	0	0	11,909	
Commissary Sales	46,267	0	0	0	0	0	0	0	46,267	
Sale of Gasoline	0	0	0	385,466	0	0	0	0	385,466	
Sale of Recycled Materials	168	0	0	0	0	0	0	0	168	
Cobra Insurance Payments	385	0	0	0	0	0	0	0	385	
Miscellaneous Refunds	44,245	0	0	339	0	0	0	0	44,584	
<u>Nonrecurring Items</u>										
Sale of Equipment	2,000	0	0	0	0	0	0	0	2,000	
Sale of Property	1,782	0	0	0	0	0	0	0	1,782	
Damages Recovered from Individuals	1,252	0	0	0	0	0	0	0	1,252	
Contributions and Gifts	6,500	0	0	0	0	0	0	0	6,500	
Total Other Local Revenues	\$ 114,508	\$ 0	\$ 0	\$ 385,805	\$ 15,683	\$ 0	\$ 0	\$ 0	\$ 515,996	
<u>Fees Received from County Officials</u>										
<u>Fees in-Lieu-of Salary</u>										
County Clerk	\$ 165,246	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 165,246	
Circuit Court Clerk	55,080	0	0	0	0	0	0	0	55,080	
General Sessions Court Clerk	94,358	0	0	0	0	0	0	0	94,358	
Clerk and Master	90,672	0	0	0	0	0	0	0	90,672	
Register	63,372	0	0	0	0	0	0	0	63,372	
Sheriff	5,078	0	0	0	0	0	0	0	5,078	
Trustee	237,612	0	0	0	0	0	0	0	237,612	
Total Fees Received from County Officials	\$ 711,418	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 711,418	
<u>State of Tennessee</u>										
<u>General Government Grants</u>										
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,000	
Airport Maintenance Program	2,253	0	0	0	0	0	0	0	2,253	
Child Restraint Program	5,176	0	0	0	0	0	0	0	5,176	
Aging Programs	11,541	0	0	0	0	0	0	0	11,541	
<u>Public Safety Grants</u>										
Law Enforcement Training Programs	10,200	0	0	0	0	0	0	0	10,200	
<u>Health and Welfare Grants</u>										
Health Department Programs	72,268	0	0	0	0	0	0	0	72,268	

(Continued)

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

	Special Revenue Funds				Debt Service Fund		Capital Projects Funds			Total
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	General Debt Service	HUD Grant Projects	Other Capital Projects			
<u>State of Tennessee (Cont.)</u>										
Public Works Grants										
Litter Program										
Other State Revenues										
Income Tax	\$ 47,121	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 47,121
Beer Tax	18,800	0	0	0	5,316	0	0	0	0	24,116
Alcoholic Beverage Tax	18,586	0	0	0	0	0	0	0	0	18,586
State Revenue Sharing - T.V.A.	40,452	0	0	0	0	0	0	0	0	40,452
Contracted Prisoner Boarding	421,710	0	0	0	119,249	0	0	0	0	540,959
Gasoline and Motor Fuel Tax	1,142,745	0	0	0	0	0	0	0	0	1,142,745
Petroleum Special Tax	0	0	0	1,572,044	0	0	0	0	0	1,572,044
Registrar's Salary Supplement	0	0	0	12,140	0	0	0	0	0	12,140
Other State Grants	15,164	0	0	0	0	0	0	0	0	15,164
Other State Revenues	2,460	0	0	0	0	0	0	0	0	2,460
5,080	5,080	0	0	0	0	0	0	0	0	5,080
Total State of Tennessee	\$ 1,822,556	\$ 0	\$ 0	\$ 1,584,184	\$ 124,565	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,521,305
<u>Federal Government</u>										
Federal Through State										
Disaster Relief	\$ 969	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 969
Homeland Security Grants	112,499	0	0	0	0	0	0	0	0	112,499
Law Enforcement Grants	5,000	0	0	0	0	0	0	0	0	5,000
Other Federal through State	70,708	0	0	8,950	0	201,885	0	0	0	281,543
Direct Federal Revenue	40,834	0	0	92,556	0	0	0	0	0	133,390
Forest Service										
Total Federal Government	\$ 230,010	\$ 0	\$ 0	\$ 101,506	\$ 0	\$ 201,885	\$ 0	\$ 0	\$ 0	\$ 533,401
<u>Other Governments and Citizens Groups</u>										
Other Governments										
Contributions	\$ 0	\$ 0	\$ 0	\$ 0	\$ 739,515	\$ 0	\$ 0	\$ 0	\$ 0	\$ 739,515
Contracted Services	0	0	0	0	0	0	0	32,200	0	32,200
Total Other Governments and Citizens Groups	\$ 0	\$ 0	\$ 0	\$ 0	\$ 739,515	\$ 0	\$ 0	\$ 32,200	\$ 0	\$ 771,715
Total	\$ 7,213,888	\$ 526,888	\$ 53,525	\$ 2,071,495	\$ 2,086,224	\$ 201,885	\$ 58,190	\$ 0	\$ 12,212,095	

Polk County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 Discretely Presented Polk County School Department
 For the Year Ended June 30, 2013

	General Purpose School	Special Revenue Funds		Total
		School Federal Projects	Central Cafeteria	
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 2,088,321	\$ 0	\$ 0	\$ 2,088,321
Trustee's Collections - Prior Year	111,774	0	0	111,774
Circuit/Clerk & Master Collections - Prior Years	112,063	0	0	112,063
Interest and Penalty	18,376	0	0	18,376
Payments in-Lieu-of Taxes - T.V.A.	37,472	0	0	37,472
Payments in-Lieu-of Taxes - Other	35,427	0	0	35,427
<u>County Local Option Taxes</u>				
Local Option Sales Tax	1,516,799	0	0	1,516,799
Business Tax	23,488	0	0	23,488
<u>Statutory Local Taxes</u>				
Bank Excise Tax	12,150	0	0	12,150
Interstate Telecommunications Tax	2,680	0	0	2,680
Total Local Taxes	\$ 3,958,550	\$ 0	\$ 0	\$ 3,958,550
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 1,387	\$ 0	\$ 0	\$ 1,387
Total Licenses and Permits	\$ 1,387	\$ 0	\$ 0	\$ 1,387
<u>Fines, Forfeitures, and Penalties</u>				
<u>Juvenile Court</u>				
Fines	\$ 338	\$ 0	\$ 0	\$ 338
Total Fines, Forfeitures, and Penalties	\$ 338	\$ 0	\$ 0	\$ 338
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Lunch Payments - Children	\$ 0	\$ 0	\$ 187,800	\$ 187,800
Lunch Payments - Adults	0	0	35,649	35,649
Income from Breakfast	0	0	14,378	14,378
Special Milk Sales	0	0	464	464
A la carte Sales	0	0	99,425	99,425
Total Charges for Current Services	\$ 0	\$ 0	\$ 337,716	\$ 337,716
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 4	\$ 0	\$ 50	\$ 54
Lease/Rentals	13,500	0	0	13,500
Sale of Recycled Materials	536	0	0	536
Retirees' Insurance Payments	12,330	0	0	12,330
Miscellaneous Refunds	83,972	0	0	83,972
<u>Nonrecurring Items</u>				
Sale of Equipment	6,961	0	0	6,961
Damages Recovered from Individuals	661	0	0	661
Contributions and Gifts	434,000	0	0	434,000
<u>Other Local Revenues</u>				
Other Local Revenues	248	0	811	1,059
Total Other Local Revenues	\$ 552,212	\$ 0	\$ 861	\$ 553,073
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-Behalf Contributions for OPEB	\$ 92,878	\$ 0	\$ 0	\$ 92,878
<u>State Education Funds</u>				
Basic Education Program	13,062,121	0	0	13,062,121
Early Childhood Education	509,866	0	0	509,866
School Food Service	0	0	14,717	14,717

