

**ANNUAL FINANCIAL REPORT  
OF  
POLK COUNTY, TENNESSEE  
AND  
POLK COUNTY SCHOOL DEPARTMENT**

---

**SINGLE AUDIT REPORT**



**FOR THE YEAR ENDED JUNE 30, 2006**

**Comptroller of the Treasury  
Department of Audit  
Division of County Audit  
Nashville, Tennessee**

**ANNUAL FINANCIAL REPORT**  
**POLK COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2006**

*DEPARTMENT OF AUDIT*  
*JOHN G. MORGAN*  
*Comptroller of the Treasury*

*DIVISION OF COUNTY AUDIT*  
*RICHARD V. NORMENT*  
*Assistant to the Comptroller*

*ARTHUR L. ALEXANDER*  
*Director*

*CARL LOWE, CGFM*  
*Audit Manager*

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

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

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

---



---

## POLK COUNTY, TENNESSEE

### TABLE OF CONTENTS

---



---

	Exhibit	Page(s)
Audit Highlights		1-2
<u>INTRODUCTORY SECTION</u>		3
Polk County Officials		5
<u>FINANCIAL SECTION</u>		7
Independent Auditor's Report		9-11
BASIC FINANCIAL STATEMENTS:		13
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	A	15-16
Statement of Revenues, Expenditures, and Changes in Fund Balances	B	17-18
Fiduciary Funds:		
Statement of Fiduciary Assets and Liabilities	C	19
Notes to the Financial Statements		21-40
REQUIRED SUPPLEMENTARY INFORMATION:		41
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Fund	D-1	43-45
Highway/Public Works Fund	D-2	46
Notes to the Required Supplementary Information		47
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		49
Nonmajor Governmental Funds:		51
Combining Balance Sheet	E-1	53
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	E-2	54-55
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
Solid Waste/Sanitation Fund	E-3	56
Drug Control Fund	E-4	57

	Exhibit	Page(s)
Major Governmental Fund:		59
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
General Debt Service Fund	F	61
Fiduciary Funds:		63
Combining Statement of Fiduciary Assets and Liabilities	G-1	65
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	G-2	66
Miscellaneous Schedules:		67
Schedule of Changes in Long-term Notes, Capital Leases, and Other Loans	H-1	69
Schedule of Transfers	H-2	70
Schedule of Salaries and Official Bonds of Principal Officials	H-3	71
Schedule of Detailed Revenues – All Governmental Fund Types	H-4	72-81
Schedule of Detailed Expenditures – All Governmental Fund Types	H-5	82-95
Schedule of Detailed Receipts, Disbursements, and Changes in Cash Balance – City Agency Fund	H-6	96

# ***Audit Highlights***

Annual Financial Report  
Polk County, Tennessee  
For the Year Ended June 30, 2006

## ***Scope***

We have audited the financial statements of each major fund and the aggregate remaining fund information of Polk County as of and for the year ended June 30, 2006.

## ***Results***

Our report on Polk County's financial statements expresses an adverse opinion because government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34.

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 Report.

## ***Findings***

The following are summaries of the audit findings:

### **POLK COUNTY**

- ◆ Government-wide financial statements were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion.

---

### **OFFICE OF HIGHWAY SUPERINTENDENT**

- ◆ Purchases of petroleum, rock, hot-mix, oil, stripping, tires, and pipe, were not always made from the vendor who submitted the lowest bid.
- ◆ Receivables and payables at June 30, 2006, were not determined and recorded on the accounting records.
- ◆ The office did not file a Report on Debt Obligations with the state director of Local Finance for the lease-purchase of a dump truck.
- ◆ A summary of changes from the prior year county road list was not submitted to the County Commission for approval.

---

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

- ◆ Collections were not always deposited to their office bank accounts within three days of receipt as required by state statute.
-

## **OTHER FINDINGS**

- ◆ The director of accounts and budget did not maintain the accounting records of the Highway Department as required by the Fiscal Control Acts of 1957.
- ◆ Duties were not segregated adequately in the Offices of County Executive, Highway Superintendent, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff.

---

---

# INTRODUCTORY SECTION

---

---

# Polk County Officials

## June 30, 2006

---

### **Officials**

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

### **Board of County Commissioners**

John Pippenger, Chairman  
Greg Barker  
Rodney Burris  
Wanda Cheek  
Wendell Lewis  
Gary Mantooth  
David Milen  
Daren Waters  
Fred Wilcoxon

---

---

## FINANCIAL SECTION

---

---



**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-0269  
PHONE (615) 401-7841**

**INDEPENDENT AUDITOR'S REPORT**

December 15, 2006

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

To the County Executive and Board of County Commissioners:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of Polk County, Tennessee, as of and for the year ended June 30, 2006, as shown on pages 15 through 40, which collectively comprise a portion of the county's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Polk County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities and discretely presented component units. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements

for the county's governmental activities and discretely presented component units are not reasonably determinable.

As described in Note I, Polk County, Tennessee, has prepared its financial statements on a prescribed basis of accounting that demonstrates compliance with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. These standards require county governments that do not present government-wide financial statements to present fund financial statements in conformity with all the accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements. These standards also require some additional disclosures to be included in the notes to the financial statements, as described in Note I.

In our opinion, because of the effects of the matters discussed in the two preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Polk County, Tennessee, as of June 30, 2006, or the changes in its financial position for the year then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of Polk County, Tennessee, as of June 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee.

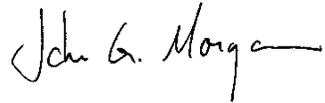
In accordance with Government Auditing Standards, we have also issued our report dated December 15, 2006, on our consideration of Polk County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 43 through 47 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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, 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, and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,

A handwritten signature in cursive script that reads "John G. Morgan". The signature is written in black ink and includes a long horizontal flourish at the end.

John G. Morgan  
Comptroller of the Treasury

JGM/rc

---

---

# BASIC FINANCIAL STATEMENTS

---

---

Exhibit A

Polk County, Tennessee  
Balance Sheet  
Governmental Funds  
June 30, 2006

	Major Funds				Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Other Capital Projects	Other Govern- mental Funds	
<u>ASSETS</u>						
Equity in Pooled Cash and Investments	\$ 365,189	\$ 667,745	\$ 762,876	\$ 0	\$ 304,273	\$ 2,100,083
Accounts Receivable	1,600	15,145	0	0	463,866	480,611
Due from Other Governments	159,427	277,110	3,847	0	0	440,384
Due from Other Funds	0	0	0	0	51,452	51,452
Property Taxes Receivable	3,658,079	0	738,107	0	0	4,396,186
Allowance for Uncollectible Property Taxes	(323,933)	0	(66,173)	0	0	(390,106)
<b>Total Assets</b>	<b>\$ 3,860,362</b>	<b>\$ 960,000</b>	<b>\$ 1,438,657</b>	<b>\$ 0</b>	<b>\$ 819,591</b>	<b>\$ 7,078,610</b>
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Accounts Payable	\$ 30,804	\$ 72,612	\$ 0	\$ 0	\$ 604,731	\$ 708,147
Payroll Deductions Payable	1,821	0	0	0	0	1,821
Contracts Payable	0	0	0	481,604	0	481,604
Retainage Payable	0	0	0	52,956	0	52,956
Due to Other Funds	51,452	0	0	0	0	51,452
Matured Interest on Bonds	0	0	5,827	0	0	5,827
Deferred Revenue - Current Property Taxes	3,199,290	0	643,884	0	0	3,843,174
Deferred Revenue - Delinquent Property Taxes	117,768	0	24,496	0	0	142,264
Other Deferred Revenues	13,732	143,433	1,282	0	0	158,447
<b>Total Liabilities</b>	<b>\$ 3,414,867</b>	<b>\$ 216,045</b>	<b>\$ 675,489</b>	<b>\$ 534,560</b>	<b>\$ 604,731</b>	<b>\$ 5,445,692</b>
<u>Fund Balances</u>						
Reserved for Encumbrances	\$ 140,001	\$ 0	\$ 0	\$ 4,157,393	\$ 2,550	\$ 4,299,944
Reserved for Purchase of Electronic Fingerprint Imaging System	0	0	0	0	18,780	18,780
Reserved for Alcohol and Drug Treatment	33,296	0	0	0	0	33,296
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	30,112	0	0	0	0	30,112
Reserved for Drug Court	7,605	0	0	0	0	7,605
Reserved for Computer System - Register	47,281	0	0	0	0	47,281
Reserved for Automation Purposes - Circuit Court	1,818	0	0	0	0	1,818

(Continued)

Exhibit A

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

LIABILITIES AND FUND BALANCES (Cont.)

Fund Balances (Cont.)

	Major Funds				Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Other Capital Projects	Other Govern- mental Funds	
Reserved for Automation Purposes - General Sessions Court	\$ 11,960	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,960
Reserved for Automation Purposes - Juvenile Court	1,539	0	0	0	0	1,539
Reserved for Automation Purposes - Chancery Court	822	0	0	0	0	822
Reserved for Other General Purposes	5,205	0	0	0	0	5,205
Unreserved, Reported In:						
General Fund	165,856	0	0	0	0	165,856
Special Revenue Funds	0	743,955	0	0	78,112	822,067
Debt Service Funds	0	0	763,168	0	0	763,168
Capital Projects Funds (Deficit)	0	0	0	(4,691,953)	115,418	(4,576,535)
Total Fund Balances	\$ 445,495	\$ 743,955	\$ 763,168	\$ (534,560)	\$ 214,860	\$ 1,632,918
Total Liabilities and Fund Balances	\$ 3,860,362	\$ 960,000	\$ 1,438,657	\$ 0	\$ 819,591	\$ 7,078,610

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

Exhibit B

Polk County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2006

	Major Funds					Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Education Capital Projects	Other Capital Projects	Other Govern- mental Funds	
<u>Revenues</u>							
Local Taxes	\$ 3,447,021	\$ 0	\$ 619,831	\$ 0	\$ 0	\$ 0	\$ 4,066,852
Licenses and Permits	61,509	0	0	0	0	0	61,509
Fines, Forfeitures, and Penalties	129,439	0	0	0	0	74,617	204,056
Charges for Current Services	23,959	0	0	0	0	9,300	33,259
Other Local Revenues	61,725	261,349	37,163	0	0	3,014	363,251
Fees Received from County Officials	650,918	0	0	0	0	0	650,918
State of Tennessee	692,202	1,750,079	60,895	0	0	0	2,503,176
Federal Government	510,153	45,366	0	0	0	733,081	1,288,600
Other Governments and Citizens Groups	33,600	0	693,558	0	0	1,605	728,763
Total Revenues	\$ 5,610,526	\$ 2,056,794	\$ 1,411,447	\$ 0	\$ 0	\$ 821,617	\$ 9,900,384
<u>Expenditures</u>							
Current:							
General Government	\$ 783,471	\$ 0	\$ 0	\$ 0	\$ 0	\$ 380	\$ 783,851
Finance	412,183	0	0	0	0	0	412,183
Administration of Justice	342,302	0	0	0	0	9,300	351,602
Public Safety	1,589,859	0	0	0	0	103,531	1,693,390
Public Health and Welfare	956,903	0	0	0	0	407,926	1,364,829
Social, Cultural, and Recreational Services	34,061	0	0	0	0	0	34,061
Agricultural and Natural Resources	47,003	0	0	0	0	0	47,003
Other Operations	843,385	0	0	0	0	792	844,177
Highways	0	1,961,494	0	0	0	0	1,961,494
Debt Service:							
Principal on Debt	0	6,439	677,197	0	0	0	683,636
Interest on Debt	0	1,629	587,961	0	0	0	589,590
Other Debt Service	0	0	17,552	0	0	0	17,552
Capital Projects	0	0	0	3,261,439	3,710,824	730,306	7,702,569
Total Expenditures	\$ 5,009,167	\$ 1,969,562	\$ 1,282,710	\$ 3,261,439	\$ 3,710,824	\$ 1,252,235	\$ 16,485,937
Excess (Deficiency) of Revenues							
Over Expenditures	\$ 601,359	\$ 87,232	\$ 128,737	\$ (3,261,439)	\$ (3,710,824)	\$ (430,618)	\$ (6,585,553)
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 200,000	\$ 0	\$ 0	\$ 200,000
Capital Leases Issued	0	42,376	0	0	0	0	42,376

(Continued)

Exhibit B

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

	Major Funds					Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Education Capital Projects	Other Capital Projects	Other Govern- mental Funds	
<u>Other Financing Sources (Uses) (Cont.)</u>							
Other Loans Issued	\$ 0	\$ 0	\$ 0	\$ 3,061,439	\$ 3,542,580	\$ 0	\$ 6,604,019
Transfers In	0	0	0	0	0	407,926	407,926
Transfers Out	(407,926)	0	0	0	0	0	(407,926)
Total Other Financing Sources (Uses)	\$ (407,926)	\$ 42,376	\$ 0	\$ 3,261,439	\$ 3,542,580	\$ 407,926	\$ 6,846,395
Net Change in Fund Balances	\$ 193,433	\$ 129,608	\$ 128,737	\$ 0	\$ (168,244)	\$ (22,692)	\$ 260,842
Fund Balance, July 1, 2005	252,062	614,347	634,431	0	(366,316)	237,552	1,372,076
Fund Balance, June 30, 2006	\$ 445,495	\$ 743,955	\$ 763,168	\$ 0	\$ (534,560)	\$ 214,860	\$ 1,632,918

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

Exhibit C

Polk County, Tennessee  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2006

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 1,017,006
Due from Other Governments	<u>49,749</u>
Total Assets	<u>\$ 1,066,755</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 49,749
Due to Litigants, Heirs, and Others	<u>1,017,006</u>
Total Liabilities	<u>\$ 1,066,755</u>

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

**POLK COUNTY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2006**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Polk County's financial statements are not 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.

Polk County has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities and discretely presented component units. The two government-wide financial statements, the statement of net assets and the statement of activities, should be included in the basic financial statements to conform with the provisions of GASB Statement 34 and accounting principles generally accepted in the United States of America. Polk County has elected instead only to implement the provisions of the statement and other accounting principles generally accepted in the United States of America that relate to the fund financial statements. This departure from GAAP results in an incomplete presentation and has caused Polk County's auditor to issue an adverse opinion on the county's financial statements.

Although Polk County's financial statements are not presented in conformity with GAAP, the financial statements have been presented in conformity with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. The Comptroller of the Treasury has adopted financial reporting standards for local governments in Tennessee that do not implement the provisions of GASB Statement 34. These standards require fund financial statements to be presented in conformity with all the provisions of GASB Statement 34 that are applicable to fund financial statements, including the notes to the financial statements. These standards also require the fund financial statements to be presented in conformity with all other accounting principles generally accepted in the United States of America that are applicable to fund financial statements including the notes to the financial statements.

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).

**Blended Component Units** – There are no legally separate component units of Polk County that meet the criteria for being reported as part of the primary government by the blending method.

**Excluded Component Units** – The following entities meet the criteria for discretely presented component units of the county. Since Polk County is

presenting fund financial statements only, the financial information of entities that meet the criteria for discretely presented component units is not included in the fund financial statements, as required by generally accepted accounting principles. These entities would have been presented as separate columns in those statements to emphasize that they are legally separated from the county.

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

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

The Copper Basin Utility District provides water service for a portion of Polk County, and the Polk County Commission appoints its governing body. The issuance of debt by the utility district is subject to the County Commission's approval.

The Polk County School Department, the Polk County Emergency Communications District, and the Copper Basin Utility District issue separate financial statements from those of the county. The School Department's financial statements are published as a separate report but under the same cover as the county's financial statements. The Polk County Emergency Communications District's and the Copper Basin Utility District's financial statements are published as separate reports. Complete financial statements of the Polk County Emergency Communications District and the Copper Basin Utility District can be obtained from their administrative offices at the following addresses:

Administrative Offices:

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

Copper Basin Utility District  
2597 Highway 64  
Turtletown, Tennessee 37391

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

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

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 fiduciary funds in total are reported in a single column.

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.

Fiduciary fund 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.

Polk County reports the following major governmental funds:

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

**Highway/Public Works Fund** – This fund accounts for transactions of the county Highway Department.

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

**Education Capital Projects Fund** – This fund accounts for debt issued by Polk County that is subsequently contributed to the Polk County School Department for building construction and renovations.

**Other Capital Projects Fund** – This fund is used to account for the Justice Center Facilities capital project.

Additionally, Polk County reports the following fund type:

**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.

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

**1. Deposits and Investments**

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; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; the county’s own legally issued bonds or notes; the State Treasurer’s Investment Pool; and repurchase agreements.

The county trustee maintains a cash and internal investment pool that is used by all Polk County and Polk County School Department funds (excluding the School Department’s Self-Insurance Fund). Each fund’s portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Debt Service Fund. Polk County and the Polk County School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with

maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

## **2. Receivables and Payables**

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

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 5.29 percent of the total taxes levied.

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

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

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

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

Retainage payable in the Other Capital Projects Fund represents amounts withheld from payments made on construction contracts pending completion of the projects. These amounts are held by the county trustee as Equity in Pooled Cash and Investments.

**3. Capital Assets**

Governmental funds do not capitalize the cost of capital outlays; these funds report capital outlays as expenditures upon acquisition. Polk County does not maintain capital assets records as required by generally accepted accounting principles. Capital assets should be reported in the government-wide statement of net assets; however, as previously noted, Polk County does not present government-wide statements.

**4. Compensated Absences**

It is the county's policy, with the exception of the Highway Department, to permit employees to accumulate earned but unused vacation and sick leave benefits. 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. 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 payment of this unused vacation leave is guaranteed; however, such amounts are not considered material to the county's financial statements.

The general policy of the Highway Department does not allow for the accumulation of vacation or sick leave.

**5. Long-term Obligations**

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

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.

**6. Fund Equity**

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Information**

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

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

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

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

**B. Fund Deficit**

The Other Capital Projects Fund had an undesignated fund deficit of \$4,691,953 as of June 30, 2006. This fund deficit resulted from the recognition of the unperformed portion of construction contracts totaling \$4,157,393 being reserved as encumbrances in the financial statements of this report, \$481,604 in contracts payable, and \$52,956 in retainage payable. Funding for these current and future expenditures is expected to be received from other loan proceeds.

### III. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and Investments

Polk County and the Polk County School Department participate in an internal cash and investment pool through the Office of Trustee. The Polk County School Department meets the criteria for a discretely presented component unit of Polk County. Since Polk County is presenting fund financial statements only, the financial information for the Polk County School Department is not included in these fund financial statements. 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 its balance sheets as Equity in Pooled Cash and Investments. Cash reflected in the fund financial statements 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; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; 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 director of Local Finance 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 market value of the securities on the day of purchase. The county had no pooled or nonpooled investments as of June 30, 2006.

**B. Construction Commitments**

At June 30, 2006, the Other Capital Projects Fund had uncompleted construction contracts of approximately \$4,157,393 for justice center facilities. Funding for these future expenditures is expected to be received from other loan proceeds.

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

The composition of interfund balances as of June 30, 2006, is as follows:

**Due to/from other funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor governmental	General	\$ 51,452

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

**Interfund Transfers:**

Interfund transfers for the year ended June 30, 2006, consisted of the following amount:

<u>Transfers Out</u>	<u>Transfers In</u> Nonmajor Governmental Funds
General Fund	\$ 407,926
Total	\$ 407,926

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

**D. Capital Leases**

On February 2, 2005, Polk County entered into a three-year lease-purchase agreement for Sheriff's Department vehicles. The terms of the agreement require total lease payments of \$33,174 plus interest of 5.8 percent. Title to the vehicles transfers to Polk County at the end of the lease period. The lease payments are made from the Drug Control Fund.

On July 21, 2005, the Polk County Highway Department entered into a five-year lease-purchase agreement for a dump truck. The terms of the agreement require total lease payments of \$42,376 plus interest of 2.85 percent. Title to the vehicles transfers to Polk County Highway Department at the end of the lease period. The lease payments are made from the Highway/Public Works Fund.

Since Polk County is presenting fund financial statements only, the present value of minimum lease payments under lease agreements has not been reported as a liability in the financial statements of the governmental funds. Long-term debt for governmental funds is required to be reported as a liability in the government-wide financial statements, but Polk County is not presenting government-wide financial statements. Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2006, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Funds</u>
2007	\$ 20,568
2008	9,682
2009	9,682
2010	9,682
2011	<u>2,420</u>
Total Minimum Lease Payments	\$ 52,034
Amount Representing Interest	<u>(5,050)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 46,984</u></u>

**E. Long-term Debt**

Since Polk County is presenting fund financial statements only, long-term debt is not reported as a liability in the financial statements of the governmental funds. Long-term debt for governmental funds is required to

be reported as a liability in government-wide financial statements, but Polk County is not presenting government-wide financial statements.

Notes and Other Loans

The county issues other loans to provide funds for the acquisition and construction of major capital facilities. Capital outlay notes are also issued to fund capital facilities and other capital outlay purchases, such as equipment.