(Continued)

Exhibit J-6

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

	General Purpose School	Special Revenue Funds		Total
		School Federal Projects	Central Cafeteria	
<u>State of Tennessee (Cont.)</u>				
<u>State Education Funds (Cont.)</u>				
Driver Education	\$ 5,667	\$ 0	\$ 0	\$ 5,667
Other State Education Funds	209,742	0	0	209,742
Career Ladder Program	49,485	0	0	49,485
Career Ladder - Extended Contract	25,600	0	0	25,600
<u>Other State Revenues</u>				
Income Tax	11,003	0	0	11,003
State Revenue Sharing - T.V.A.	246,811	0	0	246,811
Other State Grants	29,197	0	0	29,197
Other State Revenues	2,500	0	0	2,500
Total State of Tennessee	\$ 14,244,870	\$ 0	\$ 14,717	\$ 14,259,587
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 714,043	\$ 714,043
USDA - Commodities	0	0	66,870	66,870
Breakfast	0	0	294,287	294,287
USDA - Other	0	0	8,017	8,017
Adult Education State Grant Program	69,771	0	0	69,771
Vocational Education - Basic Grants to States	0	44,746	0	44,746
Title I Grants to Local Education Agencies	0	829,435	0	829,435
Special Education - Grants to States	6,308	611,439	0	617,747
English Language Acquisition Grants	0	985	0	985
Rural Education	0	63,604	0	63,604
Eisenhower Professional Development State Grants	0	110,174	0	110,174
Race-to-the-Top - ARRA	0	84,533	0	84,533
Other Federal through State	109,999	0	0	109,999
<u>Direct Federal Revenue</u>				
Forest Service	138,835	0	0	138,835
Total Federal Government	\$ 324,913	\$ 1,744,916	\$ 1,083,217	\$ 3,153,046
Total	\$ 19,082,270	\$ 1,744,916	\$ 1,436,511	\$ 22,263,697

Exhibit J-7

Polk County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2013

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	19,325	
Social Security		1,478	
State Retirement		47	
Employee and Dependent Insurance		38,013	
Unemployment Compensation		4	
Workers' Compensation Insurance		511	
Total County Commission	\$		59,378

Board of Equalization

Board and Committee Members Fees	\$	1,674	
Total Board of Equalization			1,674

County Mayor/Executive

County Official/Administrative Officer	\$	67,843	
Secretary(ies)		16,273	
Social Security		6,419	
State Retirement		6,553	
Employee and Dependent Insurance		8,013	
Unemployment Compensation		143	
Travel		2,400	
Workers' Compensation Insurance		256	
Total County Mayor/Executive			107,900

Election Commission

County Official/Administrative Officer	\$	52,865	
Clerical Personnel		12,876	
Election Commission		7,500	
Election Workers		41,032	
In-Service Training		10,730	
Social Security		5,892	
State Retirement		4,494	
Employee and Dependent Insurance		10,812	
Unemployment Compensation		367	
Communication		3,618	
Legal Notices, Recording, and Court Costs		3,163	
Printing, Stationery, and Forms		295	
Rentals		681	
Other Contracted Services		20,131	
Office Supplies		2,272	
Other Supplies and Materials		3,103	
Workers' Compensation Insurance		127	
Furniture and Fixtures		852	
Total Election Commission			180,810

Register of Deeds

County Official/Administrative Officer	\$	58,739	
Clerical Personnel		21,484	
Social Security		6,137	
State Retirement		6,230	
Employee and Dependent Insurance		3,803	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Register of Deeds (Cont.)

Unemployment Compensation	\$	125	
Dues and Memberships		407	
Maintenance Agreements		6,057	
Printing, Stationery, and Forms		224	
Workers' Compensation Insurance		258	
Data Processing Equipment		11,436	
Total Register of Deeds	\$		114,900

County Buildings

Custodial Personnel	\$	30,768	
Social Security		2,283	
State Retirement		1,897	
Employee and Dependent Insurance		3,748	
Unemployment Compensation		262	
Maintenance and Repair Services - Buildings		14,558	
Custodial Supplies		3,049	
Utilities		85,699	
Workers' Compensation Insurance		6,932	
Total County Buildings			149,196

Other General Administration

Life Insurance	\$	2,886	
Audit Services		5,048	
Communication		42,955	
Contributions		15,000	
Dues and Memberships		1,582	
Legal Services		24,278	
Legal Notices, Recording, and Court Costs		591	
Licenses		810	
Maintenance and Repair Services - Equipment		29,559	
Medical and Dental Services		32,662	
Pest Control		4,570	
Postal Charges		28,380	
Permits		790	
Contracts for Development Costs		32,321	
Other Contracted Services		24,935	
Office Supplies		4,036	
Other Supplies and Materials		1,485	
Building and Contents Insurance		8,792	
Liability Insurance		3,200	
Other Charges		223	
Other Equipment		999	
Total Other General Administration			265,102

Finance

Accounting and Budgeting

County Official/Administrative Officer	\$	29,396	
In-Service Training		302	
Social Security		2,234	
State Retirement		2,290	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

Accounting and Budgeting (Cont.)

Unemployment Compensation	\$	126	
Data Processing Services		7,862	
Travel		475	
Workers' Compensation Insurance		97	
Total Accounting and Budgeting			\$ 42,782

Property Assessor's Office

County Official/Administrative Officer	\$	58,739	
Assistant(s)		37,796	
Deputy(ies)		19,188	
Social Security		8,481	
State Retirement		8,694	
Employee and Dependent Insurance		21,125	
Unemployment Compensation		520	
Data Processing Services		14,178	
Travel		2,619	
Permits		8,239	
Other Contracted Services		16,620	
Office Supplies		959	
Other Supplies and Materials		831	
Workers' Compensation Insurance		364	
Data Processing Equipment		3,000	
Total Property Assessor's Office			201,353

County Trustee's Office

County Official/Administrative Officer	\$	58,739	
Deputy(ies)		55,641	
In-Service Training		100	
Social Security		7,450	
State Retirement		7,980	
Employee and Dependent Insurance		26,036	
Unemployment Compensation		381	
Communication		125	
Data Processing Services		8,151	
Dues and Memberships		407	
Legal Notices, Recording, and Court Costs		144	
Printing, Stationery, and Forms		824	
Rentals		443	
Travel		1,205	
Data Processing Supplies		617	
Office Supplies		1,111	
Workers' Compensation Insurance		341	
Data Processing Equipment		597	
Total County Trustee's Office			170,292

County Clerk's Office

County Official/Administrative Officer	\$	58,739
Deputy(ies)		58,437
Social Security		8,755
State Retirement		9,128

(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.)

Employee and Dependent Insurance	\$	38,743	
Unemployment Compensation		397	
Communication		1,360	
Dues and Memberships		407	
Legal Notices, Recording, and Court Costs		140	
Maintenance Agreements		11,230	
Travel		1,764	
Office Supplies		2,624	
Workers' Compensation Insurance		375	
Office Equipment		240	
Total County Clerk's Office			\$ 192,339

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	58,739	
Deputy(ies)		80,270	
Jury and Witness Expense		3,526	
Social Security		10,183	
State Retirement		10,832	
Employee and Dependent Insurance		24,673	
Unemployment Compensation		743	
Dues and Memberships		407	
Maintenance Agreements		7,978	
Printing, Stationery, and Forms		1,564	
Other Supplies and Materials		2,026	
Workers' Compensation Insurance		430	
Data Processing Equipment		5,023	
Total Circuit Court			206,394

General Sessions Court

Judge(s)	\$	86,321	
Social Security		6,525	
State Retirement		6,725	
Employee and Dependent Insurance		3,898	
Dues and Memberships		70	
Travel		587	
Building and Contents Insurance		1,100	
Liability Insurance		1,200	
Workers' Compensation Insurance		251	
Total General Sessions Court			106,677

Chancery Court

County Official/Administrative Officer	\$	58,739	
Deputy(ies)		41,724	
Social Security		7,587	
State Retirement		7,827	
Employee and Dependent Insurance		12,966	
Unemployment Compensation		252	
Data Processing Services		6,799	
Dues and Memberships		467	

(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.)

Legal Notices, Recording, and Court Costs	\$	1,829	
Printing, Stationery, and Forms		1,008	
Travel		75	
Workers' Compensation Insurance		299	
Data Processing Equipment		1,641	
Furniture and Fixtures		200	
Total Chancery Court	\$		141,413

Juvenile Court

Assistant(s)	\$	20,837	
Youth Service Officer(s)		25,903	
Attendants		3,856	
Social Security		3,085	
State Retirement		3,380	
Employee and Dependent Insurance		10,129	
Unemployment Compensation		252	
Travel		2,454	
Other Supplies and Materials		410	
Workers' Compensation Insurance		138	
Total Juvenile Court			70,444

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	64,613	
Deputy(ies)		439,825	
Investigator(s)		110,999	
Salary Supplements		21,600	
Dispatchers/Radio Operators		55,368	
Clerical Personnel		18,508	
Overtime Pay		37,644	
Other Salaries and Wages		52,665	
In-Service Training		1,594	
Social Security		58,304	
State Retirement		57,971	
Employee and Dependent Insurance		166,472	
Unemployment Compensation		2,917	
Communication		1,271	
Dues and Memberships		400	
Maintenance Agreements		2,785	
Maintenance and Repair Services - Equipment		644	
Maintenance and Repair Services - Vehicles		29,880	
Travel		1,060	
Gasoline		97,207	
Law Enforcement Supplies		19,227	
Office Supplies		978	
Tires and Tubes		8,451	
Uniforms		2,136	
Other Supplies and Materials		5,628	
Building and Contents Insurance		11,000	
Liability Insurance		55,000	

(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.)

Vehicle and Equipment Insurance	\$	15,503	
Workers' Compensation Insurance		18,680	
Data Processing Equipment		2,680	
Total Sheriff's Department			\$ 1,361,010

Correctional Incentive Program Improvements

Supervisor/Director	\$	41,569	
Dispatchers/Radio Operators		157,230	
Guards		574,526	
Maintenance Personnel		26,728	
Overtime Pay		132,448	
In-Service Training		1,950	
Social Security		69,362	
State Retirement		67,578	
Employee and Dependent Insurance		207,155	
Unemployment Compensation		4,217	
Maintenance Agreements		36,821	
Maintenance and Repair Services - Buildings		7,031	
Maintenance and Repair Services - Equipment		9,043	
Medical and Dental Services		199,332	
Postal Charges		1,170	
Travel		115	
Custodial Supplies		18,837	
Food Supplies		198,179	
Prisoners Clothing		2,287	
Uniforms		2,874	
Utilities		193,564	
Other Supplies and Materials		18,899	
Workers' Compensation Insurance		27,508	
Furniture and Fixtures		1,419	
Total Correctional Incentive Program Improvements			1,999,842

Fire Prevention and Control

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

Civil Defense

In-Service Training	\$	363	
Communication		480	
Maintenance and Repair Services - Vehicles		3,603	
Gasoline		3,997	
Office Supplies		327	
Utilities		3,939	
Other Supplies and Materials		850	
Building and Contents Insurance		3,762	
Vehicle and Equipment Insurance		6,753	
Communication Equipment		731	
Other Equipment		27,012	
Total Civil Defense			51,817

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Rescue Squad

In-Service Training	\$	2,754	
Dues and Memberships		400	
Maintenance and Repair Services - Equipment		2,510	
Maintenance and Repair Services - Vehicles		15,391	
Medical and Dental Services		1,500	
Gasoline		15,864	
Instructional Supplies and Materials		1,341	
Office Supplies		189	
Utilities		9,363	
Other Supplies and Materials		6,979	
Building and Contents Insurance		4,464	
Vehicle and Equipment Insurance		7,820	
Other Equipment		53,807	
Total Rescue Squad			\$ 122,382

Other Emergency Management

County Official/Administrative Officer	\$	5,281	
Social Security		390	
State Retirement		411	
Employee and Dependent Insurance		690	
Unemployment Compensation		22	
Communication		1,058	
Maintenance and Repair Services - Equipment		153	
Maintenance and Repair Services - Vehicles		53	
Gasoline		212	
Other Supplies and Materials		3,967	
Workers' Compensation Insurance		192	
Total Other Emergency Management			12,429

Public Health and Welfare

Local Health Center

Contracts with Government Agencies	\$	36,250	
Other Supplies and Materials		7,923	
Other Charges		967	
Total Local Health Center			45,140

Ambulance/Emergency Medical Services

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

Crippled Children Services

Contributions	\$	2,500	
Total Crippled Children Services			2,500

Other Local Health Services

Assistant(s)	\$	38,400	
Attendants		22,533	
Social Security		4,264	
State Retirement		1,792	
Employee and Dependent Insurance		9,718	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Other Local Health Services (Cont.)