Capital outlay notes and other loans are direct obligations and pledge the full faith and credit of the government. Capital outlay notes and other loans were issued for original terms of up to four and one-half years for notes and up to 21 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All notes and other loans included in long-term debt as of June 30, 2006, will be retired from the General Debt Service Fund.

Capital outlay notes, other loans, and capital leases outstanding as of June 30, 2006, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-06
Capital Outlay Notes	3.5 %	\$ 200,000	\$ 160,000
Other Loans	variable	19,876,479	18,218,282
Capital Leases	2.85 to 5.8	75,550	46,984

In 2000, Polk County entered into a loan agreement with the Montgomery County Public Building Authority. Under this loan agreement, the authority loaned \$8,000,000 to Polk County for construction of a new high school. This loan is repayable at an interest rate that is a tax-exempt variable rate determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the county pays various other fees (trustee, letter of credit, and debt remarketing) in connection with this loan. At June 30, 2006, the variable interest rate was 3.52 percent, and other fees amounted to approximately .25 percent (letter of credit), and .08 percent (remarketing fee) of outstanding principal, in addition to a trustee fee of \$1,200 annually.

In 2003, Polk County entered into a loan agreement with the Montgomery County Public Building Authority. Under this loan agreement, the authority loaned \$8,129,000 to Polk County for construction of a new high school. This loan is repayable at an interest rate that is a tax-exempt variable rate determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the county pays various other fees (trustee, letter of credit, and debt remarketing) in connection with this loan. At June 30, 2006, the variable interest rate was 3.7 percent, and other fees

amounted to approximately .25 percent (letter of credit), and .08 percent (remarketing fee) of outstanding principal, in addition to a trustee fee of \$1,200 annually.

In 2005, Polk County entered into a loan agreement with the Montgomery County Public Building Authority. This loan agreement provides for the authority to make available \$8,800,000 to Polk County for a justice center facilities construction project. As of June 30, 2006, Polk County had borrowed \$3,747,479 of these proceeds. The remaining loan is repayable at an interest rate that is a tax-exempt variable rate determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the county pays various other fees (trustee, letter of credit, and debt remarketing) in connection with this loan. At June 30, 2006, the variable interest rate was 3.7 percent, and other fees amounted to approximately 25 percent (letter of credit), and .08 percent (remarketing fee) of outstanding principal, in addition to a trustee fee of \$1,200 annually.

The annual requirements to amortize all notes and other loans outstanding as of June 30, 2006, including interest payments and other fees, are presented in the following table:

Year Ending June 30	Notes	
	Principal	Interest
2007	\$ 40,000	\$ 5,600
2008	40,000	4,200
2009	40,000	2,800
2010	40,000	1,400
Total	<u>\$ 160,000</u>	<u>\$ 14,000</u>

Year Ending June 30	Other Loan (\$8,000,000)			
	Principal	Interest	Other Fees	Total
2007	\$ 310,000	\$ 235,277	\$ 23,257	\$ 568,534
2008	325,000	224,365	22,234	571,599
2009	342,000	212,925	21,162	576,087
2010	359,000	200,886	20,033	579,919
2011	376,000	188,250	18,848	583,098
2012-2016	2,184,000	728,815	74,327	2,987,142
2017-2021	2,788,000	303,918	34,492	3,126,410
Total	<u>\$ 6,684,000</u>	<u>\$ 2,094,436</u>	<u>\$ 214,353</u>	<u>\$ 8,992,789</u>

Year Ending June 30	Other Loan (\$8,129,000)			Total
	Principal	Interest	Other Fees	
2007	\$ 353,010	\$ 288,112	\$ 26,896	\$ 668,018
2008	364,165	275,050	25,732	664,947
2009	375,673	261,576	24,530	661,779
2010	387,544	247,676	23,290	658,510
2011	399,791	233,337	22,011	655,139
2012-2016	2,196,629	935,229	89,412	3,221,270
2017-2021	2,566,335	502,346	50,804	3,119,485
2022-2023	1,143,656	63,802	8,090	1,215,548
Total	\$ 7,786,803	\$ 2,807,128	\$ 270,765	\$ 10,864,696

Year Ending June 30	Other Loan (\$8,800,000 authorized)			Total
	Principal	Interest	Other Fees	
2007	\$ 0	\$ 138,657	\$ 17,609	\$ 156,266
2008	376,000	138,657	17,308	531,965
2009	387,000	124,745	16,058	527,803
2010	399,000	110,426	14,772	524,198
2011	411,000	95,663	13,445	520,108
2012-2016	2,174,479	240,960	45,904	2,461,343
Total	\$ 3,747,479	\$ 849,108	\$ 125,096	\$ 4,721,683

There is \$763,168 available in the General Debt Service Fund to service long-term debt. Debt per capita, including notes, other loans, and capital leases totaled \$1,148, based on the 2000 federal census.

#### Changes in Long-term liabilities

Long-term liability activity for the year ended June 30, 2006, was as follows:

Governmental Activities:

	<u>Notes</u>
Balance, July 1, 2005	\$ 0
Additions	200,000
Deductions	<u>(40,000)</u>
Balance, June 30, 2006	<u>\$ 160,000</u>
Balance Due Within One Year	<u>\$ 40,000</u>

	Other Loans	Capital Leases
Balance, July 1, 2005	\$ 12,251,460	\$ 21,482
Additions	6,604,019	42,376
Deductions	(637,197)	(16,874)
Balance, June 30, 2006	<u>\$ 18,218,282</u>	<u>\$ 46,984</u>
Balance Due Within One Year	<u>\$ 663,010</u>	<u>\$ 18,257</u>

**F. Short-term Debt**

Polk County issued tax anticipation notes in advance of property tax collections and deposited the proceeds in the General Fund. These notes were necessary because funds were not available to meet debt service payments coming due before current tax collections. Short-term debt activity for the year ended June 30, 2006, was as follows:

	Balance 7-1-05	Issued	Redeemed	Balance 6-30-06
Tax Anticipation Notes	\$ 0	\$ 400,000	\$ (400,000)	\$ 0

**IV. OTHER INFORMATION**

**A. Risk Management**

The county is exposed to various risks related to general liability, property, and casualty losses. Polk County is a member of the Tennessee School Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by the Tennessee School Boards Association. Annual premiums are paid to the pool for the risk coverage noted above. The creation of this pool provides for it to be self-sustaining through member premiums.

Polk County is also a member of the Local Government Workers' Compensation Fund, which is a public entity risk pool established by the Tennessee County Services Association, an association of member counties. The county pays annual premiums to the pool for its workers' compensation insurance coverage. The creation of the pool provides for it to be self-sustaining through member premiums.

Polk County provides employee health insurance coverage through a commercial insurance company. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

**B. Accounting Changes**

The provisions of Governmental Accounting Standards Board (GASB) Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries became effective for the year ended June 30, 2006. GASB Statement No. 42 requires governments to report the effects of capital asset impairments in their financial statements when they occur rather than as a part of the ongoing depreciation expense for the capital asset or upon disposal of the capital asset. In addition, GASB Statement No. 42 clarifies and establishes accounting requirements for insurance recoveries. GASB Statement No. 42 had no effect on the financial statements for the year ended June 30, 2006, since no capital asset impairment and insurance recoveries occurred. However, it is reasonably expected that capital asset impairment and insurance recoveries may occur in subsequent years that will be subject to the provisions of Statement No. 42.

The provisions of GASB Statement No. 44, Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1) became effective for the year ended June 30, 2006. GASB Statement No. 44 applies to the preparation of the statistical section. State and local governments may, but are not required to, prepare a statistical section to accompany basic financial statements. However, a statistical section is required to accompany a comprehensive annual financial report. Since Polk County is not presenting a comprehensive annual financial report, it has elected not to prepare a statistical section. A limited statistical section was presented in the prior year's report. GASB Statement No. 44 amends guidance related to the preparation of the statistical section. This statement improves the understandability and usefulness of statistical information by addressing the comparability problems that have developed in practice and by adding information from the new financial reporting model for state and local governments required by GASB Statement No. 34. GASB Statement No. 44 establishes the objectives of the statistical section and the five categories it contains: financial trends, revenue capacity, debt capacity, demographic and economic, and operating. It is reasonably expected that Polk County will prepare and present a statistical section in subsequent years that follows the requirements of GASB Statement No. 44.

The provisions of GASB Statement No. 46, Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34 became effective for the year ended June 30, 2006. GASB Statement No. 46 provides guidance to determine when net assets have been restricted to a particular use by the passage of enabling legislation and specifies how those net assets should be reported in financial statements when there are changes in the circumstances surrounding such legislation. The statement also requires governments to

disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation as of the end of the reporting period. Polk County had no net assets restricted by enabling legislation to disclose as of June 30, 2006. But it is reasonably expected that Polk County will be required to disclose net assets restricted by enabling legislation in subsequent years.

The provisions of GASB Statement No. 47, Accounting for Termination Benefits became effective for the year ended June 30, 2006. GASB Statement No. 47 provides accounting and reporting guidance for state and local governments that offer benefits such as early retirement incentives or severance to employees who are involuntarily terminated. Statement No. 47 specifies when governments should recognize the cost of termination benefits they offer in accrual basis financial statements. Polk County was not offering any termination benefits to employees as of June 30, 2006. But it is reasonably expected that Polk County will offer termination benefits in subsequent years subject to the accounting and reporting requirements of GASB Statement No. 47.

**C. Subsequent Events**

On August 31, 2006, Hoyt Firestone left the Office of County Executive and was succeeded by Mike Stinnett.

On August 31, 2006, Ruth Allen left the Office of Director of Accounts and Budgets and was succeeded by Rachel Rogers.

On July 12, 2006, Polk County issued a capital outlay note totaling \$50,000 for a library construction project.

During the period July 1, 2006, through December 15, 2006, Polk County borrowed \$3,043,796 for the justice center facilities construction project pursuant to loan agreements with the Montgomery County Public Building Authority.

**D. Contingent Liabilities**

There are numerous cases filed in the Chancery Court of Polk County on behalf of commercial rafting outfitters questioning the constitutionality of the amusement tax Polk County applies to the participation in a whitewater rafting event on the Ocoee River. Numerous rafting companies for the past few years have paid the tax under protest. If the rafting tax is held to be unconstitutional, the overall exposure to the county would be significant since the county receives between \$300,000 and \$350,000 per year in tax revenue from all of the rafting companies, the revenue loss would also be increased by the refund of taxes already paid under protest which would be approximately \$800,000 to \$900,000.

The county is also 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 financial statements of the county.

**E. Joint Venture**

The Tenth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Tenth Judicial District and participating municipalities in the district. The Tenth Judicial District includes Bradley, McMinn, Monroe, and Polk Counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a Board of Directors that includes the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within the judicial district. Polk County made no contributions to the DTF for the year ended June 30, 2006, 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, Tennessee 37371

**F. Jointly Governed Organization**

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

**G. Retirement Commitments**

**Plan Description**

Employees of Polk County are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits.

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

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

### **Funding Policy**

Polk County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2006, was 8.27 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Polk County is established and may be amended by the TCRS Board of Trustees.

### **Annual Pension Cost**

For the year ending June 30, 2006, Polk County's annual pension cost of \$293,876 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2003, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), and (c) projected 3.5 percent annual increase in the Social Security wage base. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year

period. Polk County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was 13 years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

### Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-06	\$293,876	100%	\$0
6-30-05	272,510	100	0
6-30-04	229,416	100	0

### Schedule of Funding Progress

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b) - (a)	(a/b)	(c)	((b-a)/c)
6-30-05	\$3,035	\$3,419	\$384	88.77%	\$3,214	11.95%
6-30-03	2,087	2,504	417	83.35	3,098	13.46
6-30-01	1,234	1,684	450	73.28	2,283	19.71

#### **H. 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 budget. However, funds under the supervision of the highway superintendent were maintained by employees of the Highway Department.

#### **I. 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). These statutes provide for a purchasing agent to make all purchases exceeding \$5,000 after soliciting sealed competitive bids through public advertisement.

Office of Highway Superintendent

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

---

---

**REQUIRED SUPPLEMENTARY  
INFORMATION**

---

---

Exhibit D-1

Polk County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
General Fund  
For the Year Ended June 30, 2006

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 3,447,021	\$ 0	\$ 0	\$ 3,447,021	\$ 3,551,575	\$ 3,624,927	\$ (177,906)
Licenses and Permits	61,509	0	0	61,509	56,600	61,500	9
Fines, Forfeitures, and Penalties	129,439	0	0	129,439	136,950	140,683	(11,244)
Charges for Current Services	23,959	0	0	23,959	18,690	18,690	5,269
Other Local Revenues	61,725	0	0	61,725	13,280	13,280	48,445
Fees Received from County Officials	650,918	0	0	650,918	570,200	582,439	68,479
State of Tennessee	692,202	0	0	692,202	584,020	600,895	91,307
Federal Government	510,153	0	0	510,153	99,600	569,121	(58,968)
Other Governments and Citizens Groups	33,600	0	0	33,600	32,800	32,800	800
<b>Total Revenues</b>	<b>\$ 5,610,526</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 5,610,526</b>	<b>\$ 5,063,715</b>	<b>\$ 5,644,335</b>	<b>\$ (33,809)</b>
<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 12,850	\$ 0	\$ 0	\$ 12,850	\$ 17,900	\$ 17,900	\$ 5,050
Board of Equalization	485	(485)	0	0	1,200	1,200	1,200
County Mayor/Executive	83,778	0	0	83,778	84,012	84,012	234
Election Commission	293,116	(9,100)	2,210	286,226	95,211	297,366	11,140
Register of Deeds	81,835	(75)	450	82,210	89,812	89,812	7,602
County Buildings	110,729	(325)	4,150	114,554	105,643	121,578	7,024
Other General Administration	200,678	(160)	104	200,622	194,823	209,592	8,970
<u>Finance</u>							
Accounting and Budgeting	39,824	0	0	39,824	39,824	39,824	0
Property Assessor's Office	152,484	(2,016)	0	150,468	147,070	152,823	2,355
County Trustee's Office	102,789	0	0	102,789	101,564	103,572	783
County Clerk's Office	117,086	(325)	0	116,761	125,699	125,699	8,938
<u>Administration of Justice</u>							
Circuit Court	135,611	0	0	135,611	133,290	137,023	1,412

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	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>							
General Sessions Court	\$ 68,471	\$ 0	\$ 0	\$ 68,471	\$ 69,270	\$ 69,270	\$ 799
Drug Court	6,886	0	0	6,886	0	6,886	0
Chancery Court	97,369	0	386	97,755	100,092	99,192	1,437
Juvenile Court	33,965	0	316	34,281	41,277	41,777	7,496
<u>Public Safety</u>							
Sheriff's Department	749,850	(4,847)	23,555	768,558	735,162	786,163	17,605
Correctional Incentive Program Improvements	520,557	(14,900)	21,200	526,857	556,712	539,675	12,818
Fire Prevention and Control	1,000	0	0	1,000	1,000	1,000	0
Civil Defense	216,617	(108,976)	29,346	136,987	67,000	140,507	3,520
Rescue Squad	25,517	0	53,139	78,656	73,350	83,358	4,702
Other Emergency Management	76,318	(10,545)	4,282	70,055	8,230	121,402	51,347
County Coroner/Medical Examiner	0	0	0	0	300	300	300
<u>Public Health and Welfare</u>							
Local Health Center	47,480	0	300	47,780	53,655	53,655	5,875
Ambulance/Emergency Medical Services	735,990	0	0	735,990	735,990	735,990	0
Crippled Children Services	1,250	0	0	1,250	1,250	1,250	0
Other Local Health Services	99,182	0	0	99,182	106,140	106,140	6,958
Sanitation Education/Information	28,881	(465)	563	28,979	29,237	29,237	258
Other Public Health and Welfare	44,120	0	0	44,120	48,490	48,490	4,370
<u>Social, Cultural, and Recreational Services</u>							
Senior Citizens Assistance	17,462	0	0	17,462	17,462	17,462	0
Other Social, Cultural, and Recreational	16,599	0	0	16,599	17,171	17,171	572
<u>Agriculture &amp; Natural Resources</u>							
Agriculture Extension Service	30,237	(480)	0	29,757	29,100	29,757	0
Soil Conservation	16,766	0	0	16,766	16,767	16,767	1

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Other Operations</u>							
Industrial Development	\$ 5,136	\$ 0	\$ 0	\$ 5,136	\$ 5,136	\$ 5,136	\$ 0
Other Economic and Community Development	51,161	0	0	51,161	3,800	52,698	1,537
Veterans' Services	6,785	0	0	6,785	6,746	6,846	61
Other Charges	189,016	(20,479)	0	168,537	164,000	192,604	24,067
Contributions to Other Agencies	30,951	0	0	30,951	0	30,951	0
Employee Benefits	560,336	0	0	560,336	624,242	623,977	63,641
Total Expenditures	\$ 5,009,167	\$ (173,178)	\$ 140,001	\$ 4,975,990	\$ 4,647,627	\$ 5,238,062	\$ 262,072
Excess (Deficiency) of Revenues							
Over Expenditures	\$ 601,359	\$ 173,178	\$ (140,001)	\$ 634,536	\$ 416,088	\$ 406,273	\$ 228,263
<u>Other Financing Sources (Uses)</u>							
Transfers Out	\$ (407,926)	\$ 0	\$ 0	\$ (407,926)	\$ (410,000)	\$ (410,000)	\$ 2,074
Total Other Financing Sources (Uses)	\$ (407,926)	\$ 0	\$ 0	\$ (407,926)	\$ (410,000)	\$ (410,000)	\$ 2,074
Net Change in Fund Balance							
Fund Balance, July 1, 2005	\$ 193,433	\$ 173,178	\$ (140,001)	\$ 226,610	\$ 6,088	\$ (3,727)	\$ 230,337
	252,062	(173,178)	0	78,884	3,727	3,727	75,157
Fund Balance, June 30, 2006	\$ 445,495	\$ 0	\$ (140,001)	\$ 305,494	\$ 9,815	\$ 0	\$ 305,494

Exhibit D-2

Polk County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Highway/Public Works Fund  
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 261,349	\$ 154,200	\$ 154,200	\$ 107,149
State of Tennessee	1,750,079	1,870,371	1,705,863	44,216
Federal Government	45,366	44,346	44,346	1,020
<b>Total Revenues</b>	<b>\$ 2,056,794</b>	<b>\$ 2,068,917</b>	<b>\$ 1,904,409</b>	<b>\$ 152,385</b>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 125,872	\$ 127,542	\$ 132,848	\$ 6,976
Highway and Bridge Maintenance	783,234	839,550	853,066	69,832
Operation and Maintenance of Equipment	461,189	420,260	454,760	(6,429)
Other Charges	94,694	97,950	101,571	6,877
Employee Benefits	235,986	243,500	250,500	14,514
Capital Outlay	260,519	483,635	288,685	28,166
<u>Principal on Debt</u>				
Highways and Streets	6,439	0	7,082	643
<u>Interest on Debt</u>				
Highways and Streets	1,629	0	1,793	164
<b>Total Expenditures</b>	<b>\$ 1,969,562</b>	<b>\$ 2,212,437</b>	<b>\$ 2,090,305</b>	<b>\$ 120,743</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 87,232	\$ (143,520)	\$ (185,896)	\$ 273,128
<u>Other Financing Sources (Uses)</u>				
Capital Leases Issued	\$ 42,376	\$ 0	\$ 42,376	\$ 0
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 42,376</b>	<b>\$ 0</b>	<b>\$ 42,376</b>	<b>\$ 0</b>
Net Change in Fund Balance	\$ 129,608	\$ (143,520)	\$ (143,520)	\$ 273,128
Fund Balance, July 1, 2005	614,347	392,634	392,634	221,713
<b>Fund Balance, June 30, 2006</b>	<b>\$ 743,955</b>	<b>\$ 249,114</b>	<b>\$ 249,114</b>	<b>\$ 494,841</b>

**POLK COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2006**

**BUDGETARY INFORMATION**

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

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

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

---

---

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

---

---

# Nonmajor Governmental Funds

## Special Revenue Funds

---

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes.

---

Solid Waste/Sanitation Fund – The Solid Waste/Sanitation Fund is used to account for transactions related to solid waste disposal.

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

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

## Capital Projects Funds

---

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

---

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

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

Linsdale Waterline Projects Fund – The Linsdale Waterline Projects Fund is used to account for the installation of a waterline in the Linsdale community.

Isabella Waterline Projects Fund – The Isabella Waterline Projects Fund is used to account for the installation of a waterline in the Isabella community.