Unemployment Compensation	\$	675	
Travel		8,451	
Workers' Compensation Insurance		2,306	
Total Other Local Health Services			\$ 88,139

Sanitation Education/Information

Supervisor/Director	\$	24,563	
Social Security		1,815	
State Retirement		1,914	
Employee and Dependent Insurance		3,208	
Unemployment Compensation		104	
Maintenance and Repair Services - Vehicles		1,278	
Gasoline		3,371	
Instructional Supplies and Materials		3,825	
Other Supplies and Materials		647	
Workers' Compensation Insurance		769	
Total Sanitation Education/Information			41,494

Other Waste Collection

Other Supplies and Materials	\$	1,368	
Total Other Waste Collection			1,368

Other Public Health and Welfare

Assistant(s)	\$	43,793	
Social Security		3,350	
State Retirement		3,241	
Employee and Dependent Insurance		2,111	
Unemployment Compensation		204	
Travel		6,301	
Other Supplies and Materials		400	
Workers' Compensation Insurance		2,000	
Total Other Public Health and Welfare			61,400

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Supervisor/Director	\$	12,333	
Social Security		944	
State Retirement		962	
Unemployment Compensation		49	
Workers' Compensation Insurance		53	
Total Senior Citizens Assistance			14,341

Libraries

Assistant(s)	\$	21,573	
Social Security		1,596	
State Retirement		1,069	
Employee and Dependent Insurance		2,424	
Unemployment Compensation		235	
Other Supplies and Materials		16,544	
Workers' Compensation Insurance		74	
Total Libraries			43,515

(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	\$ 38,683	
Total Other Social, Cultural, and Recreational		\$ 38,683

Agriculture and Natural Resources

Agriculture Extension Service

County Official/Administrative Officer	\$ 11,987	
Assistant(s)	3,362	
Supervisor/Director	9,445	
Secretary(ies)	5,658	
Social Security	2,330	
State Retirement	4,254	
Unemployment Compensation	47	
Advertising	800	
Travel	2,000	
Other Supplies and Materials	10,485	
Total Agriculture Extension Service		50,368

Soil Conservation

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

Other Operations

Other Economic and Community Development

Contracts with Government Agencies	\$ 9,250	
Contracts with Other Public Agencies	6,384	
Contracts with Private Agencies	1,800	
Travel	99	
Total Other Economic and Community Development		17,533

Airport

Maintenance and Repair Services - Equipment	\$ 1,101	
Total Airport		1,101

Veterans' Services

Supervisor/Director	\$ 8,403	
Clerical Personnel	6,774	
Social Security	1,125	
State Retirement	528	
Employee and Dependent Insurance	1,616	
Unemployment Compensation	168	
Travel	2,249	
Workers' Compensation Insurance	46	
Data Processing Equipment	3,900	
Total Veterans' Services		24,809

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations (Cont.)

Other Charges

Trustee's Commission	\$ 98,943	
Total Other Charges		\$ 98,943

Contributions to Other Agencies

Remittance of Revenue Collected	\$ 39,484	
Total Contributions to Other Agencies		<u>39,484</u>

Total General Fund		\$ 6,866,823
--------------------	--	--------------

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Contracts with Private Agencies	\$ 526,888	
Total Sanitation Management		<u>\$ 526,888</u>

Total Solid Waste/Sanitation Fund		526,888
-----------------------------------	--	---------

Drug Control Fund

Public Safety

Drug Enforcement

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

Other Operations

Other Charges

Trustee's Commission	\$ 539	
Total Other Charges		<u>539</u>

Total Drug Control Fund		5,539
-------------------------	--	-------

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 64,613	
Accountants/Bookkeepers	32,922	
Clerical Personnel	10,110	
Social Security	6,545	
Employer Medicare	1,531	
Communication	10,888	
Data Processing Services	8,703	
Dues and Memberships	2,597	
Legal Notices, Recording, and Court Costs	1,303	
Postal Charges	274	
Travel	832	
Drugs and Medical Supplies	296	
Office Supplies	2,113	
Uniforms	7,011	
Other Charges	<u>529</u>	
Total Administration		\$ 150,267

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance

Foremen	\$	59,740	
Equipment Operators - Heavy		63,475	
Equipment Operators - Light		100,260	
Truck Drivers		85,396	
Laborers		84,212	
Overtime Pay		5,062	
Social Security		23,029	
Employer Medicare		5,386	
Contracts with Private Agencies		22,469	
Asphalt - Hot Mix		14,602	
Asphalt - Liquid		49,134	
Crushed Stone		54,779	
Pipe		8,683	
Road Signs		3,248	
Other Supplies and Materials		3,808	
Total Highway and Bridge Maintenance	\$		583,283

Operation and Maintenance of Equipment

Mechanic(s)	\$	15,361	
Social Security		868	
Employer Medicare		228	
Maintenance and Repair Services - Equipment		26,742	
Towing Services		104	
Diesel Fuel		296,713	
Equipment and Machinery Parts		60,487	
Garage Supplies		5,089	
Gasoline		124,535	
Lubricants		8,388	
Tires and Tubes		8,257	
Total Operation and Maintenance of Equipment			546,772

Other Charges

Electricity	\$	7,415	
Water and Sewer		732	
Trustee's Commission		15,822	
Vehicle and Equipment Insurance		500	
Total Other Charges			24,469

Employee Benefits

State Retirement	\$	31,357	
Employee and Dependent Insurance		150,002	
Unemployment Compensation		52,576	
Workers' Compensation Insurance		102,623	
Total Employee Benefits			336,558

Total Highway/Public Works Fund \$ 1,641,349

(Continued)

Exhibit J-7

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

<u>General Debt Service Fund</u>			
<u>Principal on Debt</u>			
<u>General Government</u>			
Principal on Bonds	\$	380,000	
Total General Government			\$ 380,000
<u>Education</u>			
Principal on Bonds	\$	650,000	
Principal on Notes		425,000	
Principal on Capital Leases		70,444	
Total Education			1,145,444
<u>Interest on Debt</u>			
<u>General Government</u>			
Interest on Bonds	\$	296,925	
Total General Government			296,925
<u>Education</u>			
Interest on Bonds	\$	505,575	
Interest on Notes		7,047	
Interest on Capital Leases		19,071	
Total Education			531,693
<u>Other Debt Service</u>			
<u>General Government</u>			
Trustee's Commission	\$	24,747	
Other Debt Service		609	
Total General Government			25,356
Total General Debt Service Fund			\$ 2,379,418
<u>HUD Grant Projects Fund</u>			
<u>General Government</u>			
<u>Other General Administration</u>			
Contracts for Development Costs	\$	201,885	
Total Other General Administration			\$ 201,885
Total HUD Grant Projects Fund			201,885
<u>Education Capital Projects Fund</u>			
<u>Capital Projects - Donated</u>			
<u>Capital Projects Donated to School Department</u>			
Contributions	\$	425,000	
Total Capital Projects Donated to School Department			\$ 425,000
Total Education Capital Projects Fund			425,000
<u>Other Capital Projects Fund</u>			
<u>Public Safety</u>			
<u>Sheriff's Department</u>			
Motor Vehicles	\$	40,627	
Total Sheriff's Department			\$ 40,627

(Continued)

Exhibit J-7

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

Other Capital Projects Fund (Cont.)

Other Operations

Other Charges

Trustee's Commission

\$ 582

Total Other Charges

\$ 582

Total Other Capital Projects Fund

\$ 41,209

Total Governmental Funds - Primary Government

\$ 12,088,111

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, 2013

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	6,297,770	
Career Ladder Program		25,000	
Career Ladder Extended Contracts		23,556	
Homebound Teachers		37,312	
Educational Assistants		140,371	
Other Salaries and Wages		127,088	
Certified Substitute Teachers		935	
Non-certified Substitute Teachers		106,468	
Social Security		394,582	
State Retirement		575,937	
Life Insurance		3,548	
Medical Insurance		825,207	
Dental Insurance		63,497	
Unemployment Compensation		17,921	
Employer Medicare		93,108	
Payments to Retirees		5,800	
Instructional Supplies and Materials		65,797	
Textbooks		105,309	
Other Supplies and Materials		694	
Total Regular Instruction Program	\$		8,909,900

Alternative Instruction Program

Teachers	\$	99,010	
Career Ladder Program		2,000	
Non-certified Substitute Teachers		522	
Social Security		5,589	
State Retirement		8,970	
Life Insurance		48	
Medical Insurance		11,697	
Dental Insurance		930	
Employer Medicare		1,313	
Other Supplies and Materials		140	
Total Alternative Instruction Program			130,219

Special Education Program

Teachers	\$	543,455	
Career Ladder Program		3,000	
Homebound Teachers		3,407	
Educational Assistants		88,262	
In-Service Training		400	
Non-certified Substitute Teachers		9,130	
Social Security		37,473	
State Retirement		55,412	
Life Insurance		432	
Medical Insurance		114,104	
Dental Insurance		6,461	
Unemployment Compensation		4,198	
Employer Medicare		8,814	
Other Contracted Services		684	
Instructional Supplies and Materials		8,514	
Total Special Education Program			883,746

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Vocational Education Program

Teachers	\$	559,746	
Career Ladder Program		5,000	
Career Ladder Extended Contracts		2,500	
Non-certified Substitute Teachers		7,645	
Social Security		32,780	
State Retirement		50,371	
Life Insurance		280	
Medical Insurance		78,658	
Dental Insurance		6,042	
Employer Medicare		7,678	
Operating Lease Payments		3,833	
Other Contracted Services		3,364	
Instructional Supplies and Materials		18,336	
Total Vocational Education Program	\$		776,233

Student Body Education Program

Other Contracted Services	\$	54,004	
Total Student Body Education Program			54,004

Adult Education Program

Other Salaries and Wages	\$	20,734	
Social Security		1,286	
Employer Medicare		301	
Total Adult Education Program			22,321

Support Services

Attendance

Supervisor/Director	\$	53,578	
Career Ladder Program		1,000	
Social Security		3,327	
State Retirement		4,846	
Life Insurance		13	
Medical Insurance		2,595	
Dental Insurance		232	
Employer Medicare		778	
Total Attendance			66,369

Health Services

Medical Personnel	\$	61,661	
Other Salaries and Wages		3,577	
Social Security		3,984	
State Retirement		5,017	
Life Insurance		48	
Medical Insurance		9,888	
Dental Insurance		465	
Employer Medicare		932	
Total Health Services			85,572

(Continued)

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

Career Ladder Program	\$	1,000	
Guidance Personnel		123,786	
Career Ladder Extended Contracts		500	
Clerical Personnel		11,761	
Other Salaries and Wages		262,648	
Non-certified Substitute Teachers		14,410	
Social Security		19,386	
State Retirement		23,944	
Life Insurance		61	
Medical Insurance		14,521	
Dental Insurance		1,263	
Employer Medicare		5,747	
Contracts with Government Agencies		75,000	
Evaluation and Testing		15,910	
Travel		14,146	
Other Contracted Services		6,286	
Other Supplies and Materials		295,043	
In Service/Staff Development		3,615	
Other Charges		6,276	
Total Other Student Support			\$ 895,303

Regular Instruction Program

Supervisor/Director	\$	36,934	
Career Ladder Program		3,000	
Career Ladder Extended Contracts		1,500	
Librarians		144,201	
Education Media Personnel		37,585	
Non-certified Substitute Teachers		2,283	
Social Security		13,508	
State Retirement		18,870	
Life Insurance		180	
Medical Insurance		38,140	
Dental Insurance		1,152	
Employer Medicare		3,163	
Travel		10,409	
Other Supplies and Materials		23	
In Service/Staff Development		4,138	
Other Charges		17,000	
Total Regular Instruction Program			332,086

Special Education Program

Supervisor/Director	\$	75,790	
Career Ladder Program		2,000	
Psychological Personnel		54,000	
Other Salaries and Wages		40,769	
Social Security		10,149	
State Retirement		15,323	
Life Insurance		72	
Medical Insurance		17,877	

(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.)

Special Education Program (Cont.)