Exhibit E-1

Polk County, Tennessee  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2006

	Special Revenue Funds			Capital Projects Funds					Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Total	General Capital Projects	Community Development/ Industrial Park	Linsdale Waterline Projects	Isabella Waterline Projects	Total	
<u>ASSETS</u>									
Equity in Pooled Cash and Investments	\$ 0	\$ 99,442	\$ 99,442	\$ 21,727	\$ 91,296	\$ 380	\$ 91,428	\$ 204,831	\$ 304,273
Accounts Receivable	0	0	0	0	0	463,866	0	463,866	463,866
Due from Other Funds	51,452	0	51,452	0	0	0	0	0	51,452
<b>Total Assets</b>	<b>\$ 51,452</b>	<b>\$ 99,442</b>	<b>\$ 150,894</b>	<b>\$ 21,727</b>	<b>\$ 91,296</b>	<b>\$ 464,246</b>	<b>\$ 91,428</b>	<b>\$ 668,697</b>	<b>\$ 819,591</b>
<u>LIABILITIES AND FUND BALANCES</u>									
<u>Liabilities</u>									
Accounts Payable	\$ 51,452	\$ 0	\$ 51,452	\$ 0	\$ 0	\$ 464,246	\$ 89,033	\$ 553,279	\$ 604,731
<b>Total Liabilities</b>	<b>\$ 51,452</b>	<b>\$ 0</b>	<b>\$ 51,452</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 464,246</b>	<b>\$ 89,033</b>	<b>\$ 553,279</b>	<b>\$ 604,731</b>
<u>Fund Balances</u>									
Reserved for Encumbrances	\$ 0	\$ 2,550	\$ 2,550	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,550
Reserved for Purchase of Electronic Fingerprint Imaging System	0	18,780	18,780	0	0	0	0	0	18,780
Unreserved	0	78,112	78,112	21,727	91,296	0	2,395	115,418	193,530
<b>Total Fund Balances</b>	<b>\$ 0</b>	<b>\$ 99,442</b>	<b>\$ 99,442</b>	<b>\$ 21,727</b>	<b>\$ 91,296</b>	<b>\$ 0</b>	<b>\$ 2,395</b>	<b>\$ 115,418</b>	<b>\$ 214,860</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 51,452</b>	<b>\$ 99,442</b>	<b>\$ 150,894</b>	<b>\$ 21,727</b>	<b>\$ 91,296</b>	<b>\$ 464,246</b>	<b>\$ 91,428</b>	<b>\$ 668,697</b>	<b>\$ 819,591</b>

Exhibit E-2

Polk County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2006

	Special Revenue Funds			
	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees	Total
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 0	\$ 74,617	\$ 0	\$ 74,617
Charges for Current Services	0	0	9,300	9,300
Other Local Revenues	0	50	0	50
Federal Government	0	0	0	0
Other Governments and Citizens Groups	0	1,605	0	1,605
Total Revenues	<u>\$ 0</u>	<u>\$ 76,272</u>	<u>\$ 9,300</u>	<u>\$ 85,572</u>
<u>Expenditures</u>				
Current:				
General Government	\$ 0	\$ 0	\$ 0	0
Administration of Justice	0	0	9,300	9,300
Public Safety	0	103,531	0	103,531
Public Health and Welfare	407,926	0	0	407,926
Other Operations	0	767	0	767
Capital Projects	0	0	0	0
Total Expenditures	<u>\$ 407,926</u>	<u>\$ 104,298</u>	<u>\$ 9,300</u>	<u>\$ 521,524</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (407,926)</u>	<u>\$ (28,026)</u>	<u>\$ 0</u>	<u>\$ (435,952)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 407,926	\$ 0	\$ 0	407,926
Total Other Financing Sources (Uses)	<u>\$ 407,926</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>407,926</u>
Net Change in Fund Balances	\$ 0	\$ (28,026)	\$ 0	(28,026)
Fund Balance, July 1, 2005	0	127,468	0	127,468
Fund Balance, June 30, 2006	<u>\$ 0</u>	<u>\$ 99,442</u>	<u>\$ 0</u>	<u>99,442</u>

(Continued)

Exhibit E-2

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

	Capital Projects Funds					Total Nonmajor Governmental Funds
	General Capital Projects	Community Development/ Industrial Park	Linsdale Waterline Projects	Isabella Waterline Projects	Total	
<u>Revenues</u>						
Fines, Forfeitures, and Penalties	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 74,617
Charges for Current Services	0	0	0	0	0	9,300
Other Local Revenues	645	2,319	0	0	2,964	3,014
Federal Government	0	0	537,081	196,000	733,081	733,081
Other Governments and Citizens Groups	0	0	0	0	0	1,605
Total Revenues	\$ 645	\$ 2,319	\$ 537,081	\$ 196,000	\$ 736,045	\$ 821,617
<u>Expenditures</u>						
Current:						
General Government	\$ 0	\$ 0	\$ 380	\$ 0	\$ 380	\$ 380
Administration of Justice	0	0	0	0	0	9,300
Public Safety	0	0	0	0	0	103,531
Public Health and Welfare	0	0	0	0	0	407,926
Other Operations	6	19	0	0	25	792
Capital Projects	0	0	536,701	193,605	730,306	730,306
Total Expenditures	\$ 6	\$ 19	\$ 537,081	\$ 193,605	\$ 730,711	\$ 1,252,235
Excess (Deficiency) of Revenues Over Expenditures	\$ 639	\$ 2,300	\$ 0	\$ 2,395	\$ 5,334	\$ (430,618)
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 407,926
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 407,926
Net Change in Fund Balances	\$ 639	\$ 2,300	\$ 0	\$ 2,395	\$ 5,334	\$ (22,692)
Fund Balance, July 1, 2005	21,088	88,996	0	0	110,084	237,552
Fund Balance, June 30, 2006	\$ 21,727	\$ 91,296	\$ 0	\$ 2,395	\$ 115,418	\$ 214,860

Exhibit E-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, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Total Revenues	\$ 0	\$ 0	\$ 0	\$ 0
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Management	\$ 407,926	\$ 410,000	\$ 410,000	\$ 2,074
Total Expenditures	\$ 407,926	\$ 410,000	\$ 410,000	\$ 2,074
Excess (Deficiency) of Revenues Over Expenditures	\$ (407,926)	\$ (410,000)	\$ (410,000)	\$ 2,074
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 407,926	\$ 410,000	\$ 410,000	\$ (2,074)
Total Other Financing Sources (Uses)	\$ 407,926	\$ 410,000	\$ 410,000	\$ (2,074)
Net Change in Fund Balance	\$ 0	\$ 0	\$ 0	\$ 0
Fund Balance, July 1, 2005	0	0	0	0
Fund Balance, June 30, 2006	\$ 0	\$ 0	\$ 0	\$ 0

Exhibit E-4

Polk County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Drug Control Fund  
For the Year Ended June 30, 2006

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Fines, Forfeitures, and Penalties	\$ 74,617	\$ 0	\$ 74,617	\$ 91,000	\$ 91,000	\$ (16,383)
Other Local Revenues	50	0	50	0	0	50
Other Governments and Citizens Groups	1,605	0	1,605	1,750	1,750	(145)
Total Revenues	<u>\$ 76,272</u>	<u>\$ 0</u>	<u>\$ 76,272</u>	<u>\$ 92,750</u>	<u>\$ 92,750</u>	<u>\$ (16,478)</u>
<u>Expenditures</u>						
<u>Public Safety</u>						
Drug Enforcement	\$ 103,531	\$ 2,550	\$ 106,081	\$ 118,384	\$ 118,384	\$ 12,303
<u>Other Operations</u>						
Other Charges	767	0	767	767	767	0
Employee Benefits	0	0	0	10,739	10,739	10,739
Total Expenditures	<u>\$ 104,298</u>	<u>\$ 2,550</u>	<u>\$ 106,848</u>	<u>\$ 129,890</u>	<u>\$ 129,890</u>	<u>\$ 23,042</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (28,026)</u>	<u>\$ (2,550)</u>	<u>\$ (30,576)</u>	<u>\$ (37,140)</u>	<u>\$ (37,140)</u>	<u>\$ 6,564</u>
Net Change in Fund Balance	\$ (28,026)	\$ (2,550)	\$ (30,576)	\$ (37,140)	\$ (37,140)	\$ 6,564
Fund Balance, July 1, 2005	127,468	0	127,468	78,196	78,196	49,272
Fund Balance, June 30, 2006	<u>\$ 99,442</u>	<u>\$ (2,550)</u>	<u>\$ 96,892</u>	<u>\$ 41,056</u>	<u>\$ 41,056</u>	<u>\$ 55,836</u>

# **Major Governmental Fund**

## **General Debt Service Fund**

---

The General Debt Service Fund is used to account for the accumulation of resources for, and the payment of, debt principal, interest, and related costs.

---

Exhibit F

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, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 619,831	\$ 600,446	\$ 600,446	\$ 19,385
Other Local Revenues	37,163	45,000	45,000	(7,837)
State of Tennessee	60,895	38,100	38,100	22,795
Other Governments and Citizens Groups	693,558	650,000	693,558	0
Total Revenues	\$ 1,411,447	\$ 1,333,546	\$ 1,377,104	\$ 34,343
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 0	\$ 292,356	\$ 218,616	\$ 218,616
Education	677,197	1,128,208	698,370	21,173
<u>Interest on Debt</u>				
General Government	73,740	0	73,740	0
Education	514,221	0	514,221	0
<u>Other Debt Service</u>				
General Government	15,152	8,200	16,060	908
Education	2,400	2,400	2,400	0
Total Expenditures	\$ 1,282,710	\$ 1,431,164	\$ 1,523,407	\$ 240,697
Excess (Deficiency) of Revenues Over Expenditures	\$ 128,737	\$ (97,618)	\$ (146,303)	\$ 275,040
Net Change in Fund Balance	\$ 128,737	\$ (97,618)	\$ (146,303)	\$ 275,040
Fund Balance, July 1, 2005	634,431	745,362	745,362	(110,931)
Fund Balance, June 30, 2006	\$ 763,168	\$ 647,744	\$ 599,059	\$ 164,109

# 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 G-1

Polk County, Tennessee  
Combining Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2006

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 1,017,006	\$ 1,017,006
Due from Other Governments	49,749	0	49,749
Total Assets	<u>\$ 49,749</u>	<u>\$ 1,017,006</u>	<u>\$ 1,066,755</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 49,749	\$ 0	\$ 49,749
Due to Litigants, Heirs, and Others	0	1,017,006	1,017,006
Total Liabilities	<u>\$ 49,749</u>	<u>\$ 1,017,006</u>	<u>\$ 1,066,755</u>

Exhibit G-2

Polk County, Tennessee  
Combining Statement of Changes in Assets and Liabilities - All Agency Funds  
For the Year Ended June 30, 2006

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 322,770	\$ 322,770	\$ 0
Due From Other Governments	62,857	49,749	62,857	49,749
Total Assets	\$ 62,857	\$ 372,519	\$ 385,627	\$ 49,749
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 62,857	\$ 372,519	\$ 385,627	\$ 49,749
Total Liabilities	\$ 62,857	\$ 372,519	\$ 385,627	\$ 49,749
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 908,429	\$ 4,159,620	\$ 4,051,043	\$ 1,017,006
Due From Other Funds	1,800	0	1,800	0
Total Assets	\$ 910,229	\$ 4,159,620	\$ 4,052,843	\$ 1,017,006
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 910,229	\$ 4,159,620	\$ 4,052,843	\$ 1,017,006
Total Liabilities	\$ 910,229	\$ 4,159,620	\$ 4,052,843	\$ 1,017,006
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 322,770	\$ 322,770	\$ 0
Cash	908,429	4,159,620	4,051,043	1,017,006
Due From Other Governments	62,857	49,749	62,857	49,749
Due From Other Funds	1,800	0	1,800	0
Total Assets	\$ 973,086	\$ 4,532,139	\$ 4,438,470	\$ 1,066,755
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 62,857	\$ 372,519	\$ 385,627	\$ 49,749
Due to Litigants, Heirs, and Others	910,229	4,159,620	4,052,843	1,017,006
Total Liabilities	\$ 973,086	\$ 4,532,139	\$ 4,438,470	\$ 1,066,755

---

---

## MISCELLANEOUS SCHEDULES

---

---

Exhibit H-1

Polk County, Tennessee  
Schedule of Changes in Long-term Notes, Capital Leases, and Other Loans  
For the Year Ended June 30, 2006

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-05	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-06
<u>NOTES PAYABLE</u>								
<u>Payable though General Debt Service Fund</u>								
Highway School Athletic Facilities	\$ 200,000	3.5 %	7-7-05	1-7-10	\$ 0	\$ 200,000	\$ 40,000	\$ 160,000
Total Notes Payable					\$ 0	\$ 200,000	\$ 40,000	\$ 160,000
<u>CAPITAL LEASES PAYABLE</u>								
<u>Payable though Drug Control Fund</u>								
Vehicles	33,174	5.8	2-2-05	2-2-07	\$ 21,482	\$ 0	\$ 10,435	\$ 11,047
<u>Payable though Highway/Public Works Fund</u>								
Dump Truck	42,376	2.85	7-21-05	9-21-10	0	42,376	6,439	35,937
Total Capital Leases Payable					\$ 21,482	\$ 42,376	\$ 16,874	\$ 46,984
<u>OTHER LOANS PAYABLE</u>								
<u>Payable though General Debt Service Fund</u>								
School Buildings	8,000,000	Variable	9-1-00	5-25-21	\$ 6,979,000	\$ 0	\$ 295,000	\$ 6,684,000
School Facilities	8,129,000	Variable	9-1-03	5-25-23	5,067,561	3,061,439	342,197	7,786,803
Justice Center Facilities	(1)	Variable	5-17-05	5-25-25	204,899	3,542,580	0	3,747,479
Total Other Loans Payable					\$ 12,251,460	\$ 6,604,019	\$ 637,197	\$ 18,218,282

(1) Total amount available under this Public Building Authority Loan Agreement is \$8,800,000, of which \$5,052,521 had not been drawn as of June 30, 2006.

Exhibit H-2

Polk County, Tennessee  
Schedule of Transfers  
For the Year Ended June 30, 2006

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Solid Waste/Sanitation	To provide funds for operations	<u>\$ 407,926</u>
Total Transfers			<u>\$ 407,926</u>

Exhibit H-3

Polk County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
For the Year Ended June 30, 2006

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Executive	Section 8-24-102, <u>TCA</u> , and County Commission	\$ 58,372 (1) \$	50,000	The Cincinnati Insurance Company
Highway Superintendent	Section 8-24-102, <u>TCA</u>	55,052	100,000	Travelers Casualty and Surety Company
Trustee	Section 8-24-102, <u>TCA</u>	50,048	514,400	The Cincinnati Insurance Company
Assessor of Property	Section 8-24-102, <u>TCA</u>	50,048	10,000	Travelers Casualty and Surety Company of America
Director of Accounts and Budgets	County Commission	35,976	15,000	The Cincinnati Insurance Company
County Clerk	Section 8-24-102, <u>TCA</u>	50,048	50,000	"
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	50,048	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u> , and Chancery Court Judge	59,348 (2)	25,000	State Farm Insurance Company
Register	Section 8-24-102, <u>TCA</u>	50,048	50,000	The Cincinnati Insurance Company
Sheriff	Section 8-24-102, <u>TCA</u>	55,571 (3)	25,000	"
Other Bonds:				
General County/Highway Employees			125,000	Tennessee School Boards Risk Management Trust

(1) Includes an additional \$568 appropriated by the County Commission.

(2) Includes special commissioner fees of \$9,300.

(3) Includes law enforcement training supplement of \$519.

Exhibit H-4

Polk County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types  
 For the Year Ended June 30, 2006

	Special Revenue Funds				Debt Service Fund
	General	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 2,481,247	\$ 0	\$ 0	\$ 0	\$ 516,672
Trustee's Collections - Prior Year	133,712	0	0	0	17,900
Circuit/Clerk & Master Collections - Prior Years	161,084	0	0	0	23,791
Interest and Penalty	21,759	0	0	0	3,198
Payments in-Lieu-of Taxes - T.V.A.	57,903	0	0	0	11,422
Payments in-Lieu-of Taxes - Other	68,660	0	0	0	14,281
<u>County Local Option Taxes</u>					
Hotel/Motel Tax	30,951	0	0	0	15,926
Local Amusement Tax	118,793	0	0	0	0
Litigation Tax - General	66,999	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	15,292	0	0	0	0
Business Tax	40,576	0	0	0	8,704
<u>Statutory Local Taxes</u>					
Bank Excise Tax	27,755	0	0	0	7,937
Wholesale Beer Tax	218,862	0	0	0	0
Beer Privilege Tax	3,428	0	0	0	0
Total Local Taxes	\$ 3,447,021	\$ 0	\$ 0	\$ 0	\$ 619,831
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Cable TV Franchise	\$ 34,465	\$ 0	\$ 0	\$ 0	\$ 0
<u>Permits</u>					
Beer Permits	1,853	0	0	0	0
Building Permits	5,050	0	0	0	0
Electrical Permits	20,141	0	0	0	0
Total Licenses and Permits	\$ 61,509	\$ 0	\$ 0	\$ 0	\$ 0
<u>Fines, Forfeitures, and Penalties</u>					
<u>Circuit Court</u>					
Fines	\$ 13,338	\$ 0	\$ 0	\$ 0	\$ 0
Officers Costs	3,038	0	0	0	0
Game and Fish Fines	143	0	0	0	0

(Continued)

Exhibit H-4

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

	Special Revenue Funds				Debt Service Fund
	General	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service
<u>Fines, Forfeitures, and Penalties (Cont.)</u>					
<u>Circuit Court (Cont.)</u>					
Drug Control Fines	\$ 0	\$ 25,923	\$ 0	\$ 0	\$ 0
Drug Court Fees	1,640	0	0	0	0
Jail Fees	2,863	0	0	0	0
DUI Treatment Fines	85	0	0	0	0
Data Entry Fee - Circuit Court	482	0	0	0	0
<u>General Sessions Court</u>					
Fines	47,867	0	0	0	0
Officers Costs	28,228	0	0	0	0
Game and Fish Fines	500	0	0	0	0
Drug Control Fines	0	28,609	0	0	0
Drug Court Fees	5,965	0	0	0	0
Jail Fees	15,167	0	0	0	0
DUI Treatment Fines	3,260	0	0	0	0
Data Entry Fee - General Sessions Court	2,986	0	0	0	0
<u>Juvenile Court</u>					
Data Entry Fee - Juvenile Court	316	0	0	0	0
<u>Chancery Court</u>					
Officers Costs	2,886	0	0	0	0
Data Entry Fee - Chancery Court	200	0	0	0	0
<u>Other Fines, Forfeitures, and Penalties</u>					
Proceeds from Confiscated Property	0	20,085	0	0	0
Other Fines, Forfeitures, and Penalties	475	0	0	0	0
Total Fines, Forfeitures, and Penalties	\$ 129,439	\$ 74,617	\$ 0	\$ 0	\$ 0
<u>Charges for Current Services</u>					
<u>Fees</u>					
Airport Fees	\$ 1,875	\$ 0	\$ 0	\$ 0	\$ 0
Copy Fees	2,530	0	0	0	0
Telephone Commissions	6,859	0	0	0	0
Vending Machine Collections	1,147	0	0	0	0
Constitutional Officers' Fees and Commissions	0	0	9,300	0	0
Data Processing Fee - Register	8,904	0	0	0	0

(Continued)

Exhibit H-4

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

	Special Revenue Funds				Debt Service Fund
	General	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service
<u>Charges for Current Services (Cont.)</u>					
<u>Fees (Cont.)</u>					
Data Processing Fee - Sheriff	\$ 1,824	\$ 0	\$ 0	\$ 0	\$ 0
Sexual Offender Registration Fees - Sheriff	820	0	0	0	0
Total Charges for Current Services	\$ 23,959	\$ 0	\$ 9,300	\$ 0	\$ 0
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 37,163
Lease/Rentals	8,558	0	0	0	0
Commissary Sales	457	0	0	0	0
Sale of Gasoline	0	0	0	257,527	0
Sale of Recycled Materials	442	0	0	0	0
Miscellaneous Refunds	20	50	0	3,822	0
<u>Nonrecurring Items</u>					
Sale of Equipment	607	0	0	0	0
Sale of Property	51,461	0	0	0	0
Damages Recovered from Individuals	80	0	0	0	0
Contributions & Gifts	100	0	0	0	0
Total Other Local Revenues	\$ 61,725	\$ 50	\$ 0	\$ 261,349	\$ 37,163
<u>Fees Received from County Officials</u>					
<u>Fees-In-Lieu of Salary</u>					
County Clerk	\$ 156,543	\$ 0	\$ 0	\$ 0	\$ 0
Circuit Court Clerk	44,695	0	0	0	0
General Sessions Court Clerk	72,592	0	0	0	0
Clerk and Master	76,318	0	0	0	0
Register	105,694	0	0	0	0
Sheriff	6,569	0	0	0	0
Trustee	188,507	0	0	0	0
Total Fees Received from County Officials	\$ 650,918	\$ 0	\$ 0	\$ 0	\$ 0

(Continued)