Dental Insurance	\$	1,394	
Employer Medicare		2,373	
Travel		3,031	
Total Special Education Program			\$ 222,778

Vocational Education Program

Supervisor/Director	\$	36,934	
Career Ladder Program		1,000	
Career Ladder Extended Contracts		1,000	
Social Security		2,353	
State Retirement		3,457	
Life Insurance		12	
Medical Insurance		2,154	
Dental Insurance		232	
Employer Medicare		550	
Total Vocational Education Program			47,692

Adult Programs

Supervisor/Director	\$	34,000	
Clerical Personnel		1,200	
Social Security		2,124	
State Retirement		93	
Life Insurance		14	
Medical Insurance		4,948	
Employer Medicare		497	
Travel		1,204	
In Service/Staff Development		2,791	
Other Charges		10,217	
Total Adult Programs			57,088

Other Programs

On-Behalf Payments to OPEB	\$	92,878	
Total Other Programs			92,878

Board of Education

Secretary to Board	\$	1,100	
Board and Committee Members Fees		11,050	
Social Security		694	
State Retirement		86	
Employer Medicare		176	
Other Fringe Benefits		76,533	
Audit Services		12,500	
Dues and Memberships		12,154	
Legal Services		1,152	
Travel		55	
Judgments		2,500	
Liability Insurance		35,421	
Premiums on Corporate Surety Bonds		1,817	
Trustee's Commission		92,713	

(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.)

Workers' Compensation Insurance	\$	144,046	
In Service/Staff Development		116	
Criminal Investigation of Applicants - TBI		702	
Other Charges		435	
Total Board of Education	\$		393,250

Director of Schools

County Official/Administrative Officer	\$	101,204	
Career Ladder Program		900	
Secretary(ies)		25,625	
Other Salaries and Wages		3,795	
Social Security		8,461	
State Retirement		12,197	
Life Insurance		48	
Medical Insurance		9,133	
Dental Insurance		465	
Employer Medicare		2,038	
Other Fringe Benefits		9,000	
Communication		82,870	
Postal Charges		2,955	
Travel		3,550	
Other Contracted Services		13,830	
Other Supplies and Materials		5,472	
In Service/Staff Development		50	
Office Equipment		965	
Total Director of Schools			282,558

Office of the Principal

Principals	\$	414,361	
Career Ladder Program		5,000	
Accountants/Bookkeepers		95,226	
Career Ladder Extended Contracts		500	
Assistant Principals		280,002	
Clerical Personnel		90,900	
Other Salaries and Wages		5,242	
Non-certified Substitute Teachers		1,073	
Social Security		53,286	
State Retirement		71,914	
Life Insurance		528	
Medical Insurance		115,686	
Dental Insurance		3,809	
Employer Medicare		12,538	
Travel		3,396	
Other Contracted Services		1,450	
Total Office of the Principal			1,154,911

Fiscal Services

Supervisor/Director	\$	43,128	
Clerical Personnel		44,517	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Fiscal Services (Cont.)

Social Security	\$	5,295	
State Retirement		6,819	
Life Insurance		60	
Medical Insurance		13,834	
Employer Medicare		1,238	
Data Processing Services		15,418	
Office Supplies		4,169	
Total Fiscal Services			\$ 134,478

Operation of Plant

Supervisor/Director	\$	18,067	
Custodial Personnel		264,145	
Other Salaries and Wages		5,857	
Social Security		16,419	
State Retirement		12,469	
Life Insurance		378	
Medical Insurance		85,068	
Employer Medicare		4,100	
Other Contracted Services		41,544	
Custodial Supplies		63,135	
Electricity		568,013	
Fuel Oil		47,364	
Natural Gas		14,781	
Water and Sewer		90,533	
Other Supplies and Materials		39,222	
Boiler Insurance		5,813	
Building and Contents Insurance		105,904	
Maintenance Equipment		13,300	
Plant Operation Equipment		13,192	
Total Operation of Plant			1,409,304

Maintenance of Plant

Maintenance Personnel	\$	102,909	
Other Salaries and Wages		260	
Social Security		5,505	
State Retirement		7,020	
Life Insurance		96	
Medical Insurance		15,664	
Employer Medicare		1,473	
Operating Lease Payments		1,653	
Administration Equipment		2,500	
Total Maintenance of Plant			137,080

Transportation

Supervisor/Director	\$	18,476	
Mechanic(s)		62,310	
Bus Drivers		307,183	
Attendants		3,082	
Other Salaries and Wages		43,103	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

In-Service Training	\$	1,962	
Social Security		25,664	
State Retirement		16,935	
Life Insurance		450	
Medical Insurance		27,497	
Unemployment Compensation		1,828	
Employer Medicare		6,274	
Medical and Dental Services		3,101	
Other Contracted Services		11,059	
Diesel Fuel		161,257	
Gasoline		22,595	
Lubricants		540	
Tires and Tubes		17,397	
Vehicle Parts		76,847	
Other Supplies and Materials		3,627	
Vehicle and Equipment Insurance		32,698	
In Service/Staff Development		100	
Other Charges		2,691	
Debt Service Contribution to Primary Government		89,515	
Administration Equipment		2,112	
Transportation Equipment		429,011	
Total Transportation			\$ 1,367,314

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	34,437	
Social Security		2,135	
State Retirement		2,679	
Life Insurance		24	
Medical Insurance		5,108	
Employer Medicare		499	
Travel		1,271	
Total Food Service			46,153

Community Services

Other Supplies and Materials	\$	1,557	
Total Community Services			1,557

Early Childhood Education

Teachers	\$	258,937	
Clerical Personnel		13,767	
Educational Assistants		93,340	
Other Salaries and Wages		9,347	
Non-certified Substitute Teachers		12,210	
Social Security		22,085	
State Retirement		30,015	
Life Insurance		293	
Medical Insurance		84,429	
Dental Insurance		2,425	

(Continued)

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Early Childhood Education (Cont.)

Employer Medicare	\$	5,167	
Communication		1,193	
Instructional Supplies and Materials		49,847	
In Service/Staff Development		4,182	
Total Early Childhood Education			\$ 587,237

Capital Outlay

Regular Capital Outlay

Architects	\$	1,608	
Other Contracted Services		21,653	
Building Improvements		89,352	
Total Regular Capital Outlay			112,613

Other Debt Service

Education

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

Total General Purpose School Fund \$ 18,852,644

School Federal Projects Fund

Instruction

Regular Instruction Program

Educational Assistants	\$	127,586	
Other Salaries and Wages		800	
Non-certified Substitute Teachers		9,158	
Social Security		8,373	
State Retirement		8,656	
Life Insurance		185	
Medical Insurance		49,176	
Employer Medicare		1,968	
Tuition		59,905	
Instructional Supplies and Materials		103,278	
Regular Instruction Equipment		180,419	
Total Regular Instruction Program			\$ 549,504

Special Education Program

Teachers	\$	49,429	
Educational Assistants		207,474	
Speech Pathologist		44,672	
Other Salaries and Wages		2,652	
Non-certified Substitute Teachers		6,440	
Social Security		20,915	
State Retirement		21,395	
Life Insurance		341	
Medical Insurance		83,476	
Dental Insurance		465	
Employer Medicare		4,902	
Contracts with Private Agencies		21,616	

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Other Contracted Services	\$	37,977	
Instructional Supplies and Materials		6,150	
Other Supplies and Materials		8,086	
Special Education Equipment		17,977	
Total Special Education Program	\$		533,967

Vocational Education Program

Instructional Supplies and Materials	\$	3,726	
Vocational Instruction Equipment		29,017	
Total Vocational Education Program			32,743

Support Services

Health Services

Drugs and Medical Supplies	\$	744	
Total Health Services			744

Other Student Support

Guidance Personnel	\$	20,554	
Assessment Personnel		74,528	
Bus Drivers		156	
Other Salaries and Wages		10,455	
Social Security		6,088	
State Retirement		9,292	
Life Insurance		37	
Medical Insurance		13,439	
Dental Insurance		1,162	
Employer Medicare		1,423	
Travel		10,198	
Other Contracted Services		73,350	
Other Supplies and Materials		51,926	
In Service/Staff Development		1,493	
Total Other Student Support			274,101

Regular Instruction Program

Supervisor/Director	\$	89,504	
Clerical Personnel		12,813	
Other Salaries and Wages		53,852	
Social Security		9,489	
State Retirement		10,645	
Life Insurance		47	
Medical Insurance		8,414	
Dental Insurance		697	
Employer Medicare		2,220	
Consultants		5,000	
Travel		4,920	
Other Supplies and Materials		5,610	
In Service/Staff Development		92,507	
Total Regular Instruction Program			295,718

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Special Education Program

Clerical Personnel	\$	12,812	
Social Security		790	
State Retirement		997	
Life Insurance		12	
Medical Insurance		2,554	
Employer Medicare		185	
Communication		3,200	
Travel		15,807	
Other Contracted Services		27,088	
Other Supplies and Materials		828	
In Service/Staff Development		6,543	
Total Special Education Program			\$ 70,816

Vocational Education Program

Travel	\$	2,140	
Total Vocational Education Program			2,140

Total School Federal Projects Fund \$ 1,759,733

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Cafeteria Personnel	\$	444,000	
Social Security		27,411	
Life Insurance		674	
Medical Insurance		30,704	
Unemployment Compensation		1,222	
Employer Medicare		6,411	
Communication		2,142	
Maintenance and Repair Services - Equipment		32,571	
Other Contracted Services		3,646	
Food Supplies		677,056	
USDA - Commodities		66,870	
Other Supplies and Materials		49,298	
Refunds		117	
In Service/Staff Development		2,026	
Other Charges		49,091	
Food Service Equipment		73,797	
Total Food Service			\$ 1,467,036

Total Central Cafeteria Fund 1,467,036

Total Governmental Funds - Polk County School Department \$ 22,079,413

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, 2013

	Cities - Sales Tax Fund
	<u> </u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 437,526
Total Cash Receipts	<u>\$ 437,526</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 433,151
Trustee's Commission	<u>4,375</u>
Total Cash Disbursements	<u>\$ 437,526</u>
 Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ 0
Cash Balance, July 1, 2012	<u>0</u>
 Cash Balance, June 30, 2013	<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***

Independent Auditor's Report

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

To the County Executive and Board of County Commissioners:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Polk County, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Polk County's basic financial statements, and have issued our report thereon dated February 5, 2014. Our report includes a reference to other auditors who audited the financial statements of the Polk County Emergency Communications District as described in our report on Polk County's financial statements. This report does not include the results of the other auditors testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Polk County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Polk County's internal control. Accordingly, we do not express an opinion on the effectiveness of Polk County's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness: 2013-002.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies: 2013-006 and 2013-008.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Polk County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying Schedule of Findings and Questioned Costs as items: 2013-001, 2013-003, 2013-004, 2013-005, and 2013-007.

Polk County's Responses to Findings

Polk County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Polk County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Very truly yours,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a prominent initial "J" and "W".

Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

February 5, 2014

JPW/kp



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

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

Independent Auditor's Report

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

To the County Executive and Board of County Commissioners:

Report on Compliance for Each Major Federal Program

We have audited Polk County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Polk County's major federal programs for the year ended June 30, 2013. Polk County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Polk County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Polk County's compliance.

Opinion on Each Major Federal Program

In our opinion, Polk County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Polk County's is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Polk County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Polk County's internal control over compliance.

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

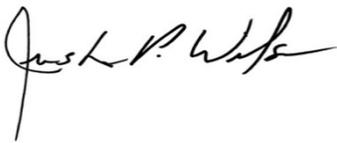
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any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

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

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

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Polk County, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Polk County's basic financial statements. We issued our report thereon dated February 5, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the 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 Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

February 5, 2014

JPW/kp

Polk County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2013

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	\$ 66,870 (3)
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	294,287
National School Lunch Program	10.555	N/A	714,043 (3)
Total U.S. Department of Agriculture			<u>\$ 1,075,200</u>
U.S. Department of Housing and Urban Development:			
Passed-through Tennessee Housing Development Agency:			
Home Investment Partnerships Program	14.239	HM-07-32	\$ 201,885
Total U.S. Department of Housing and Urban Development			<u>\$ 201,885</u>
U.S. Department of Interior:			
Direct Program:			
Payments in-Lieu-of Taxes	15.226	N/A	\$ 112,876
Total U.S. Department of Interior			<u>\$ 112,876</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Airport Improvement Program	20.106	GG-10-229290	\$ 13,241
Alcohol Open Container Requirements	20.607	Z-136H5312	5,000
Total U.S. Department of Transportation			<u>\$ 18,241</u>
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - Basic Grants to States	84.002	(4)	\$ 69,771
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	832,468
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	605,223
Special Education - Preschool Grants	84.173	N/A	16,327
Career and Technical Education - Basic Grants to States	84.048	N/A	46,343
Twenty-first Century Community Learning Centers	84.287	192-08-5-009	109,999
Rural Education	84.358	N/A	62,807
English Language Acquisition State Grants	84.365	N/A	985
Improving Teacher Quality State Grants	84.367	N/A	105,315
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	S395A100032	98,705
Total U.S. Department of Education			<u>\$ 1,947,943</u>
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)	\$ 29,692
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	(2)	25,837
National Family Caregiver Support, Title III, Part E	93.052	(2)	1,938
Total U.S. Department of Health and Human Services			<u>\$ 57,467</u>