Exhibit H-4

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

	Special Revenue Funds				Debt Service Fund
	General	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0
Aging Programs	6,289	0	0	0	0
<u>Public Safety Grants</u>					
Law Enforcement Training Programs	8,818	0	0	0	0
Other Public Safety Grants	11,051	0	0	0	0
<u>Public Works Grants</u>					
Bridge Program	0	0	0	146,903	0
Litter Program	29,524	0	0	0	0
<u>Other State Revenues</u>					
Income Tax	12,331	0	0	0	2,565
Beer Tax	17,212	0	0	0	0
Alcoholic Beverage Tax	29,049	0	0	0	0
State Revenue Sharing - T.V.A.	280,433	0	0	0	58,330
Contracted Prisoner Boarding	178,593	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	1,591,341	0
Petroleum Special Tax	0	0	0	11,835	0
Reappraisal Program Reimbursement	7,225	0	0	0	0
Registrar's Salary Supplement	16,380	0	0	0	0
Other State Grants	86,297	0	0	0	0
Total State of Tennessee	\$ 692,202	\$ 0	\$ 0	\$ 1,750,079	\$ 60,895
<u>Federal Government</u>					
<u>Federal Through State</u>					
Community Development	\$ 68,519	\$ 0	\$ 0	\$ 0	\$ 0
Homeland Security Grants	123,380	0	0	0	0
Other Federal through State	286,195	0	0	0	0
<u>Direct Federal Revenue</u>					
Police Service (Lake Area)	9,350	0	0	0	0
Forest Service	0	0	0	45,366	0
Other Direct Federal Revenue	22,709	0	0	0	0
Total Federal Government	\$ 510,153	\$ 0	\$ 0	\$ 45,366	\$ 0

(Continued)

Exhibit H-4

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

	Special Revenue Funds				Debt Service Fund
	General	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 0	\$ 0	\$ 0	\$ 0	\$ 650,000
Contracted Services	32,600	0	0	0	0
<u>Citizens Groups</u>					
Donations	1,000	1,605	0	0	43,558
Total Other Governments and Citizens Groups	<u>\$ 33,600</u>	<u>\$ 1,605</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 693,558</u>
Total	<u>\$ 5,610,526</u>	<u>\$ 76,272</u>	<u>\$ 9,300</u>	<u>\$ 2,056,794</u>	<u>\$ 1,411,447</u>

(Continued)

Exhibit H-4

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

	Capital Projects Funds				Total
	General Capital Projects	Community Development/ Industrial Park	Linsdale Waterline Projects	Isabella Waterline Projects	
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,997,919
Trustee's Collections - Prior Year	0	0	0	0	151,612
Circuit/Clerk & Master Collections - Prior Years	0	0	0	0	184,875
Interest and Penalty	0	0	0	0	24,957
Payments in-Lieu-of Taxes - T.V.A.	0	0	0	0	69,325
Payments in-Lieu-of Taxes - Other	0	0	0	0	82,941
<u>County Local Option Taxes</u>					
Hotel/Motel Tax	0	0	0	0	46,877
Local Amusement Tax	0	0	0	0	118,793
Litigation Tax - General	0	0	0	0	66,999
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	15,292
Business Tax	0	0	0	0	49,280
<u>Statutory Local Taxes</u>					
Bank Excise Tax	0	0	0	0	35,692
Wholesale Beer Tax	0	0	0	0	218,862
Beer Privilege Tax	0	0	0	0	3,428
Total Local Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,066,852
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Cable TV Franchise	\$ 0	\$ 0	\$ 0	\$ 0	\$ 34,465
<u>Permits</u>					
Beer Permits	0	0	0	0	1,853
Building Permits	0	0	0	0	5,050
Electrical Permits	0	0	0	0	20,141
Total Licenses and Permits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 61,509
<u>Fines, Forfeitures, and Penalties</u>					
<u>Circuit Court</u>					
Fines	\$ 0	\$ 0	\$ 0	\$ 0	\$ 13,338
Officers Costs	0	0	0	0	3,038
Game and Fish Fines	0	0	0	0	143

(Continued)

Exhibit H-4

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

	Capital Projects Funds				Total
	General Capital Projects	Community Development/ Industrial Park	Linsdale Waterline Projects	Isabella Waterline Projects	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>					
<u>Circuit Court (Cont.)</u>					
Drug Control Fines	\$ 0	\$ 0	\$ 0	\$ 0	\$ 25,923
Drug Court Fees	0	0	0	0	1,640
Jail Fees	0	0	0	0	2,863
DUI Treatment Fines	0	0	0	0	85
Data Entry Fee - Circuit Court	0	0	0	0	482
<u>General Sessions Court</u>					
Fines	0	0	0	0	47,867
Officers Costs	0	0	0	0	28,228
Game and Fish Fines	0	0	0	0	500
Drug Control Fines	0	0	0	0	28,609
Drug Court Fees	0	0	0	0	5,965
Jail Fees	0	0	0	0	15,167
DUI Treatment Fines	0	0	0	0	3,260
Data Entry Fee - General Sessions Court	0	0	0	0	2,986
<u>Juvenile Court</u>					
Data Entry Fee - Juvenile Court	0	0	0	0	316
<u>Chancery Court</u>					
Officers Costs	0	0	0	0	2,886
Data Entry Fee - Chancery Court	0	0	0	0	200
<u>Other Fines, Forfeitures, and Penalties</u>					
Proceeds from Confiscated Property	0	0	0	0	20,085
Other Fines, Forfeitures, and Penalties	0	0	0	0	475
Total Fines, Forfeitures, and Penalties	\$ 0	\$ 0	\$ 0	\$ 0	\$ 204,056
<u>Charges for Current Services</u>					
<u>Fees</u>					
Airport Fees	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,875
Copy Fees	0	0	0	0	2,530
Telephone Commissions	0	0	0	0	6,859
Vending Machine Collections	0	0	0	0	1,147
Constitutional Officers' Fees and Commissions	0	0	0	0	9,300
Data Processing Fee - Register	0	0	0	0	8,904

(Continued)

Exhibit H-4

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

	Capital Projects Funds				Total
	General Capital Projects	Community Development/ Industrial Park	Linsdale Waterline Projects	Isabella Waterline Projects	
<u>Charges for Current Services (Cont.)</u>					
<u>Fees (Cont.)</u>					
Data Processing Fee - Sheriff	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,824
Sexual Offender Registration Fees - Sheriff	0	0	0	0	820
Total Charges for Current Services	\$ 0	\$ 0	\$ 0	\$ 0	\$ 33,259
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 645	\$ 2,319	\$ 0	\$ 0	\$ 40,127
Lease/Rentals	0	0	0	0	8,558
Commissary Sales	0	0	0	0	457
Sale of Gasoline	0	0	0	0	257,527
Sale of Recycled Materials	0	0	0	0	442
Miscellaneous Refunds	0	0	0	0	3,892
<u>Nonrecurring Items</u>					
Sale of Equipment	0	0	0	0	607
Sale of Property	0	0	0	0	51,461
Damages Recovered from Individuals	0	0	0	0	80
Contributions & Gifts	0	0	0	0	100
Total Other Local Revenues	\$ 645	\$ 2,319	\$ 0	\$ 0	\$ 363,251
<u>Fees Received from County Officials</u>					
<u>Fees-In-Lieu of Salary</u>					
County Clerk	\$ 0	\$ 0	\$ 0	\$ 0	\$ 156,543
Circuit Court Clerk	0	0	0	0	44,695
General Sessions Court Clerk	0	0	0	0	72,592
Clerk and Master	0	0	0	0	76,318
Register	0	0	0	0	105,694
Sheriff	0	0	0	0	6,569
Trustee	0	0	0	0	188,507
Total Fees Received from County Officials	\$ 0	\$ 0	\$ 0	\$ 0	\$ 650,918

(Continued)

Exhibit H-4

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

	Capital Projects Funds				Total
	General Capital Projects	Community Development/ Industrial Park	Linsdale Waterline Projects	Isabella Waterline Projects	
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
Juvenile Services Program	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,000
Aging Programs	0	0	0	0	6,289
<u>Public Safety Grants</u>					
Law Enforcement Training Programs	0	0	0	0	8,818
Other Public Safety Grants	0	0	0	0	11,051
<u>Public Works Grants</u>					
Bridge Program	0	0	0	0	146,903
Litter Program	0	0	0	0	29,524
<u>Other State Revenues</u>					
Income Tax	0	0	0	0	14,896
Beer Tax	0	0	0	0	17,212
Alcoholic Beverage Tax	0	0	0	0	29,049
State Revenue Sharing - T.V.A.	0	0	0	0	338,763
Contracted Prisoner Boarding	0	0	0	0	178,593
Gasoline and Motor Fuel Tax	0	0	0	0	1,591,341
Petroleum Special Tax	0	0	0	0	11,835
Reappraisal Program Reimbursement	0	0	0	0	7,225
Registrar's Salary Supplement	0	0	0	0	16,380
Other State Grants	0	0	0	0	86,297
Total State of Tennessee	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,503,176
<u>Federal Government</u>					
<u>Federal Through State</u>					
Community Development	\$ 0	\$ 0	\$ 223,999	\$ 0	\$ 292,518
Homeland Security Grants	0	0	0	0	123,380
Other Federal through State	0	0	0	0	286,195
<u>Direct Federal Revenue</u>					
Police Service (Lake Area)	0	0	0	0	9,350
Forest Service	0	0	0	0	45,366
Other Direct Federal Revenue	0	0	313,082	196,000	531,791
Total Federal Government	\$ 0	\$ 0	\$ 537,081	\$ 196,000	\$ 1,288,600

(Continued)

Exhibit H-4

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

	Capital Projects Funds				Total
	General Capital Projects	Community Development/ Industrial Park	Linsdale Waterline Projects	Isabella Waterline Projects	
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 0	\$ 0	\$ 0	\$ 0	\$ 650,000
Contracted Services	0	0	0	0	32,600
<u>Citizens Groups</u>					
Donations	0	0	0	0	46,163
Total Other Governments and Citizens Groups	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 728,763</u>
Total	<u>\$ 645</u>	<u>\$ 2,319</u>	<u>\$ 537,081</u>	<u>\$ 196,000</u>	<u>\$ 9,900,384</u>

## Exhibit H-5

Polk County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2006

General FundGeneral GovernmentCounty Commission

Board and Committee Members Fees	\$ 12,850	
Total County Commission		\$ 12,850

Board of Equalization

Board and Committee Members Fees	\$ 485	
Total Board of Equalization		485

County Mayor/Executive

County Official/Administrative Officer	\$ 58,372	
Secretary(ies)	19,477	
State Retirement	4,962	
Travel	967	
Total County Mayor/Executive		83,778

Election Commission

County Official/Administrative Officer	\$ 42,541	
Clerical Personnel	16,035	
Election Commission	10,425	
Election Workers	29,685	
In-Service Training	754	
Communication	384	
Dues and Memberships	175	
Legal Notices, Recording, and Court Costs	1,763	
Printing, Stationery, and Forms	2,781	
Rentals	741	
Other Contracted Services	17,529	
Office Supplies	673	
Other Supplies and Materials	448	
Data Processing Equipment	3,500	
Furniture and Fixtures	1,035	
Voting Machines	164,500	
Other Equipment	147	
Total Election Commission		293,116

Register of Deeds

County Official/Administrative Officer	\$ 50,048	
Clerical Personnel	21,128	
State Retirement	4,254	
Dues and Memberships	300	
Maintenance Agreements	4,964	

(Continued)

Exhibit H-5

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

General Fund (Cont.)

General Government (Cont.)

Register of Deeds (Cont.)

Printing, Stationery, and Forms	\$	114	
Data Processing Equipment		<u>1,027</u>	
Total Register of Deeds			\$ 81,835

County Buildings

Custodial Personnel	\$	25,631	
Maintenance & Repair Services - Buildings		7,849	
Other Contracted Services		3,097	
Custodial Supplies		2,839	
Utilities		<u>71,313</u>	
Total County Buildings			110,729

Other General Administration

Audit Services	\$	3,691	
Communication		36,028	
Dues and Memberships		2,902	
Legal Services		55,656	
Legal Notices, Recording, and Court Costs		1,013	
Licenses		810	
Maintenance & Repair Services - Equipment		16,446	
Medical and Dental Services		22,960	
Pest Control		3,366	
Postal Charges		19,316	
Permits		1,220	
Other Contracted Services		24,178	
Office Supplies		3,900	
Other Supplies and Materials		249	
Premiums on Corporate Surety Bonds		1,165	
Interest on Notes		<u>7,778</u>	
Total Other General Administration			200,678

Finance

Accounting and Budgeting

County Official/Administrative Officer	\$	35,976	
Data Processing Services		<u>3,848</u>	
Total Accounting and Budgeting			39,824

Property Assessor's Office

County Official/Administrative Officer	\$	50,048	
Assistant(s)		35,596	

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Deputy(ies)	\$	18,469	
State Retirement		4,254	
Communication		400	
Data Processing Services		8,677	
Dues and Memberships		300	
Travel		2,921	
Permits		15,446	
Other Contracted Services		12,500	
Office Supplies		871	
Other Supplies and Materials		3,002	
Total Property Assessor's Office			\$ 152,484

County Trustee's Office

County Official/Administrative Officer	\$	50,048	
Deputy(ies)		35,438	
In-Service Training		250	
State Retirement		4,254	
Communication		1,062	
Data Processing Services		6,022	
Dues and Memberships		300	
Legal Notices, Recording, and Court Costs		252	
Printing, Stationery, and Forms		729	
Rentals		346	
Travel		993	
Data Processing Supplies		500	
Office Supplies		800	
Data Processing Equipment		1,795	
Total County Trustee's Office			102,789

County Clerk's Office

County Official/Administrative Officer	\$	50,048
Deputy(ies)		42,282
State Retirement		4,254
Communication		896
Dues and Memberships		300
Legal Notices, Recording, and Court Costs		180
Maintenance Agreements		8,028
Rentals		346
Travel		1,897
Office Supplies		2,780

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

Office Equipment	\$ 6,075	
Total County Clerk's Office		\$ 117,086

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$ 50,048	
Deputy(ies)	62,211	
Board and Committee Members Fees	225	
Jury and Witness Fees	8,710	
State Retirement	4,254	
Maintenance Agreements	6,280	
Printing, Stationery, and Forms	3,883	
Total Circuit Court		135,611

General Sessions Court

Judge(s)	\$ 62,622	
State Retirement	5,323	
Dues and Memberships	50	
Travel	476	
Total General Sessions Court		68,471

Drug Court

Remittance of Revenue Collected	\$ 6,886	
Total Drug Court		6,886

Chancery Court

County Official/Administrative Officer	\$ 50,048	
Deputy(ies)	36,939	
State Retirement	4,254	
Data Processing Services	3,574	
Dues and Memberships	300	
Legal Notices, Recording, and Court Costs	567	
Printing, Stationery, and Forms	1,687	
Total Chancery Court		97,369

Juvenile Court

Assistant(s)	\$ 9,378	
Youth Service Officer(s)	21,962	
Attendants	524	
Travel	1,421	

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Administration of Justice (Cont.)

Juvenile Court (Cont.)

Other Supplies and Materials	\$ 680	
Total Juvenile Court		\$ 33,965

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$ 55,052	
Deputy(ies)	349,957	
Investigator(s)	77,233	
Salary Supplements	8,818	
Dispatchers/Radio Operators	45,041	
Clerical Personnel	18,469	
Overtime Pay	33,463	
In-Service Training	1,835	
State Retirement	4,679	
Communication	883	
Dues and Memberships	300	
Maintenance Agreements	6,946	
Maintenance & Repair Services - Office Equipment	1,975	
Maintenance & Repair Services - Vehicles	14,939	
Printing, Stationery, and Forms	898	
Travel	532	
Gasoline	59,134	
Law Enforcement Supplies	772	
Office Supplies	466	
Tires and Tubes	5,508	
Uniforms	1,791	
Other Supplies and Materials	312	
Liability Insurance	45,898	
Vehicle and Equipment Insurance	13,349	
Data Processing Equipment	1,600	
Total Sheriff's Department		749,850

Correctional Incentive Program Improvements

Assistant(s)	\$ 8,277
Dispatchers/Radio Operators	136,957
Guards	129,602
Cafeteria Personnel	20,551
Overtime Pay	48,645
In-Service Training	1,373
Social Security	26,732

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Public Safety (Cont.)

Correctional Incentive Program Improvements (Cont.)

Maintenance & Repair Services - Buildings	\$	1,551	
Maintenance & Repair Services - Equipment		4,012	
Medical and Dental Services		34,225	
Printing, Stationery, and Forms		367	
Travel		1,055	
Custodial Supplies		8,514	
Food Supplies		56,520	
Prisoners Clothing		294	
Uniforms		1,492	
Utilities		29,458	
Other Supplies and Materials		6,952	
Liability Insurance		2,100	
Vehicle and Equipment Insurance		1,200	
Furniture and Fixtures		680	
Total Correctional Incentive Program Improvements			\$ 520,557

Fire Prevention and Control

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

Civil Defense

Contracts with Government Agencies	\$	38,918	
Contracts with Other Public Agencies		71,333	
Maintenance & Repair Services - Equipment		913	
Maintenance & Repair Services - Vehicles		1,587	
Medical and Dental Services		1,400	
Gasoline		2,223	
Office Supplies		254	
Tires and Tubes		933	
Uniforms		2,187	
Utilities		4,683	
Other Supplies and Materials		3,145	
Communication Equipment		1,498	
Data Processing Equipment		25,000	
Motor Vehicles		31,424	
Other Equipment		31,119	
Total Civil Defense			216,617

Rescue Squad

Maintenance Agreements	\$	340	
------------------------	----	-----	--

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Public Safety (Cont.)

Rescue Squad (Cont.)

Maintenance & Repair Services - Equipment	\$	677	
Maintenance & Repair Services - Vehicles		10,388	
Tuition		868	
Gasoline		4,776	
Instructional Supplies and Materials		350	
Office Supplies		61	
Utilities		1,773	
Other Supplies and Materials		461	
Other Equipment		<u>5,823</u>	
Total Rescue Squad			\$ 25,517

Other Emergency Management

County Official/Administrative Officer	\$	4,100	
Communication		865	
Maintenance & Repair Services - Vehicles		1,747	
Travel		267	
Gasoline		785	
Other Supplies and Materials		10,293	
Communication Equipment		19,800	
Data Processing Equipment		1,000	
Motor Vehicles		25,577	
Other Equipment		<u>11,884</u>	
Total Other Emergency Management			76,318

Public Health and Welfare

Local Health Center

Contracts with Government Agencies	\$	37,000	
Janitorial Services		1,966	
Other Supplies and Materials		<u>8,514</u>	
Total Local Health Center			47,480

Ambulance/Emergency Medical Services

Contracts with Private Agencies	\$	<u>735,990</u>	
Total Ambulance/Emergency Medical Services			735,990

Crippled Children Services

Contributions	\$	<u>1,250</u>	
Total Crippled Children Services			1,250

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Other Local Health Services

Assistant(s)	\$	63,286	
Attendants		15,122	
State Retirement		8,362	
Other Fringe Benefits		4,885	
Travel		6,682	
Other Supplies and Materials		845	
Total Other Local Health Services			\$ 99,182

Sanitation Education/Information

County Official/Administrative Officer	\$	3,533	
Supervisor/Director		18,827	
Maintenance & Repair Services - Vehicles		366	
Gasoline		1,742	
Instructional Supplies and Materials		3,886	
Office Supplies		65	
Other Supplies and Materials		462	
Total Sanitation Education/Information			28,881

Other Public Health and Welfare

Assistant(s)	\$	18,444	
Paraprofessionals		14,800	
Social Security		2,432	
State Retirement		2,618	
Employee and Dependent Insurance		2,224	
Travel		3,602	
Total Other Public Health and Welfare			44,120

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Supervisor/Director	\$	17,462	
Total Senior Citizens Assistance			17,462

Other Social, Cultural, and Recreational

Part-time Personnel	\$	16,599	
Total Other Social, Cultural, and Recreational			16,599

Agriculture & Natural Resources

Agriculture Extension Service

County Official/Administrative Officer	\$	8,979	
Supervisor/Director		6,796	

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Agriculture & Natural Resources (Cont.)

Agriculture Extension Service (Cont.)

Secretary(ies)	\$	5,017	
Social Security		1,591	
State Retirement		2,679	
Data Processing Services		515	
Other Supplies and Materials		4,660	
Total Agriculture Extension Service			\$ 30,237

Soil Conservation

Secretary(ies)	\$	12,376	
Social Security		947	
Dues and Memberships		300	
Travel		119	
Instructional Supplies and Materials		1,531	
Office Supplies		1,393	
Premiums on Corporate Surety Bonds		100	
Total Soil Conservation			16,766

Other Operations

Industrial Development

Contracts with Other Public Agencies	\$	5,136	
Total Industrial Development			5,136

Other Economic and Community Development

Contracts with Private Agencies	\$	50,498	
Travel		663	
Total Other Economic and Community Development			51,161

Veterans' Services

Clerical Personnel	\$	5,665	
Travel		1,120	
Total Veterans' Services			6,785

Other Charges

Building and Contents Insurance	\$	55,978	
Trustee's Commission		73,429	
Workers' Compensation Insurance		59,609	
Total Other Charges			189,016

Contributions to Other Agencies

Remittance of Revenue Collected	\$	30,951	
Total Contributions to Other Agencies			30,951

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Other Operations (Cont.)