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Passed-through Entity Identifying Number	Expenditures
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	\$ 969
Homeland Security Grant Program	97.067	(2)	112,499
Total U.S. Department of Homeland Security			\$ 113,468
Total Expenditures of Federal Awards			\$ 3,527,080
<u>State Grants</u>		<u>Contract Number</u>	
Juvenile Services Program - State Commission on Children and Youth	N/A	(2)	\$ 9,000
Litter Program - State Department of Transportation	N/A	(2)	47,121
Local Health Services - State Department of Health	N/A	GG-1339029	72,268
State Senior Center Program - Southeast Tennessee Development District	N/A	(2)	7,991
Farmers Market Promotion and Retail Grant - State Department of Agriculture	N/A	(2)	1,460
Airport Maintenance Grant - State Department of Transportation	N/A	(2)	2,253
Options Program - Southeast Tennessee Development District	N/A	(2)	3,550
Child Safety Seat Grant - State Department of Health	N/A	(2)	5,176
Certified Voting Equipment Grant - State Department of Elections	N/A	(2)	1,000
Statewide Student Management System - State Department of Education	N/A	(2)	6,848
Voluntary Pre-K for Tennessee - Lottery Commission	N/A	(2)	509,866
Lottery Education After School Programs - Lottery Commission	N/A	(2)	104,995
Safe Schools Act - State Department of Education	N/A	(2)	29,197
Coordinated School Health - State Department of Education	N/A	(2)	59,796
Family Resource Center - State Department of Education	N/A	09-11956	29,612
ConnectTN - State Department of Education	N/A	(2)	8,491
Total State Grants			\$ 898,624

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 \$780,913.
- (4) LWAEFLAF12ABE13: \$66,980; LWAEFLAF12SDV13: \$2,791.

Polk County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2013

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, 2012, which have not been corrected.

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

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
12.03	142	The director of accounts and budgets did not maintain accounting records for the Highway Department
12.04	142	Polk County has a material recurring audit finding

OFFICE OF DIRECTOR OF SCHOOLS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
12.07	144	Expenditures exceeded appropriations

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
12.09	145	Multiple employees operated from the same cash drawer

OFFICE OF SHERIFF

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
12.11	146	Some collections were not deposited within three days of receipt

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

Finding Number	Page Number	Subject
12.12	147	Duties were not segregated adequately

POLK COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2013

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the financial statements of Polk County is unmodified.
2. The audit of the financial statements of Polk County disclosed significant deficiencies in internal control. One of these conditions was considered to be a material weakness.
3. The audit disclosed one instance of noncompliance that is material to the financial statements of Polk County.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unmodified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555), the Special Education Cluster: Special Education – Grants to States, Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173), and the Homeland Security Grant Program (CFDA No. 97.067) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Polk County did not qualify as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. The circuit and general sessions courts clerk provided written responses on certain findings, which are paraphrased in this report. Other management officials did not provide responses for inclusion in this report.

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

FINDING 2013-001

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

(Material Noncompliance Under *Government Auditing Standards*)

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

RECOMMENDATION

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

FINDING 2013-002

POLK COUNTY HAS A MATERIAL RECURRING AUDIT FINDING

(Internal Control – Material Weakness Under *Government Auditing Standards*)

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

<u>Finding Numbers</u>	<u>Description</u>
2013-001, 12.06, 11.12	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 to address financial and other reporting practices, internal control, compliance with laws and regulations, and ethics. Polk County established an Audit Committee on August 15, 2013.

RECOMMENDATION

The Audit Committee should work with management 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.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 2013-003

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:	
Alternative Instruction Program	\$ 21,329
Support Services:	
Attendance	5,083
Special Education Program	3,181
Capital Outlay:	
Regular Capital Outlay	11,186

Section 5-9-401, *Tennessee Code Annotated*, states that “All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs for the various departments, commissions, institutions, boards, offices, and agencies of county governments shall be appropriated to such use by the county legislative bodies.” This deficiency exists because management failed to hold spending within limits authorized by the County Commission, and management failed to correct the finding noted in the prior-year audit report. This deficiency resulted in unauthorized expenditures.

RECOMMENDATION

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

OFFICE OF COUNTY CLERK

FINDING 2013-004

SOME COLLECTIONS WERE NOT DEPOSITED WITHIN THREE DAYS OF RECEIPT

(Noncompliance Under *Government Auditing Standards*)

As part of our audit procedures for obtaining reasonable assurance that funds were deposited to the bank account within three days of collection as required by Section 5-8-207, *Tennessee Code Annotated*, we judgmentally selected the months of April, May, and June to examine receipts and deposits. The office did not deposit some funds to the bank account within three days of collection in ten of 63 deposits made during these months. This deficiency is the result of the lack of management oversight. The delay in depositing funds weakens internal controls over collections and increases the risks of fraud and misappropriation.

RECOMMENDATION

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

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 2013-005

A CASH SHORTAGE OF \$2,702.28 EXISTED ON DECEMBER 31, 2012

(Noncompliance Under *Government Auditing Standards*)

On June 4, 2013, our office issued a special report of a cash shortage of \$2,702.28 that existed in the Office of Circuit and General Sessions Courts Clerk at December 31, 2012. This cash shortage resulted from a deputy clerk improperly voiding receipts totaling \$1,322.78. These receipts were not credited to the customers' cases or otherwise accounted for. Furthermore, we determined that at least \$1,379.50 of applicable fees was eliminated (zeroed out) with no documentation to support why the fees were eliminated. However, it appears that these fees were eliminated to conceal a theft of funds. These voided receipts and eliminated fees were not supported by case files or rule docket entries. Therefore, \$2,702.28 (\$1,322.78 plus \$1,379.50) has been reflected as a cash shortage. The deputy clerk resigned from office on November 8, 2012. This report is available at www.comptroller.tn.gov.

FINDING 2013-006

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.

MANAGEMENT'S RESPONSE – CIRCUIT AND GENERAL SESSIONS COURTS CLERK

We are in the process of correcting our procedures on each employee being responsible for their own cash drawer.

OFFICE OF SHERIFF

FINDING 2013-007

SOME COLLECTIONS WERE NOT DEPOSITED WITHIN THREE DAYS OF RECEIPT

(Noncompliance Under *Government Auditing Standards*)

As part of our audit procedures for obtaining reasonable assurance that funds were deposited to the bank account within three days of collection as required by Section 5-8-207, *Tennessee Code Annotated*, we judgmentally selected the months of April and May to examine receipts and deposits. The office did not deposit some funds to the bank account within three days of collection in 22 of 50 receipts collected during these months. This deficiency exists because management failed to correct the finding noted in the prior-year audit report. The delay in depositing funds weakens internal controls over collections and increases the risks of fraud and misappropriation.

RECOMMENDATION

All collections should be deposited to the office 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 OF DEEDS, SHERIFF, AND THE FOOD SERVICE DEPARTMENT

FINDING 2013-008

DUTIES WERE NOT SEGREGATED ADEQUATELY

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

Duties were not segregated adequately among the officials and employees in the Offices of County Executive, Highway Superintendent, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register of Deeds, 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, 2013**

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