Employee Benefits

Social Security	\$ 151,594	
State Retirement	113,661	
Employee and Dependent Insurance	290,550	
Unemployment Compensation	4,531	
Total Employee Benefits		\$ 560,336

Total General Fund \$ 5,009,167

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Contracts with Private Agencies	\$ 407,926	
Total Sanitation Management		\$ 407,926

Total Solid Waste/Sanitation Fund 407,926

Drug Control Fund

Public Safety

Drug Enforcement

Investigator(s)	\$ 66,240	
Salary Supplements	4,000	
Overtime Pay	1,000	
In-Service Training	1,334	
Communication	1,902	
Confidential Drug Enforcement Payments	8,000	
Maintenance & Repair Services - Vehicles	317	
Travel	194	
Law Enforcement Supplies	3,345	
Tires and Tubes	276	
Uniforms	593	
Other Supplies and Materials	4,636	
Principal on Capital Leases	10,435	
Interest on Capital Leases	1,259	
Total Drug Enforcement		\$ 103,531

Other Operations

Other Charges

Trustee's Commission	\$ 767	
Total Other Charges		767

Total Drug Control Fund 104,298

(Continued)

Exhibit H-5

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

Constitutional Officers - Fees Fund

Administration of Justice

Chancery Court

Special Commissioner Fees/Special Master Fees	\$	9,300	
Total Chancery Court			\$ 9,300

Total Constitutional Officers - Fees Fund \$ 9,300

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	55,052	
Accountants/Bookkeepers		26,586	
Data Processing Personnel		750	
Clerical Personnel		16,773	
Communication		9,089	
Data Processing Services		3,888	
Dues and Memberships		3,292	
Postal Charges		597	
Travel		441	
Other Contracted Services		41	
Drugs and Medical Supplies		2,018	
Office Supplies		3,065	
Uniforms		3,970	
Other Charges		310	
Total Administration			\$ 125,872

Highway and Bridge Maintenance

Foremen	\$	82,880	
Equipment Operators - Heavy		53,921	
Truck Drivers		126,706	
Laborers		185,934	
Contracts with Private Agencies		63,064	
Asphalt - Hot Mix		76,695	
Asphalt - Liquid		56,403	
Crushed Stone		123,436	
Pipe		6,188	
Road Signs		7,990	
Other Supplies and Materials		17	
Total Highway and Bridge Maintenance			783,234

Operation and Maintenance of Equipment

Mechanic(s)	\$	58,164	
-------------	----	--------	--

(Continued)

Exhibit H-5

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment (Cont.)

Maintenance & Repair Services - Equipment	\$	73	
Rentals		180	
Diesel Fuel		169,830	
Equipment and Machinery Parts		71,503	
Garage Supplies		14,575	
Gasoline		132,990	
Lubricants		5,397	
Small Tools		565	
Tires and Tubes		7,308	
Other Supplies and Materials		604	
Total Operation and Maintenance of Equipment			\$ 461,189

Other Charges

Electricity	\$	4,407	
Water and Sewer		1,124	
Building and Contents Insurance		3,000	
Liability Insurance		15,000	
Trustee's Commission		16,096	
Vehicle and Equipment Insurance		6,446	
Workers' Compensation Insurance		48,621	
Total Other Charges			94,694

Employee Benefits

Social Security	\$	44,505	
State Retirement		45,798	
Employee and Dependent Insurance		145,683	
Total Employee Benefits			235,986

Capital Outlay

Bridge Construction	\$	155,292	
Highway Equipment		104,727	
State Aid Projects		500	
Total Capital Outlay			260,519

Principal on Debt

Highways and Streets

Principal on Capital Leases	\$	6,439	
Total Highways and Streets			6,439

(Continued)

Exhibit H-5

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

Highway/Public Works Fund (Cont.)

Interest on Debt

Highways and Streets

Interest on Capital Leases	\$ 1,629	
Total Highways and Streets	<u>1,629</u>	\$ 1,629

Total Highway/Public Works Fund \$ 1,969,562

General Debt Service Fund

Principal on Debt

Education

Principal on Notes	\$ 40,000	
Principal on Other Loans	637,197	
Total Education	<u>677,197</u>	\$ 677,197

Interest on Debt

General Government

Interest on Other Loans	\$ 73,740	
Total General Government	<u>73,740</u>	73,740

Education

Interest on Notes	\$ 3,558	
Interest on Other Loans	510,663	
Total Education	<u>514,221</u>	514,221

Other Debt Service

General Government

Trustee's Commission	\$ 13,952	
Other Debt Service	1,200	
Total General Government	<u>15,152</u>	15,152

Education

Other Debt Service	\$ 2,400	
Total Education	<u>2,400</u>	2,400

Total General Debt Service Fund 1,282,710

General Capital Projects Fund

Other Operations

Other Charges

Trustee's Commission	\$ 6	
Total Other Charges	<u>6</u>	\$ 6

Total General Capital Projects Fund 6

(Continued)

Exhibit H-5

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

<u>Community Development/Industrial Park Fund</u>		
<u>Other Operations</u>		
<u>Other Charges</u>		
Trustee's Commission	\$ 19	
Total Other Charges		\$ 19
Total Community Development/Industrial Park Fund		\$ 19
 <u>Linsdale Waterline Projects Fund</u>		
<u>General Government</u>		
<u>Other General Administration</u>		
Legal Notices, Recording, and Court Costs	\$ 380	
Total Other General Administration		\$ 380
 <u>Capital Projects</u>		
<u>Public Utility Projects</u>		
Contracts with Government Agencies	\$ 536,701	
Total Public Utility Projects		536,701
Total Linsdale Waterline Projects Fund		537,081
 <u>Isabella Waterline Projects Fund</u>		
<u>Capital Projects</u>		
<u>Other General Government Projects</u>		
Contracts with Private Agencies	\$ 193,605	
Total Other General Government Projects		\$ 193,605
Total Isabella Waterline Projects Fund		193,605
 <u>Education Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>Education Capital Projects</u>		
Contributions	\$ 3,261,439	
Total Education Capital Projects		\$ 3,261,439
Total Education Capital Projects Fund		3,261,439
 <u>Other Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>Public Safety Projects</u>		
Architects	\$ 60,000	
Building Construction	3,650,824	
Total Public Safety Projects		\$ 3,710,824
Total Other Capital Projects Fund		3,710,824
Total Governmental Funds - Primary Government		<u>\$ 16,485,937</u>

Exhibit H-6

Polk County, Tennessee  
Schedule of Detailed Receipts, Disbursements,  
and Changes in Cash Balance - City Agency Fund  
For the Year Ended June 30, 2006

	<u>Cities - Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 322,770
Total Cash Receipts	<u>\$ 322,770</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 319,542
Trustee's Commission	3,228
Total Cash Disbursements	<u>\$ 322,770</u>
Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ 0
Cash Balance, July 1, 2005	<u>0</u>
Cash Balance, June 30, 2006	<u><u>\$ 0</u></u>

**ANNUAL FINANCIAL REPORT**  
**POLK COUNTY SCHOOL DEPARTMENT**  
**A COMPONENT UNIT OF POLK COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2006**

*DEPARTMENT OF AUDIT*  
*JOHN G. MORGAN*  
*Comptroller of the Treasury*

*DIVISION OF COUNTY AUDIT*  
*RICHARD V. NORMENT*  
*Assistant to the Comptroller*

*ARTHUR L. ALEXANDER*  
*Director*

*CARL LOWE, CGFM*  
*Audit Manager*

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

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

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

---



---

**POLK COUNTY SCHOOL DEPARTMENT  
A COMPONENT UNIT OF POLK COUNTY, TENNESSEE  
TABLE OF CONTENTS**

---



---

	Exhibit	Page(s)
Audit Highlights		1
<u>INTRODUCTORY SECTION</u>		3
Polk County School Officials		5
<u>FINANCIAL SECTION</u>		7
Independent Auditor's Report		9-11
BASIC FINANCIAL STATEMENTS:		13
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	A	15
Statement of Revenues, Expenditures, and Changes in Fund Balances	B	16
Proprietary Fund:		
Statement of Net Assets	C-1	17
Statement of Revenues, Expenses, and Changes in Net Assets	C-2	18
Statement of Cash Flows	C-3	19
Notes to the Financial Statements		21-36
REQUIRED SUPPLEMENTARY INFORMATION:		37
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Purpose School Fund	D-1	39-41
Central Cafeteria Fund	D-2	42
Notes to the Required Supplementary Information		43
INDIVIDUAL FUND SCHEDULE:		45
Nonmajor Governmental Fund:		47
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual (Budgetary Basis) and Budget:		
School Federal Projects Fund	E	49
Miscellaneous Schedules:		51
Schedule of Changes in Long-term Notes and Capital Leases	F-1	53
Schedule of Transfers	F-2	54
Schedule of Salaries and Official Bonds of Principal Officials	F-3	55
Schedule of Detailed Revenues – All Governmental Fund Types	F-4	56-57
Schedule of Detailed Expenditures – All Governmental Fund Types	F-5	58-69



# ***Audit Highlights***

Annual Financial Report  
Polk County School Department  
For the Year Ended June 30, 2006

## ***Scope***

We have audited the financial statements of each major fund and the aggregate remaining fund information of the Polk County School Department as of and for the year ended June 30, 2006.

## ***Results***

Our report on the Polk County School Department's financial statements expresses an adverse opinion because government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34.

Our audit resulted in nine findings and recommendations, which we have reviewed with Polk County School Department management. Detailed findings, recommendations, and management's responses are included in the Single Audit Report.

## ***Findings***

The following are summaries of the audit findings:

### **POLK COUNTY SCHOOL DEPARTMENT**

- ◆ Government-wide financial statements were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion.
- ◆ General Purpose School Fund expenditures and encumbrances exceeded appropriations in seven of 24 major appropriation categories. Also, some budget amendments affecting major categories were posted to the accounting records without the approval of the County Commission, and some approved amendments were incorrectly posted.
- ◆ Documentation that goods had been received and/or services had been rendered was not always maintained, and invoices were not always canceled or marked paid.
- ◆ Competitive bids were not solicited for a school renovation project and for the purchase of sod.
- ◆ The School Department did not maintain inventory records.
- ◆ Central Cafeteria Fund transactions were not channeled through the Trustee's Office.
- ◆ The office did not file the required Reports on Debt Obligations with the state director of Local Finance on two lease-purchase agreements and two capital outlay notes.
- ◆ The office entered into a lease-purchase agreement for computers without the approval of the County Commission.
- ◆ Duties were not segregated adequately among officials and employees in the School Department.

---

---

## INTRODUCTORY SECTION

---

---

Polk County School Department  
June 30, 2006

---

**Official**

James Jones, Director of Schools

**Board of Education**

Gary Silvers, Chairman  
David Bigham  
Greg Brooks  
Carlton Deal  
Tom Hunt  
David Hyatt  
Jason Lamb  
Tracy McAbee  
Grady Samples

---

---

## FINANCIAL SECTION

---

---



**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-0269  
PHONE (615) 401-7841**

**INDEPENDENT AUDITOR'S REPORT**

December 15, 2006

Polk County Director of Schools and  
Board of Education  
Polk County, Tennessee

To the Director of Schools and Board of Education:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Polk County School Department, a component unit of Polk County, Tennessee, as of and for the year ended June 30, 2006, as shown on pages 15 through 36, which collectively comprise a portion of the Polk County School Department's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Polk County School Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported

in government-wide financial statements for the School Department's governmental activities are not reasonably determinable.

As described in Note I, the Polk County School Department has prepared its financial statements on a prescribed basis of accounting that demonstrates compliance with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. These standards require School Departments that do not present government-wide financial statements to present fund financial statements in conformity with all the accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements. These standards also require some additional disclosures to be included in the notes to the financial statements, as described in Note I.

In our opinion, because of the effects of the matters discussed in the two preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Polk County School Department as of June 30, 2006, or the changes in its financial position or its cash flows, where applicable, for the year then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Polk County School Department as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee.

In accordance with Government Auditing Standards, we have also issued our report dated December 15, 2006, on our consideration of the Polk County School Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 39 through 43 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

comparison schedules of the nonmajor governmental funds, and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,

A handwritten signature in black ink that reads "John G. Morgan". The signature is written in a cursive style with a long horizontal flourish at the end.

John G. Morgan  
Comptroller of the Treasury

JGM/rc

---

---

# BASIC FINANCIAL STATEMENTS

---

---

Exhibit A

Polk County, Tennessee  
 Balance Sheet - Governmental Funds  
 Polk County School Department  
 June 30, 2006

	Major Funds			Nonmajor	Total
	General Purpose School	Central Cafeteria	Education Capital Projects	School Federal Projects Fund	
<b>ASSETS</b>					
Cash	\$ 0	\$ 180,230	\$ 0	\$ 0	\$ 180,230
Equity in Pooled Cash and Investments	79,054	0	133,980	93,759	306,793
Accounts Receivable	0	138,446	0	0	138,446
Due from Other Governments	519,290	0	0	188,984	708,274
Due from Other Funds	251,587	72,100	155,000	1,003	479,690
Property Taxes Receivable	2,281,453	0	0	0	2,281,453
Allowance for Uncollectible Property Taxes	(213,548)	0	0	0	(213,548)
<b>Total Assets</b>	<b>\$ 2,917,836</b>	<b>\$ 390,776</b>	<b>\$ 288,980</b>	<b>\$ 283,746</b>	<b>\$ 3,881,338</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 2,188	\$ 2,188
Accrued Payroll	38,653	0	0	0	38,653
Payroll Deductions Payable	257,142	0	0	22,779	279,921
Due to Other Funds	228,103	0	0	251,587	479,690
Deferred Revenue - Current Property Taxes	1,971,888	0	0	0	1,971,888
Deferred Revenue - Delinquent Property Taxes	83,850	0	0	0	83,850
Other Deferred Revenues	215,997	0	0	0	215,997
<b>Total Liabilities</b>	<b>\$ 2,795,633</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 276,554</b>	<b>\$ 3,072,187</b>
<b>Fund Balances</b>					
Reserved for Encumbrances	\$ 18,632	\$ 0	\$ 0	\$ 0	\$ 18,632
Reserved for Career Ladder - Extended Contract	40,469	0	0	0	40,469
Reserved for Career Ladder Program	710	0	0	0	710
Reserved for Innovative Education Program Strategies	0	0	0	4,628	4,628
Reserved for Special Education - Grants to States	0	0	0	439	439
Other Federal Reserves	0	0	0	2,125	2,125
Unreserved, Reported In:					
General Fund	62,392	0	0	0	62,392
Special Revenue Funds	0	390,776	0	0	390,776
Capital Projects Funds	0	0	288,980	0	288,980
<b>Total Fund Balances</b>	<b>\$ 122,203</b>	<b>\$ 390,776</b>	<b>\$ 288,980</b>	<b>\$ 7,192</b>	<b>\$ 809,151</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,917,836</b>	<b>\$ 390,776</b>	<b>\$ 288,980</b>	<b>\$ 283,746</b>	<b>\$ 3,881,338</b>

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

Exhibit B

Polk County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Governmental Funds  
Polk County School Department  
For the Year Ended June 30, 2006

	Major Funds			Nonmajor Fund	Total Governmental Funds
	General Purpose School	Central Cafeteria	Education Capital Projects	School Federal Projects Fund	
<u>Revenues</u>					
Local Taxes	\$ 3,478,367	\$ 0	\$ 0	\$ 0	\$ 3,478,367
Licenses and Permits	3,178	0	0	0	3,178
Fines, Forfeitures, and Penalties	83	0	0	0	83
Charges for Current Services	0	410,614	0	0	410,614
Other Local Revenues	169,155	3,419	0	0	172,574
State of Tennessee	10,921,516	14,253	0	0	10,935,769
Federal Government	610,339	658,450	0	1,266,764	2,535,553
Other Governments and Citizens Groups	0	0	3,261,439	0	3,261,439
Total Revenues	<u>\$ 15,182,638</u>	<u>\$ 1,086,736</u>	<u>\$ 3,261,439</u>	<u>\$ 1,266,764</u>	<u>\$ 20,797,577</u>
<u>Expenditures</u>					
Current:					
Instruction	\$ 9,559,395	\$ 0	\$ 0	\$ 1,120,754	\$ 10,680,149
Support Services	5,081,829	0	0	357,317	5,439,146
Operation of Non-Instructional Services	217,785	985,763	0	0	1,203,548
Capital Outlay	29,649	0	0	0	29,649
Debt Service:					
Other Debt Service	659,100	0	0	0	659,100
Capital Projects	0	0	3,723,217	0	3,723,217
Total Expenditures	<u>\$ 15,547,758</u>	<u>\$ 985,763</u>	<u>\$ 3,723,217</u>	<u>\$ 1,478,071</u>	<u>\$ 21,734,809</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (365,120)</u>	<u>\$ 100,973</u>	<u>\$ (461,778)</u>	<u>\$ (211,307)</u>	<u>\$ (937,232)</u>
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 0	\$ 0	\$ 450,000	\$ 0	\$ 450,000
Capital Leases Issued	642,131	0	0	0	642,131
Transfers In	0	0	155,000	0	155,000
Transfers Out	(155,000)	0	0	0	(155,000)
Total Other Financing Sources (Uses)	<u>\$ 487,131</u>	<u>\$ 0</u>	<u>\$ 605,000</u>	<u>\$ 0</u>	<u>\$ 1,092,131</u>
Net Change in Fund Balances	\$ 122,011	\$ 100,973	\$ 143,222	\$ (211,307)	\$ 154,899
Fund Balance, July 1, 2005	192	289,803	145,758	218,499	654,252
Fund Balance, June 30, 2006	<u>\$ 122,203</u>	<u>\$ 390,776</u>	<u>\$ 288,980</u>	<u>\$ 7,192</u>	<u>\$ 809,151</u>

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

Exhibit C-1

Polk County School Department  
Statement of Net Assets  
Proprietary Fund  
June 30, 2006

	<u>Governmental Activities - Internal Service Fund Self-Insurance Fund</u>
<u>ASSETS</u>	
Current Assets:	
Cash in Bank	\$ 37,722
Total Assets	<u>\$ 37,722</u>
<u>NET ASSETS</u>	
Unrestricted	<u>\$ 37,722</u>
Total Net Assets	<u><u>\$ 37,722</u></u>

The accompanying notes are an integral part of this statement.

Exhibit C-2

Polk County School Department  
Statement of Revenues, Expenses, and  
Changes in Net Assets  
Proprietary Fund  
For the Year Ended June 30, 2006

	Governmental Activities - Internal Service Fund <u>Self-Insurance Fund</u>
<u>Operating Revenues</u>	
Other Local Revenues	\$ 0
Operating Income (Loss)	<u>\$ 0</u>
<u>Non-operating Revenues</u>	
Investment Income	<u>\$ 467</u>
Change in Net Assets	\$ 467
Net Assets, July 1, 2005	<u>37,255</u>
Net Assets, June 30, 2006	<u><u>\$ 37,722</u></u>

The accompanying notes are an integral part of this statement.

Exhibit C-3

Polk County School Department  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2006

	Governmental Activities - Internal Service Fund <u>Self-Insurance Fund</u>
<u>Cash Flows From Operating Activities</u>	
Net Cash Provided By (Used In) Operating Activities	\$ <u>0</u>
<u>Cash Flows From Investing Activities</u>	
Interest on Investments	\$ 467
Net Cash Provided By (Used In) Investing Activities	<u>\$ 467</u>
Net Increase (Decrease) in Cash	\$ 467
Cash, July 1, 2005	<u>37,255</u>
Cash, June 30, 2006	<u><u>\$ 37,722</u></u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Used in Operating Activities</u>	
Operating Income (Loss)	<u>\$ 0</u>
Net Cash Provided By (Used In) Operating Activities	<u><u>\$ 0</u></u>

The accompanying notes are an integral part of this statement.

**POLK COUNTY SCHOOL DEPARTMENT  
A COMPONENT UNIT OF POLK COUNTY, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2006**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Polk County School Department's financial statements are not 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 School Department has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities. The two government-wide financial statements, the statement of net assets and the statement of activities, should be included in the basic financial statements to conform with the provisions of GASB Statement 34 and accounting principles generally accepted in the United States of America. The School Department has elected instead only to implement the provisions of the statement and other accounting principles generally accepted in the United States of America that relate to the fund financial statements. This departure from GAAP results in an incomplete presentation and has caused the School Department's auditor to issue an adverse opinion on the School Department's financial statements.

Although the School Department's financial statements are not presented in conformity with GAAP, the financial statements have been presented in conformity with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. The Comptroller of the Treasury has adopted financial reporting standards for local governments in Tennessee that do not implement the provisions of GASB Statement 34. These standards require fund financial statements to be presented in conformity with all the provisions of GASB Statement 34 that are applicable to fund financial statements, including the notes to the financial statements. These standards also require the fund financial statements to be presented in conformity with all other accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements.

The following are the more significant accounting policies of the School Department:

**A. Reporting Entity**

The School Department operates the public school system in the county, and the voters of Polk County elect its nine-member board. The School Department is a component unit of Polk County, the primary government. The School Department is fiscally dependent on the county because it may not issue debt without county approval, and its budget and property tax levy are subject to the Polk 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.

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

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

Separate financial statements are provided for governmental funds and proprietary 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 is reported in a single column.

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 School Department 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. The School Department considers grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the appropriate funds 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 School Department receives cash.

Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The 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 fund is used to account for the cafeteria operations in each of the schools.

**Education Capital Projects Fund** – This fund is used to account for transactions relating to the construction and renovation of school buildings in Polk County.

Additionally, the School Department reports the following fund type:

**Internal Service Fund** – The Self-Insurance Fund is used to account for the School Department employees' self-insurance dental program. In the past, school funds were placed into this fund for the payment of dental claims for the School Department employees who wished 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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. The 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 \$37,722, at June 30, 2006, is being maintained in the Self-Insurance Fund for future use. The revenue received by the fund is interest earned on the balance. There were no expenses for the fund during the year.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted revenues first, then unrestricted resources as they are needed.

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

**1. Deposits and Investments**

For purposes of the statement of cash flows, cash includes demand deposits.

State statutes authorize Polk County, the School Department's primary 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; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; the county's own legally issued bonds or notes; the State Treasurer's Investment Pool; and repurchase agreements.

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

## **2. Receivables and Payables**

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

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 5.29 percent of the total taxes levied.

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

Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. This date is January 1 and

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

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

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

**3. Capital Assets**

Governmental funds do not capitalize the cost of capital outlays; these funds report capital outlays as expenditures upon acquisition. The School Department does not maintain capital assets records, as required by generally accepted accounting principles. Capital assets should be reported in the government-wide statement of net assets; however, as previously noted, the School Department does not present government-wide statements.

**4. Compensated Absences**

The general policy of the School Department does not allow for the accumulation of vacation days beyond year-end. All professional personnel (teachers) of the School Department are allowed to accumulate unlimited sick leave days. The granting of sick leave has no guaranteed payment attached and therefore is not required to be accrued or recorded.

**5. Long-term Obligations**

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

**6. Net Assets and Fund Equity**

In the proprietary fund, equity is classified as net assets and may be displayed in three components:

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

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specified purpose.

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds of the School Department and the capital projects fund, which adopts 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 Polk 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 State 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 Purpose School Fund major categories: Regular Instruction Program, Vocational Education Program, Adult Education Program, etc.). Management may make revisions within major categories, but only the Polk County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

**B. Expenditures and Encumbrances Exceeded Appropriations**

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

<u>Major Category</u>	<u>Amount Overspent</u>
Health Services	\$ 1,949
Director of Schools	11,942
Transportation	15,992
Early Childhood Education	10,871
Regular Capital Outlay	14,999
Other Debt Service - Education	9,100
Transfers Out	138,650

Also, expenditures and encumbrances exceeded total appropriations in the School Federal Projects Fund by \$23,061. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balances.

**C. Lease-Purchase Agreement not Approved by the County Commission**

A lease-purchase agreement (\$98,799) for computers was not approved by the County Commission. State statutes require County Commission approval for lease-purchase agreements.

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

Polk County and the Polk County School Department participate in an internal cash and investment pool through the Office of Trustee. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, depositing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Cash reflected in the fund financial statements 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.** Polk County, the School Department's primary government, is 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; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; 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 director of Local Finance 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 market value of the securities on the day of purchase. The county had no pooled or nonpooled investments as of June 30, 2006.

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

The composition of interfund balances as of June 30, 2006, is as follows:

**Due from other funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Purpose School	Nonmajor governmental	\$ 251,587
Central Cafeteria	General Purpose School	72,100
Education Capital Projects	"	155,000
Nonmajor governmental	"	1,003

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

**Interfund Transfers:**

Interfund transfers for the year ended June 30, 2006, consisted of the following amount:

	<u>Transfers In</u>
	<u>Education</u>
	<u>Capital</u>
	<u>Projects</u>
	<u>Fund</u>
<u>Transfers Out</u>	
General Purpose School Fund	\$ <u>155,000</u>
Total	\$ <u><u>155,000</u></u>

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

**C. Capital Leases**

On August 7, 2003, the School Department entered into a two-year lease-purchase agreement for computers. The terms of the agreement require total lease payments of \$26,261 plus interest of 13.6 percent. Title to the computers transfers to the School Department at the end of the lease period. The lease-purchase agreement was not entered into in compliance with state statutes. The lease payments are made by the School Federal Projects Fund.

On August 15, 2005, the School Department entered into a five-year lease-purchase agreement for school buses. The terms of the agreement require total lease payments of \$543,332 plus interest of 4.64 percent. Title

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

On October 13, 2005, the School Department entered into a three-year lease-purchase agreement for computers. The terms of the agreement require total lease payments of \$98,799 plus interest of 6.66 percent. Title to the computers transfers to the School Department at the end of the lease period. The lease-purchase agreement was not entered into in compliance with state statutes. The lease payments are made by the General Purpose School Fund.

Since the School Department is presenting fund financial statements only, the present value of minimum lease payments under lease agreements has not been reported as a liability in the financial statements of the governmental funds. Long-term debt for governmental funds is required to be reported as a liability in the government-wide financial statements, but the School Department is not presenting government-wide financial statements. Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2006, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Funds</u>
2007	\$ 136,203
2008	136,203
2009	101,125
2010	101,125
2011	<u>101,125</u>
Total Minimum Lease Payments	\$ 575,781
Amount Representing Interest	<u>(69,852)</u>
 Present Value of Minimum Lease Payments	 <u><u>\$ 505,929</u></u>

**D. Long-term Debt**

Since the School Department is presenting fund financial statements only, long-term debt is not reported as a liability in the financial statements of the governmental funds. Long-term debt for governmental funds is required to be reported as a liability in government-wide financial statements, but the School Department is not presenting government-wide financial statements.

Notes

The county issues capital outlay notes for the School Department to fund capital facilities and other capital outlay purchases, such as equipment.

Capital outlay notes are direct obligations and pledge the full faith and credit of the government. Capital outlay notes outstanding were issued for original terms of up to six years. Repayment terms are generally structured with

increasing amounts of principal maturing as interest requirements decrease over the term of the debt. The note included in long-term debt as of June 30, 2006, will be retired from the General Purpose School Fund.

Capital outlay note and capital leases outstanding as of June 30, 2006, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-06
Capital Outlay Note	3.5 %	\$ 450,000	\$ 450,000
Capital Leases	4.64 to 6.66	642,131	505,929

The annual requirements to amortize the note outstanding as of June 30, 2006, are presented in the following table:

Year Ending June 30	Note	
	Principal	Interest
2007	\$ 75,000	\$ 15,750
2008	75,000	13,125
2009	75,000	10,500
2010	75,000	7,875
2011	75,000	5,250
2012	75,000	2,625
Total	\$ 450,000	\$ 55,125

Debt per capita, including the note and capital leases, totaled \$60, based on the 2000 federal census.

#### Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2006, was as follows:

Governmental Activities:

	Notes	Capital Leases
Balance, July 1, 2005	\$ 580	\$ 8,647
Additions	450,000	642,131
Deductions	(580)	(144,849)
Balance, June 30, 2006	\$ 450,000	\$ 505,929
Balance Due Within One Year	\$ 75,000	\$ 111,739

**E. Short-term Debt**

The county issued tax/revenue anticipation notes in advance of property tax collections and deposited the proceeds in the General Purpose School Fund (\$255,000) and School Federal Projects Fund (\$195,000). These notes were necessary because funds were not available to meet the department's obligations coming due before current tax collections and reimbursements for expenditures were received. Short-term debt activity for the year ended June 30, 2006, was as follows:

	Balance 7-01-05	Issued	Redeemed	Balance 6-30-06
Tax/Revenue				
Anticipation Notes	\$ 0	\$ 450,000	\$ (450,000)	\$ 0

**IV. OTHER INFORMATION**

**A. Risk Management**

The School Department is exposed to various risks related to general liability, property, casualty, and workers' compensation losses. The School Department is a member of the Tennessee School Boards Risk Management Trust (TSB-RMT), a public entity risk pool established by the Tennessee School Boards Association. The School Department pays annual premiums to the TSB-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of this pool provides for it to be self-sustaining through member premiums.

The School Department provides health insurance to its employees through the Local Government Group Insurance (LGGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local governments and quasi-governmental entities that were established for the primary purpose of providing services for or on behalf of state and local governments. In accordance with Section 8-27-207, Tennessee Code Annotated, all local governments and quasi-governmental entities described above are eligible to participate. The LGGIF is included in the Comprehensive Annual Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. The state statute provides for LGGIF 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 employee's dental insurance plan was discontinued in October 2002 due to increased costs of the plan. The balance

of \$37,722 at June 30, 2006, is being maintained in the Self-Insurance Fund for future use.

**B. Accounting Changes**

The provisions of Governmental Accounting Standards Board (GASB) Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries became effective for the year ended June 30, 2006. GASB Statement No. 42 requires governments to report the effects of capital asset impairments in their financial statements when they occur rather than as a part of the ongoing depreciation expense for the capital asset or upon disposal of the capital asset. In addition, GASB Statement No. 42 clarifies and establishes accounting requirements for insurance recoveries. GASB Statement No. 42 had no effect on the financial statements for the year ended June 30, 2006, since no capital asset impairment and insurance recoveries occurred. However, it is reasonably expected that capital asset impairment and insurance recoveries may occur in subsequent years that will be subject to the provisions of Statement No. 42.

The provisions of GASB Statement No. 44, Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1) became effective for the year ended June 30, 2006. GASB Statement No. 44 applies to the preparation of the statistical section. State and local governments may, but are not required to, prepare a statistical section to accompany basic financial statements. However, a statistical section is required to accompany a comprehensive annual financial report. Since Polk County is not presenting a comprehensive annual financial report, it has elected not to prepare a statistical section. A limited statistical section was presented in the prior year's report. GASB Statement No. 44 amends guidance related to the preparation of the statistical section. This statement improves the understandability and usefulness of statistical information by addressing the comparability problems that have developed in practice and by adding information from the new financial reporting model for state and local governments required by GASB Statement No. 34. GASB Statement No. 44 establishes the objectives of the statistical section and the five categories it contains: financial trends, revenue capacity, debt capacity, demographic and economic, and operating. It is reasonably expected that Polk County will prepare and present a statistical section in subsequent years that follows the requirements of GASB Statement No. 44.

The provisions of GASB Statement No. 46, Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34 became effective for the year ended June 30, 2006. GASB Statement No. 46 provides guidance to determine when net assets have been restricted to a particular use by the passage of enabling legislation and specifies how those net assets should be reported in financial statements when there are changes in the circumstances surrounding such legislation. The statement also requires governments to disclose in the notes to the financial statements the amount of net assets

restricted by enabling legislation as of the end of the reporting period. The School Department had no net assets restricted by enabling legislation to disclose as of June 30, 2006. But it is reasonably expected that the School Department will be required to disclose net assets restricted by enabling legislation in subsequent years.

The provisions of GASB Statement No. 47, Accounting for Termination Benefits became effective for the year ended June 30, 2006. GASB Statement No. 47 provides accounting and reporting guidance for state and local governments that offer benefits such as early retirement incentives or severance to employees who are involuntarily terminated. Statement No. 47 specifies when governments should recognize the cost of termination benefits they offer in accrual basis financial statements. The School Department was not offering any termination benefits to employees as of June 30, 2006. But it is reasonably expected that the School Department will offer termination benefits in subsequent years subject to the accounting and reporting requirements of GASB Statement No. 47.

**C. Contingent Liabilities**

The School Department's attorney is not aware of any pending or threatened lawsuits.

**D. Change in Administration**

On August 5, 2005, Dr. William Wade left the Office of Director of Schools and was succeeded by James Jones.

**E. Retirement Commitments**

**Plan Description**

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

subdivisions such as Polk County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

Since the Polk County School Department participates in Polk County's plan, retirement information for the Polk County School Department is not available separately from the retirement information provided for the county. Complete disclosure for the county's participation in the TCRS is described in footnote IV. G. of the Annual Financial Report of Polk County, Tennessee.

## 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.treasury.state.tn.us](http://www.treasury.state.tn.us). Copies of footnotes in PDF format can be accessed at <http://www.treasury.state.tn.us/tcrs/Schools/>.

## **Funding Policy**

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the Polk County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2006, was 5.5 percent of annual covered payroll. The employer contribution requirement for the Polk County School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2006, 2005, and 2004, were \$449,098, \$433,757, and \$231,189, respectively, equal to the required contributions for each year.

### **F. Other Post-employment Benefits**

In addition to the retirement commitments described above, the School Department offers retiring employees, with 25 years or more of service in the Polk County school system, either a lump-sum payment equal to \$200 for each year of service in the Polk County school system or will provide a portion of the employee's health care insurance until the employee reaches Medicare age. During the period five retiring employees opted for the lump-sum payment. Expenditures totaling \$32,400 were recognized for lump-sum payments in-lieu-of post-employment health care. As of June 30, 2006, there were 22 school retirees who were receiving the health insurance benefit. The School Department pays a portion of the employees health care insurance premiums based on the retiree's years of service. During the year, expenditures totaling \$60,503 were recognized for post-employment health care.

### **G. Purchasing Law**

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

---

---

**REQUIRED SUPPLEMENTARY  
INFORMATION**

---

---

Exhibit D-1

Polk County, Tennessee  
 Schedule of Revenues, Expenditures, and Changes  
 in Fund Balance - Actual (Budgetary Basis) and Budget  
 Polk County School Department  
 General Purpose School Fund  
 For the Year Ended June 30, 2006

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<b>Revenues</b>							
Local Taxes	\$ 3,478,367	\$ 0	\$ 0	\$ 3,478,367	\$ 3,312,293	\$ 3,441,293	\$ 37,074
Licenses and Permits	3,178	0	0	3,178	2,600	2,500	678
Fines, Forfeitures, and Penalties	83	0	0	83	0	100	(17)
Other Local Revenues	169,155	0	0	169,155	101,000	144,828	24,327
State of Tennessee	10,921,516	0	0	10,921,516	10,734,350	10,797,513	124,003
Federal Government	610,339	0	0	610,339	708,644	570,860	39,479
<b>Total Revenues</b>	<b>\$ 15,182,638</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 15,182,638</b>	<b>\$ 14,858,887</b>	<b>\$ 14,957,094</b>	<b>\$ 225,544</b>
<b>Expenditures</b>							
<b>Instruction</b>							
Regular Instruction Program	\$ 7,818,200	\$ (107,032)	\$ 16,632	\$ 7,727,800	\$ 7,503,415	\$ 7,768,522	\$ 40,722
Special Education Program	799,443	0	0	799,443	808,554	822,124	22,681
Vocational Education Program	625,853	0	0	625,853	624,704	657,204	31,351
Student Body Education Program	269,526	(25,189)	0	244,337	179,992	256,721	12,384
Adult Education Program	46,373	0	0	46,373	32,920	47,502	1,129
<b>Support Services</b>							
Attendance	6,271	0	0	6,271	12,266	10,881	4,610
Health Services	44,071	0	0	44,071	46,522	42,122	(1,949)
Other Student Support	309,830	0	0	309,830	292,405	313,690	3,860
Regular Instruction Program	261,433	0	0	261,433	292,604	277,449	16,016
Special Education Program	53,197	0	0	53,197	53,650	53,650	453
Vocational Education Program	39,585	0	0	39,585	41,297	40,297	712
Adult Programs	45,020	0	0	45,020	39,822	50,479	5,459
Board of Education	293,289	(70)	0	293,219	322,578	315,302	22,083
Director of Schools	279,523	0	0	279,523	298,081	267,881	(11,642)
Office of the Principal	930,909	0	0	930,909	897,713	942,813	11,904

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Fiscal Services	\$ 52,842	\$ 0	\$ 0	\$ 52,842	\$ 59,210	\$ 56,210	\$ 3,368
Operation of Plant	1,278,756	0	2,000	1,280,756	1,115,199	1,286,778	6,022
Maintenance of Plant	105,006	(5,586)	0	99,420	103,487	112,587	13,167
Transportation	1,382,097	(100)	0	1,381,997	776,548	1,366,005	(15,992)
<u>Operation of Non-Instructional Services</u>							
Food Service	41,826	0	0	41,826	612,920	64,920	23,094
Early Childhood Education	175,959	0	0	175,959	0	165,088	(10,871)
<u>Capital Outlay</u>							
Regular Capital Outlay	29,649	0	0	29,649	745,000	14,650	(14,999)
<u>Other Debt Service</u>							
Education	659,100	0	0	659,100	0	650,000	(9,100)
Total Expenditures	\$ 15,547,758	\$ (137,977)	\$ 18,632	\$ 15,428,413	\$ 14,858,887	\$ 15,582,875	\$ 154,462
Excess (Deficiency) of Revenues							
Over Expenditures	\$ (365,120)	\$ 137,977	\$ (18,632)	\$ (245,775)	\$ 0	\$ (625,781)	\$ 380,006
<u>Other Financing Sources (Uses)</u>							
Capital Leases Issued	\$ 642,131	\$ 0	\$ 0	\$ 642,131	\$ 0	\$ 642,131	\$ 0
Transfers Out	(155,000)	0	0	(155,000)	0	(16,350)	(138,650)
Total Other Financing Sources (Uses)	\$ 487,131	\$ 0	\$ 0	\$ 487,131	\$ 0	\$ 625,781	\$ (138,650)

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Net Change in Fund Balance	\$ 122,011	\$ 137,977	\$ (18,632)	\$ 241,356	\$ 0	\$ 0	\$ 241,356
Fund Balance, July 1, 2005	192	(137,977)	0	(137,785)	0	0	(137,785)
Fund Balance, June 30, 2006	\$ 122,203	\$ 0	\$ (18,632)	\$ 103,571	\$ 0	\$ 0	\$ 103,571

Exhibit D-2

Polk County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Polk County School Department  
Central Cafeteria Fund  
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 410,614	\$ 414,000	\$ 414,000	\$ (3,386)
Other Local Revenues	3,419	15,360	15,360	(11,941)
State of Tennessee	14,253	13,869	13,869	384
Federal Government	658,450	615,550	615,550	42,900
Total Revenues	<u>\$ 1,086,736</u>	<u>\$ 1,058,779</u>	<u>\$ 1,058,779</u>	<u>\$ 27,957</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 985,763	\$ 1,058,779	\$ 1,058,779	\$ 73,016
Total Expenditures	<u>\$ 985,763</u>	<u>\$ 1,058,779</u>	<u>\$ 1,058,779</u>	<u>\$ 73,016</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 100,973</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 100,973</u>
Net Change in Fund Balance	\$ 100,973	\$ 0	\$ 0	\$ 100,973
Fund Balance, July 1, 2005	289,803	289,802	289,802	1
Fund Balance, June 30, 2006	<u>\$ 390,776</u>	<u>\$ 289,802</u>	<u>\$ 289,802</u>	<u>\$ 100,974</u>

**POLK COUNTY SCHOOL DEPARTMENT  
A COMPONENT UNIT OF POLK COUNTY, TENNESSEE  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2006**

**A. BUDGETARY INFORMATION**

The School Department 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 Polk 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 State 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 Purpose School Fund major categories: Regular Instruction Program, Special Education Program, Board of Education, Director of Schools, etc.). Management may make revisions within major categories, but only the Polk County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

**B. EXPENDITURES AND ENCUMBRANCES EXCEEDED APPROPRIATIONS**

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

Major Category	Amount Overspent
Health Services	\$ 1,949
Director of Schools	11,942
Transportation	15,992
Early Childhood Education	10,871
Regular Capital Outlay	14,999
Other Debt Service - Education	9,100
Transfers Out	138,650

Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balance.

---

---

**INDIVIDUAL FUND  
SCHEDULE**

---

---

# Nonmajor Governmental Fund

## Special Revenue Fund

---

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes.

---

School Federal Projects – The School Federal Projects Fund is used to account for restricted federal revenues which must be expended on specific education programs.

Exhibit E

Polk County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Polk County School Department  
School Federal Projects Fund  
For the Year Ended June 30, 2006

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Federal Government	\$ 1,266,764	\$ 0	\$ 1,266,764	\$ 1,390,786	\$ 1,390,786	\$ (124,022)
Total Revenues	\$ 1,266,764	\$ 0	\$ 1,266,764	\$ 1,390,786	\$ 1,390,786	\$ (124,022)
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 642,572	\$ (8,238)	\$ 634,334	\$ 565,610	\$ 565,610	\$ (68,724)
Special Education Program	352,009	(150)	351,859	415,537	415,537	63,678
Vocational Education Program	126,173	(24,930)	101,243	64,365	64,365	(36,878)
<u>Support Services</u>						
Health Services	46,147	0	46,147	64,056	64,056	17,909
Other Student Support	21,644	0	21,644	30,414	30,414	8,770
Regular Instruction Program	172,482	(266)	172,216	202,789	202,789	30,573
Special Education Program	28,406	(323)	28,083	25,694	25,694	(2,389)
Vocational Education Program	4,000	0	4,000	5,000	5,000	1,000
Transportation	84,638	(47,638)	37,000	0	0	(37,000)
Total Expenditures	\$ 1,478,071	\$ (81,545)	\$ 1,396,526	\$ 1,373,465	\$ 1,373,465	\$ (23,061)
Excess (Deficiency) of Revenues Over Expenditures	\$ (211,307)	\$ 81,545	\$ (129,762)	\$ 17,321	\$ 17,321	\$ (147,083)
Net Change in Fund Balance	\$ (211,307)	\$ 81,545	\$ (129,762)	\$ 17,321	\$ 17,321	\$ (147,083)
Fund Balance, July 1, 2005	218,499	(81,545)	136,954	82,410	82,410	54,544
Fund Balance, June 30, 2006	\$ 7,192	\$ 0	\$ 7,192	\$ 99,731	\$ 99,731	\$ (92,539)

---

---

## MISCELLANEOUS SCHEDULES

---

---

Exhibit F-1

Polk County, Tennessee  
Schedule of Changes in Long-term Notes and Capital Leases  
Polk County School Department  
For the Year Ended June 30, 2006

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-05	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-06
<u>NOTES PAYABLE</u>								
<u>Payable though General Purpose School Fund</u>								
Asbestos Removal	\$ 22,500	0 %	9-1-1994	9-1-05	\$ 580	\$ 0	\$ 580	\$ 0
Athletic Complex	450,000	3.5	9-1-05	9-1-11	0	450,000	0	450,000
Total Notes Payable					<u>\$ 580</u>	<u>\$ 450,000</u>	<u>\$ 580</u>	<u>\$ 450,000</u>
<u>CAPITAL LEASES PAYABLE</u>								
<u>Payable though General Purpose School Fund</u>								
School Buses	543,332	4.64	8-15-05	8-15-10	\$ 0	\$ 543,332	\$ 101,124	\$ 442,208
Computers	98,799	6.66	10-13-05	10-13-07	0	98,799	35,078	63,721
Total Payable though General Purpose School Fund					<u>\$ 0</u>	<u>\$ 642,131</u>	<u>\$ 136,202</u>	<u>\$ 505,929</u>
<u>Payable though School Federal Projects Fund</u>								
Computers	26,261	13.6	8-7-03	8-7-05	\$ 8,647	\$ 0	\$ 8,647	\$ 0
Total Capital Leases Payable					<u>\$ 8,647</u>	<u>\$ 642,131</u>	<u>\$ 144,849</u>	<u>\$ 505,929</u>

Exhibit F-2

Polk County, Tennessee  
Schedule of Transfers  
Polk County School Department  
For the Year Ended June 30, 2006

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General Purpose School	Education Capital Projects	Capital project obligations	<u>\$ 155,000</u>
Total Transfers			<u><u>\$ 155,000</u></u>

Exhibit F-3

Polk County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
Polk County School Department  
For the Year Ended June 30, 2006

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Director of Schools				
William Wade (7-1-05 to 8-6-05)	State Board of Education and Polk County Board of Education	\$ 60,312 (1)	(3)	
James Jones (8-7-05 to 6-30-06)	State Board of Education and Polk County Board of Education	79,060 (2)	(3)	
Employee Blanket Bond Coverage:				
School Department Employees			\$ 150,000	Tennessee School Boards Risk Management Trust

- (1) Includes unused annual and sick leave at time of resignation of \$49,783 and negotiated allowance of \$820 for in-county travel.  
(2) Includes negotiated annual allowance of \$1,162 for in-county travel.  
(3) The director of schools is covered by the \$150,000 employee blanket bond.

Exhibit F-4

Polk County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
Polk County School Department  
For the Year Ended June 30, 2006

	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Total
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 1,767,104	\$ 0	\$ 0	\$ 0	\$ 1,767,104
Trustee's Collections - Prior Year	111,527	0	0	0	111,527
Circuit/Clerk & Master Collections - Prior Years	132,456	0	0	0	132,456
Interest and Penalty	17,736	0	0	0	17,736
Payments in-Lieu-of Taxes - T.V.A.	41,227	0	0	0	41,227
Payments in-Lieu-of Taxes - Other	48,886	0	0	0	48,886
<u>County Local Option Taxes</u>					
Local Option Sales Tax	1,306,477	0	0	0	1,306,477
Business Tax	20,556	0	0	0	20,556
<u>Statutory Local Taxes</u>					
Bank Excise Tax	27,238	0	0	0	27,238
Interstate Telecommunications Tax	5,160	0	0	0	5,160
Total Local Taxes	\$ 3,478,367	\$ 0	\$ 0	\$ 0	\$ 3,478,367
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 3,178	\$ 0	\$ 0	\$ 0	\$ 3,178
Total Licenses and Permits	\$ 3,178	\$ 0	\$ 0	\$ 0	\$ 3,178
<u>Fines, Forfeitures, and Penalties</u>					
<u>Juvenile Court</u>					
Fines	\$ 83	\$ 0	\$ 0	\$ 0	\$ 83
Total Fines, Forfeitures, and Penalties	\$ 83	\$ 0	\$ 0	\$ 0	\$ 83
<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Lunch Payments - Children	\$ 0	\$ 0	\$ 265,404	\$ 0	\$ 265,404
Lunch Payments - Adults	0	0	20,401	0	20,401
Income from Breakfast	0	0	22,217	0	22,217
Special Milk Sales	0	0	11,588	0	11,588
A la carte Sales	0	0	75,645	0	75,645
<u>Other Charges for Services</u>					
Other Charges for Services	0	0	15,359	0	15,359
Total Charges for Current Services	\$ 0	\$ 0	\$ 410,614	\$ 0	\$ 410,614
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 37	\$ 0	\$ 343	\$ 0	\$ 380
Lease/Rentals	11,240	0	0	0	11,240
Miscellaneous Refunds	73,134	0	0	0	73,134
<u>Nonrecurring Items</u>					
Sale of Equipment	31,600	0	0	0	31,600
Sale of Property	5,000	0	0	0	5,000
Contributions & Gifts	8,500	0	0	0	8,500
<u>Other Local Revenues</u>					
Other Local Revenues	39,644	0	3,076	0	42,720
Total Other Local Revenues	\$ 169,155	\$ 0	\$ 3,419	\$ 0	\$ 172,574

(Continued)

Exhibit F-4

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

	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Total
<u>State of Tennessee</u>					
<u>State Education Funds</u>					
Basic Education Program	\$ 10,334,563	\$ 0	\$ 0	\$ 0	\$ 10,334,563
School Food Service	14,253	0	14,253	0	28,506
Driver Education	5,590	0	0	0	5,590
Career Ladder Program	117,705	0	0	0	117,705
Career Ladder - Extended Contract	65,327	0	0	0	65,327
<u>Other State Revenues</u>					
State Revenue Sharing - T.V.A.	199,668	0	0	0	199,668
Other State Grants	182,628	0	0	0	182,628
Other State Revenues	1,782	0	0	0	1,782
Total State of Tennessee	\$ 10,921,516	\$ 0	\$ 14,253	\$ 0	\$ 10,935,769
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	\$ 0	\$ 0	\$ 490,192	\$ 0	\$ 490,192
Breakfast	0	0	161,206	0	161,206
USDA - Other	0	0	7,052	0	7,052
Adult Education State Grant Program	86,110	0	0	0	86,110
Title I Grants to Local Education Agencies	0	495,694	0	0	495,694
Innovative Education Program Strategies	0	8,413	0	0	8,413
Special Education - Grants to States	1,322	395,001	0	0	396,323
Safe and Drug-Free Schools - State Grants	19,013	7,700	0	0	26,713
Rural Education	0	77,842	0	0	77,842
Eisenhower Professional Development State Grants	0	146,294	0	0	146,294
Other Federal through State	435,845	135,820	0	0	571,665
<u>Direct Federal Revenue</u>					
Forest Service	68,049	0	0	0	68,049
Total Federal Government	\$ 610,339	\$ 1,266,764	\$ 658,450	\$ 0	\$ 2,535,553
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 0	\$ 0	\$ 0	\$ 3,261,439	\$ 3,261,439
Total Other Governments and Citizens Groups	\$ 0	\$ 0	\$ 0	\$ 3,261,439	\$ 3,261,439
Total	\$ 15,182,638	\$ 1,266,764	\$ 1,086,736	\$ 3,261,439	\$ 20,797,577

Exhibit F-5

Polk County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Polk County School Department  
For the Year Ended June 30, 2006

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 5,381,602	
Career Ladder Program	65,228	
Career Ladder Extended Contracts	36,750	
Educational Assistants	79,128	
Other Salaries & Wages	115,640	
Non-certified Substitute Teachers	92,947	
Social Security	343,192	
State Retirement	312,131	
Life Insurance	3,753	
Medical Insurance	763,266	
Dental Insurance	55,314	
Employer Medicare	80,264	
Instructional Supplies and Materials	77,911	
Textbooks	117,726	
Other Supplies and Materials	15	
Other Charges	293,333	
Total Regular Instruction Program		\$ 7,818,200

Special Education Program

Teachers	\$ 407,812	
Career Ladder Program	9,333	
Career Ladder Extended Contracts	2,000	
Homebound Teachers	55,489	
Educational Assistants	119,234	
Non-certified Substitute Teachers	4,522	
Social Security	35,415	
State Retirement	32,921	
Life Insurance	567	
Medical Insurance	112,637	
Dental Insurance	4,532	
Employer Medicare	8,282	
Instructional Supplies and Materials	6,699	
Total Special Education Program		799,443

Vocational Education Program

Teachers	\$ 462,593
Career Ladder Program	5,000
Career Ladder Extended Contracts	500
Non-certified Substitute Teachers	3,442

(Continued)

Exhibit F-5

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Vocational Education Program (Cont.)

Social Security	\$	26,289	
State Retirement		25,703	
Life Insurance		324	
Medical Insurance		74,554	
Dental Insurance		4,944	
Employer Medicare		6,150	
Instructional Supplies and Materials		16,354	
Total Vocational Education Program			\$ 625,853

Student Body Education Program

Other Salaries & Wages	\$	25,645	
Social Security		1,629	
Employer Medicare		409	
Travel		100	
Other Contracted Services		181,108	
Other Charges		368	
Principal on Capital Leases		35,078	
Other Equipment		25,189	
Total Student Body Education Program			269,526

Adult Education Program

Teachers	\$	13,921	
Other Salaries & Wages		29,187	
Social Security		2,646	
Employer Medicare		619	
Total Adult Education Program			46,373

Support Services

Attendance

Travel	\$	2,895	
Other Supplies and Materials		3,376	
Total Attendance			6,271

Health Services

Medical Personnel	\$	33,192	
Social Security		2,058	
State Retirement		1,827	
Life Insurance		27	
Medical Insurance		5,022	

(Continued)

Exhibit F-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Health Services (Cont.)

Dental Insurance	\$	412	
Employer Medicare		481	
Other Contracted Services		1,052	
Total Health Services			\$ 44,071

Other Student Support

Supervisor/Director	\$	4,959	
Career Ladder Program		5,167	
Guidance Personnel		130,500	
Psychological Personnel		46,566	
Career Ladder Extended Contracts		4,000	
Assessment Personnel		61,420	
Social Security		14,960	
State Retirement		14,014	
Life Insurance		113	
Medical Insurance		21,988	
Dental Insurance		1,648	
Employer Medicare		3,499	
Travel		996	
Total Other Student Support			309,830

Regular Instruction Program

Supervisor/Director	\$	32,128	
Career Ladder Program		4,500	
Career Ladder Extended Contracts		2,000	
Librarians		154,331	
Non-certified Substitute Teachers		1,282	
Social Security		11,738	
State Retirement		11,672	
Life Insurance		175	
Medical Insurance		29,488	
Dental Insurance		1,442	
Employer Medicare		2,745	
Travel		2,956	
Library Books/Media		1,595	
Other Supplies and Materials		2,762	
In Service/Staff Development		1,585	
Other Charges		1,034	
Total Regular Instruction Program			261,433

(Continued)

Exhibit F-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Special Education Program

Supervisor/Director	\$	32,247	
Career Ladder Program		1,000	
Clerical Personnel		4,517	
Social Security		2,290	
State Retirement		2,231	
Life Insurance		24	
Medical Insurance		3,737	
Dental Insurance		206	
Employer Medicare		536	
Travel		6,409	
Total Special Education Program			\$ 53,197

Vocational Education Program

Supervisor/Director	\$	32,129	
Career Ladder Program		500	
Social Security		1,957	
State Retirement		1,810	
Life Insurance		14	
Medical Insurance		2,511	
Dental Insurance		206	
Employer Medicare		458	
Total Vocational Education Program			39,585

Adult Programs

Supervisor/Director	\$	28,000	
Secretary(ies)		1,200	
Social Security		1,770	
State Retirement		77	
Life Insurance		27	
Medical Insurance		5,046	
Dental Insurance		412	
Employer Medicare		414	
Travel		2,624	
Other Charges		5,450	
Total Adult Programs			45,020

Board of Education

Secretary to Board	\$	1,870	
Board and Committee Members Fees		12,550	

(Continued)

Exhibit F-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education (Cont.)

Social Security	\$	887	
State Retirement		159	
Employer Medicare		208	
Audit Services		9,250	
Dues and Memberships		8,650	
Legal Services		18,258	
Travel		120	
Other Contracted Services		5,175	
Liability Insurance		42,882	
Premiums on Corporate Surety Bonds		2,199	
Trustee's Commission		81,176	
Workers' Compensation Insurance		109,905	
Total Board of Education			\$ 293,289

Director of Schools

County Official/Administrative Officer	\$	87,607	
Secretary(ies)		20,728	
Other Salaries & Wages		49,783	
Social Security		8,379	
State Retirement		9,800	
Life Insurance		54	
Medical Insurance		9,120	
Dental Insurance		1,275	
Employer Medicare		2,356	
Communication		61,179	
Dues and Memberships		1,410	
Postal Charges		2,475	
Travel		9,969	
Other Contracted Services		10,916	
Office Supplies		1,821	
Administration Equipment		2,651	
Total Director of Schools			279,523

Office of the Principal

Principals	\$	358,944	
Career Ladder Program		7,833	
Accountants/Bookkeepers		82,710	
Career Ladder Extended Contracts		2,500	
Assistant Principals		164,369	

(Continued)

Exhibit F-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal (Cont.)

Clerical Personnel	\$	84,595	
Social Security		41,693	
State Retirement		41,308	
Life Insurance		540	
Medical Insurance		102,962	
Dental Insurance		3,734	
Unemployment Compensation		24,572	
Employer Medicare		9,751	
Dues and Memberships		1,100	
Travel		4,298	
Total Office of the Principal			\$ 930,909

Fiscal Services

Clerical Personnel	\$	32,236	
Social Security		1,827	
State Retirement		2,763	
Life Insurance		54	
Medical Insurance		5,022	
Employer Medicare		427	
Travel		290	
Other Contracted Services		7,589	
Office Supplies		2,634	
Total Fiscal Services			52,842

Operation of Plant

Custodial Personnel	\$	284,695	
Other Salaries & Wages		15,149	
Social Security		17,404	
State Retirement		11,568	
Life Insurance		497	
Medical Insurance		84,286	
Employer Medicare		4,070	
Other Contracted Services		65,736	
Custodial Supplies		44,292	
Electricity		457,835	
Fuel Oil		87,535	
Water and Sewer		49,632	
Other Supplies and Materials		20,232	
Boiler Insurance		7,037	

(Continued)

Exhibit F-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Building and Contents Insurance	\$	128,208	
Principal on Notes		580	
Total Operation of Plant			\$ 1,278,756

Maintenance of Plant

Maintenance Personnel	\$	68,109	
Other Salaries & Wages		3,499	
Social Security		4,705	
State Retirement		6,209	
Life Insurance		91	
Medical Insurance		15,706	
Employer Medicare		1,101	
Other Supplies and Materials		5,586	
Total Maintenance of Plant			105,006

Transportation

Mechanic(s)	\$	67,211	
Bus Drivers		295,818	
Clerical Personnel		3,883	
Other Salaries & Wages		34,723	
Social Security		24,773	
State Retirement		13,533	
Life Insurance		940	
Medical Insurance		42,110	
Employer Medicare		5,794	
Medical and Dental Services		1,869	
Gasoline		117,474	
Tires and Tubes		11,394	
Vehicle Parts		69,112	
Vehicle and Equipment Insurance		39,584	
Other Charges		1,523	
Principal on Capital Leases		101,124	
Transportation Equipment		551,232	
Total Transportation			1,382,097

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	24,000	
Clerical Personnel		2,442	

(Continued)

Exhibit F-5

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Social Security	\$	1,629	
State Retirement		2,260	
Life Insurance		54	
Medical Insurance		10,003	
Employer Medicare		381	
Travel		<u>1,057</u>	
Total Food Service	\$		41,826

Early Childhood Education

Teachers	\$	64,390	
Clerical Personnel		8,085	
Educational Assistants		19,872	
Non-certified Substitute Teachers		988	
Social Security		6,029	
State Retirement		5,498	
Life Insurance		122	
Medical Insurance		20,736	
Dental Insurance		824	
Employer Medicare		1,409	
Communication		2,040	
Postal Charges		400	
Instructional Supplies and Materials		44,000	
Other Equipment		<u>1,566</u>	
Total Early Childhood Education			175,959

Capital Outlay

Regular Capital Outlay

Other Construction	\$	15,000	
Other Capital Outlay		<u>14,649</u>	
Total Regular Capital Outlay			29,649

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$	650,000	
Other Debt Service		<u>9,100</u>	
Total Education			<u>659,100</u>

Total General Purpose School Fund \$ 15,547,758

(Continued)

Exhibit F-5

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

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	255,571	
Educational Assistants		124,362	
Non-certified Substitute Teachers		3,218	
Social Security		22,862	
State Retirement		21,959	
Life Insurance		394	
Medical Insurance		74,220	
Dental Insurance		2,882	
Employer Medicare		5,347	
Consultants		15,000	
Instructional Supplies and Materials		10,472	
Other Charges		106,285	
Total Regular Instruction Program			\$ 642,572

Special Education Program

Educational Assistants	\$	125,540	
Other Salaries & Wages		3,037	
Non-certified Substitute Teachers		2,228	
Social Security		7,040	
State Retirement		6,713	
Life Insurance		201	
Medical Insurance		43,502	
Employer Medicare		1,627	
Contracts with Private Agencies		84,535	
Other Contracted Services		29,311	
Other Supplies and Materials		34,352	
Other Charges		11,237	
Special Education Equipment		2,686	
Total Special Education Program			352,009

Vocational Education Program

Other Contracted Services	\$	4,000	
In Service/Staff Development		759	
Principal on Capital Leases		8,647	
Interest on Capital Leases		1,915	
Vocational Instruction Equipment		110,852	
Total Vocational Education Program			126,173

(Continued)

Exhibit F-5

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

School Federal Projects Fund (Cont.)

Support Services

Health Services

Medical Personnel	\$	38,600	
Social Security		2,393	
State Retirement		3,005	
Life Insurance		29	
Employer Medicare		560	
Travel		43	
Drugs and Medical Supplies		1,471	
Other Supplies and Materials		46	
Total Health Services			\$ 46,147

Other Student Support

Other Salaries & Wages	\$	16,369	
Social Security		987	
State Retirement		411	
Employer Medicare		231	
Travel		1,564	
Other Supplies and Materials		1,460	
In Service/Staff Development		622	
Total Other Student Support			21,644

Regular Instruction Program

Supervisor/Director	\$	32,247	
Education Media Personnel		43,242	
Secretary(ies)		10,540	
Social Security		5,425	
State Retirement		5,583	
Life Insurance		46	
Medical Insurance		8,458	
Dental Insurance		618	
Employer Medicare		1,269	
Travel		986	
Library Books/Media		8,506	
Other Supplies and Materials		8,294	
In Service/Staff Development		47,268	
Total Regular Instruction Program			172,482

Special Education Program

Secretary(ies)	\$	12,602	
Social Security		781	

(Continued)

Exhibit F-5

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Special Education Program (Cont.)

State Retirement	\$	1,081	
Life Insurance		20	
Medical Insurance		3,653	
Employer Medicare		183	
Travel		6,128	
Other Supplies and Materials		1,191	
In Service/Staff Development		<u>2,767</u>	
Total Special Education Program			\$ 28,406

Vocational Education Program

Travel	\$	<u>4,000</u>	
Total Vocational Education Program			4,000

Transportation

Transportation Equipment	\$	47,638	
Other Equipment		<u>37,000</u>	
Total Transportation			<u>84,638</u>

Total School Federal Projects Fund \$ 1,478,071

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Cafeteria Personnel	\$	352,455	
Social Security		21,957	
Life Insurance		356	
Medical Insurance		8,943	
Unemployment Compensation		1,383	
Employer Medicare		5,112	
Communication		1,494	
Dues and Memberships		265	
Maintenance Agreements		3,059	
Maintenance & Repair Services - Equipment		14,421	
Penalties		274	
Other Contracted Services		6,266	
Food Supplies		453,244	
Other Supplies and Materials		41,392	
Refunds		96	
In Service/Staff Development		1,490	

(Continued)

Exhibit F-5

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

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Other Charges	\$ 62,000	
Food Service Equipment	11,556	
Total Food Service		\$ 985,763

Total Central Cafeteria Fund \$ 985,763

Education Capital Projects Fund

Capital Projects

Education Capital Projects

Architects	\$ 22,672	
Building Construction	2,919,591	
Building Improvements	492,786	
Furniture and Fixtures	88,113	
Other Construction	200,000	
Other Capital Outlay	55	
Total Education Capital Projects		\$ 3,723,217

Total Education Capital Projects Fund 3,723,217

Total Governmental Funds - Polk County School Department \$ 21,734,809

**SINGLE AUDIT REPORT**  
**POLK COUNTY, TENNESSEE**  
**AND**  
**POLK COUNTY SCHOOL DEPARTMENT**  
**FOR THE YEAR ENDED JUNE 30, 2006**

*DEPARTMENT OF AUDIT*  
*JOHN G. MORGAN*  
*Comptroller of the Treasury*

*DIVISION OF COUNTY AUDIT*  
*RICHARD V. NORMENT*  
*Assistant to the Comptroller*

*ARTHUR L. ALEXANDER*  
*Director*

*CARL LOWE, CGFM*  
*Audit Manager*

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

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

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

---

---

# SINGLE AUDIT REPORT TABLE OF CONTENTS

---

---

	Page(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 <u>Government Auditing Standards</u>	1-2
Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With <u>OMB Circular A-133</u>	3-5
Schedule of Expenditures of Federal Awards and State Grants	7-8
Schedule of Audit Findings Not Corrected	9-10
Schedule of Findings and Questioned Costs	11-20
Auditee Reporting Responsibilities	21



**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-0269  
PHONE (615) 401-7841**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

December 15, 2006

Polk County Executive, Board of County Commissioners,  
Director of Schools, and Board of Education  
Polk County, Tennessee

To the County Executive, Board of County Commissioners,  
Director of Schools, and Board of Education:

We have audited the financial statements of each major fund and the aggregate remaining fund information of Polk County, Tennessee, and the Polk County School Department as of and for the year ended June 30, 2006, which collectively comprise a portion of Polk County's and the Polk County School Department's basic financial statements and have issued our reports thereon dated December 15, 2006. Our reports on the financial statements of Polk County, Tennessee, and the Polk County School Department express adverse opinions because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Polk County's and the Polk County School Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Polk County's and the Polk

County School Department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 06.03, 06.07, 06.09, and 06.15.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 06.03 to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Polk County's and the Polk County School Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying Schedule of Findings and Questioned Costs as items 06.01, 06.02, 06.04, 06.05, 06.06, 06.08, 06.10, 06.11, 06.12, 06.13, and 06.14.

We have also noted certain matters that we reported to the management of Polk County and the Polk County School Department in separate communications.

This report is intended solely for the information and use of the Board of County Commissioners, Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



John G. Morgan  
Comptroller of the Treasury

JGM/rc



**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-0269  
PHONE (615) 401-7841**

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

December 15, 2006

Polk County Executive, Board of County Commissioners,  
Director of Schools, and Board of Education  
Polk County, Tennessee

To the County Executive, Board of County Commissioners,  
Director of Schools, and Board of Education:

Compliance

We have audited the compliance of Polk County and the Polk County School Department with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of their major federal programs for the year ended June 30, 2006. Polk County's and the Polk County School Department's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of their major federal programs is the responsibility of Polk County's and the Polk County School Department's management. Our responsibility is to express an opinion on Polk County's and the Polk County School Department's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the auditing 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 and the Polk County School Department's, compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Polk County's and the Polk County School Department's compliance with those requirements.

As described in items 06.10 and 06.16 in the accompanying Schedule of Findings and Questioned Costs, the Polk County School Department did not comply with requirements of state laws that are applicable to its Child Nutrition Program. Compliance with such requirements is necessary, in our opinion, for the Polk County School Department to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Polk County and the Polk County School Department complied, in all material respects, with the requirements referred to above that are applicable to each of their major federal programs for the year ended June 30, 2006.

#### Internal Control Over Compliance

The management of Polk County and the Polk County School Department is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Polk County's and the Polk County School Department's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Polk County's and the Polk County School Department's ability to administer major federal programs in accordance with applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 06.15 and 06.17.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

## Schedule of Federal Awards

We have audited the financial statements of each major fund and the aggregate remaining fund information of Polk County, Tennessee, and the Polk County School Department as of and for the year ended June 30, 2006, and have issued our reports thereon dated December 15, 2006. Our reports on the financial statements of Polk County and the Polk County School Department express adverse opinions because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. Our audit was performed for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Grants is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of County Commissioners, Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "John G. Morgan". The signature is written in a cursive style with a long horizontal flourish at the end.

John G. Morgan  
Comptroller of the Treasury

JGM/rc

Polk County, Tennessee, and the Polk County School Department  
Schedule of Expenditures of Federal Awards and State Grants (1)  
For the Year Ended June 30, 2006

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Passed-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Direct Program:			
Water and Waste Disposal Loans and Grants	10.770	N/A	\$ 58,800
Passed-through State Department of Agriculture:			
Food Donation (Noncash Assistance)	10.550	N/A	59,012
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	161,206
National School Lunch Program	10.555	N/A	497,244
Total U.S. Department of Agriculture			\$ 776,262
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/State's Program	14.228	GG-05-11802-00	\$ 223,999
Passed-through State Housing Development Agency:			
HOME Investment Partnerships Program	14.239	HM-03-58	68,519
Total U.S. Department of Housing and Urban Development			\$ 292,518
U.S. Department of Transportation:			
Direct Program:			
Payments in Lieu of Taxes	15.226	N/A	\$ 131,827
U.S. Department of Transportation			
Passed-through State Department of Transportation:			
Occupant Protection	20.602	Z-05-024126-00	\$ 2,648
Environmental Protection Agency:			
Direct Program:			
Surveys, Studies, Investigations, and Special Purpose Grants	66.606	N/A	\$ 313,082
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	Z-06-027808-00	\$ 86,110
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	553,672
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	486,910
Special Education - Preschool Grants	84.173	N/A	23,206
Vocational Education - Basic Grants to States	84.048	N/A	153,901
Safe and Drug Free Schools and Communities - State Grants	84.186	(2)	29,710
Eisenhower Professional Development State Grants	84.281	N/A	14,756
Twenty-First Century Community Learning Centers	84.287	(2)	429,248
State Grants for Innovative Programs	84.298	N/A	16,744
Education Technology State Grants	84.318	(2)	5,039
Rural Education	84.358	N/A	77,842
Improving Teacher Quality State Grants	84.367	N/A	136,626
Total U.S. Department of Education			\$ 2,013,764
Elections Assistance Commission:			
Passed-through Secretary of State:			
Help America Vote Act Requirements Payments	90.401	Z-06-032985-00	\$ 164,500

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Passed-through Entity Identifying Number	Expenditures
U.S. Department of Health and Human Services:			
Passed-through State Commission on Aging:			
Special Programs for the Aging - Title III, Part B - Grants for			
Supportive Services and Senior Centers	93.044	(2)	\$ 65,034
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	(2)	22,225
Total U.S. Department of Health and Human Services			\$ 87,259
U.S. Corporation for National Service:			
Passed-through State Department of Education:			
Learn and Serve America - School and Community Based Programs	94.004	006-480-008	\$ 6,597
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
State Domestic Preparedness Equipment Support Program	97.004	(3)	\$ 54,259
Public Assistance Grants	97.036	Z-05-025199-00	69,122
Total U.S. Department of Homeland Security			\$ 123,381
Total Expenditures of Federal Awards			\$ 3,911,838
<u>State Grants</u>			
		Contract Number	
Senior Center - State Commission on Aging	N/A	(2)	\$ 6,289
Juvenile Services Program - State Commission on Children and Youth	N/A	Z-06-002636-00	9,000
Litter Program - State Department of Transportation	N/A	Z-05-21539-00	5,459
Litter Program - State Department of Transportation	N/A	Z-06-028000-00	24,064
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	7,225
Local Health Services - State Department of Health	N/A	(4)	56,297
Family Resource - State Department of Education	N/A	C626016593-00	41,022
Voluntary PreK - State Department of Education	N/A	(2)	109,340
Surface Transportation Program Activity - State Department of Transportation	N/A	2001619	30,000
Waste Tire Grant - State Department of Environment and Conservation	N/A	Z-03-011295-00	11,051
School Safety - State Department of Education	N/A	(2)	32,269
Total State Grants			\$ 332,017

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) - Z-03-017791-01: \$482; Z-04-022484-00: \$53,777  
(4) - Z-05-020563-00: \$13,078; Z-06-025942-00: \$43,219

Polk County, Tennessee, and the Polk County School Department  
Schedule of Audit Findings Not Corrected  
June 30, 2006

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, and the Polk County School Department for the year ended June 30, 2005, which have not been corrected.

**POLK COUNTY AND POLK COUNTY SCHOOL DEPARTMENT**

Finding Number	Page Number	Subject
05.01	12	Government-wide financial statements were not presented in accordance with generally accepted accounting principals

**OFFICE OF HIGHWAY SUPERINTENDENT**

Finding Number	Page Number	Subject
05.05(A)	14	No documentation was on hand to support the practice of accepting bids for petroleum, rock, hot-mix, oil, stripping, tires, and pipe based on where these supplies and materials were to be delivered and their availability
05.07	15	Receivables and payables were not determined and recorded in the Highway/Public Works Fund

**OFFICE OF DIRECTOR OF SCHOOLS**

Finding Number	Page Number	Subject
05.10(C)	17	Some budget amendments were not approved by the County Commission and some budget amendments were incorrectly posted to the accounting records
05.11	18	Documentation that goods had been received or services had been rendered was not always maintained
05.12	18	The School Department did not maintain inventory records
05.13	19	Central Cafeteria Fund transactions were not channeled through the Trustee's Office

**OFFICES OF COUNTY CLERK AND SHERIFF**

Finding Number	Page Number	Subject
05.14	19	Funds were not deposited within three days

**OTHER FINDINGS**

Finding Number	Page Number	Subject
05.15	19	The director of accounts and budgets did not maintain the accounting records for the Highway Department
05.16	20	Duties were not segregated adequately in the Offices of County Executive, Highway Superintendent, Director of Schools, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff

---

---

**POLK COUNTY, TENNESSEE, AND THE  
POLK COUNTY SCHOOL DEPARTMENT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2006**

---

---

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

1. Adverse opinions were issued on the financial statements of Polk County and the Polk County School Department.
2. The audit of the financial statements of Polk County and the Polk County School Department disclosed reportable conditions in internal control. One of these conditions was considered to be a material weakness for Polk County. None of these conditions were considered to be material weaknesses for the Polk County School Department.
3. The audit disclosed two instances of noncompliance that are material to the financial statements of Polk County and the Polk County School Department.
4. The audit disclosed one reportable condition in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed two findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: the School Breakfast Program and the National School Lunch Program (CFDA Nos. 10.553 and 10.555); Surveys, Studies, Investigations, and Special Purpose Grants (CFDA No. 66.606); Title I Grants to Local Educational Agencies (CFDA No. 84.010); Special Education Cluster: the Special Education – Grants to States and the Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173); and the Twenty-First Century Community Learning Centers (CFDA No. 84.287) were determined to be major programs.
8. A threshold of \$300,000 was used to distinguish between Type A and Type B federal programs.
9. Polk County and the Polk County School Department did not qualify as low-risk auditees.

## 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 written responses of the current county executive and the director of schools are quoted in this report. Other officials offered oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

### POLK COUNTY AND POLK COUNTY SCHOOL DEPARTMENT

FINDING 06.01      **GOVERNMENT-WIDE FINANCIAL STATEMENTS WERE NOT PRESENTED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**  
(Material Noncompliance Under Government Auditing Standards)

Polk County and the Polk County School Department did not identify and determine the historical value of their capital assets and the related depreciation amounts of these assets. Therefore, Polk County and the Polk County School Department were unable to provide the information necessary to prepare government-wide financial statements for all of their activities, as required by Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. GASB is the standard-setting body for accounting principles that state and local governments are required to follow. As a result of this omission, Polk County’s and the Polk County School Department’s financial statements are not presented in accordance with generally accepted accounting principles; thus, we have issued adverse opinions on their financial statements.

The Office of the Comptroller of the Treasury, State of Tennessee, requires governments that do not implement GASB Statement 34 to issue a financial report in compliance with Financial Reporting Standards for County Governments, Component Units of County Governments, and Special School Districts That Do Not Implement Governmental Accounting Standards Board Statement 34, established by the Comptroller of the Treasury. Polk County’s and the Polk County School Department’s financial statements are presented in compliance with these requirements.

### RECOMMENDATION

Polk County and the Polk County School Department should present government-wide financial statements in conformity with generally accepted accounting principles, and should compile and maintain records that properly account for their capital assets. These records should document the historical costs of their capital assets and the related depreciation amounts of these assets. This information is necessary to present the financial statements in accordance with generally accepted accounting principles.

## OFFICE OF HIGHWAY SUPERINTENDENT

**FINDING 06.02      THE OFFICE DID NOT ALWAYS PURCHASE FROM THE  
LOWEST BIDDER**  
(Noncompliance Under Government Auditing Standards)

The Highway Department solicited and received bids for petroleum, rock, hot-mix, oil, stripping, tires, and pipe as required by the County Purchasing Law of 1957, Section 5-14-101, et seq., Tennessee Code Annotated (TCA), and the Uniform Road Law, Section 54-7-113, TCA; however, the Highway Department did not accept or reject the bids. Instead, the highway superintendent stated that he purchased from the lowest bidder based on where these supplies and materials were to be delivered and their availability. The department did not maintain any documentation to support this practice.

In the case, *Owen of Georgia, Inc., versus Shelby County*, 442F. Supp. 314 (w.b. Tenn. 1977), the court stated that “to reject the bid of the lowest bidder there must be such evidence of the irresponsibility of the bidder as would cause fair-minded and reasonable men to believe that it was not for the best interest of the municipality to award the contract to the lowest bidder.”

### RECOMMENDATION

Purchases should be made from the vendor with the lowest price that meets bid specifications unless adequate documentation is on file supporting the decision to reject the lowest bid.

---

**FINDING 06.03      RECEIVABLES AND PAYABLES WERE NOT DETERMINED  
AND RECORDED IN THE HIGHWAY/PUBLIC WORKS FUND**  
(Internal Control – Material Weakness Under Government Auditing  
Standards)

Receivables and payables at June 30, 2006, were not determined and recorded on the accounting records of the Highway/Public Works Fund as required by generally accepted accounting principles. We performed additional audit procedures to determine receivables and payables at June 30, 2006. Audit adjustments to receivables (\$148,822) and payables (\$72,612) were presented to management for approval and posting to the financial records. As a result of these adjustments, the receivables and payables of the Highway/Public Works Fund are properly presented in the financial statements of this report.

### RECOMMENDATION

Receivables and payables should be properly determined and recorded on the accounting records of the Highway/Public Works Fund at June 30 of each year.

**FINDING 06.04      THE OFFICE DID NOT FILE A REPORT ON DEBT OBLIGATIONS WITH THE STATE DIRECTOR OF LOCAL FINANCE**

(Noncompliance Under Government Auditing Standards)

The office did not file a Report on Debt Obligations with the state director of Local Finance for a capital lease (\$42,377) for a dump truck. Section 9-21-151, Tennessee Code Annotated, requires that within 45 days following the issuance of debt, a county must provide to the state director of Local Finance certain information, such as a description of the purchase for which the debt is issued, a description of the debt obligation, and an itemized description of the costs of issuance.

**RECOMMENDATION**

All debt obligations should be reported to the state director of Local Finance as required by state statute.

---

**FINDING 06.05      A SUMMARY OF CHANGES FROM THE PRIOR YEAR COUNTY ROAD LIST WAS NOT SUBMITTED TO THE COUNTY COMMISSION FOR APPROVAL**

(Noncompliance Under Government Auditing Standards)

A list of all county roads was submitted to the County Commission for approval; however, a summary of changes from the prior county road list was not included. Section 54-10-103, Tennessee Code Annotated, requires the highway superintendent to submit a list of county roads to the County Commission for approval at the January session each year. This list must include the classification, width, distance of each county road maintained, and a summary of changes from the prior year that provides the road name, date the change was approved by the County Commission, and the reason for the change.

**RECOMMENDATION**

The highway superintendent should submit to the County Commission a summary of changes from the prior county road list as required by state statute.

---

**OFFICE OF DIRECTOR OF SCHOOLS**

**FINDING 06.06      THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS**  
(Noncompliance Under Government Auditing Standards)

Our examination of budget operations revealed the following deficiencies:

- A. General Purpose School Fund expenditures and encumbrances exceeded

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

<u>Major Category</u>	<u>Amount Overspent</u>
Health Services	\$ 1,949
Director of Schools	11,942
Transportation	15,992
Early Childhood Education	10,871
Regular Capital Outlay	14,999
Other Debt Service - Education	9,100
Transfers Out	138,650

Section 5-9-401, Tennessee Code Annotated, (TCA), states that “All funds from whatever source derived, including, but not limited to taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of the county governments shall be appropriated to such use by the county legislative bodies.”

- B. Some budget amendments affecting major categories posted to the accounting records were not approved by the County Commission. Section 5-9-407, TCA, requires the County Commission’s approval for budget amendments that affect a major category. Also, some properly approved budget amendments were incorrectly posted to the accounting records. We have properly presented the budget and budget amendments in the financial statements of this report.

**RECOMMENDATION**

Expenditures and encumbrances should be held within appropriations approved by the County Commission. Budget amendments affecting major categories should be approved by the County Commission. All budget amendments should be accurately posted to the accounting records.

---

**FINDING 06.07**      **THE OFFICE HAD DEFICIENCIES IN PROCESSING  
VENDOR PAYMENTS**  
(Internal Control – Reportable Condition Under Government  
Auditing Standards)

The office had deficiencies in processing vendor payments. Documentation that goods had been received or services had been rendered was not always maintained, and invoices were

not always canceled or marked paid. These weaknesses could result in the department's paying for items not received or paying invoices more than once.

RECOMMENDATION

The director of schools should establish and follow procedures for processing and paying invoices. The office should maintain documentation that goods have been received or services have been rendered, and invoices should be canceled when paid.

---

FINDING 06.08      **COMPETITIVE BIDS WERE NOT SOLICITED FOR CERTAIN PURCHASES**  
(Noncompliance Under Government Audit Standards)

Competitive bids were not solicited for a school renovation project (\$26,800) and the purchase of sod (\$7,222). Section 49-2-203, Tennessee Code Annotated, requires that competitive bids be solicited on purchases exceeding \$5,000 (\$10,000 effective May 12, 2006).

RECOMMENDATION

Competitive bids should be solicited for all applicable purchases.

---

FINDING 06.09      **THE SCHOOL DEPARTMENT DID NOT MAINTAIN INVENTORY RECORDS**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

The School Department did not maintain inventory records for its assets. Generally accepted accounting principles require accountability for all department-owned assets, such as equipment, furniture, and vehicles. Without inventory records, the department cannot adequately control its assets.

RECOMMENDATION

The School Department should maintain inventory records for all department-owned assets as required by generally accepted accounting principles. Furthermore, personnel independent of maintaining the inventory should periodically verify the inventory records.

---

**FINDING 06.10      CENTRAL CAFETERIA FUND TRANSACTIONS WERE NOT CHANNELED THROUGH THE TRUSTEE’S OFFICE**  
(Material Noncompliance Under Government Auditing Standards and Circular A-133)

Transactions of the Central Cafeteria Fund were not channeled through the Trustee’s Office as required by state statute. Instead, these transactions were channeled through a bank account administered by the director of schools and food service director. Section 49-2-301, Tennessee Code Annotated, requires that school funds be expended by issuing warrants drawn on the county trustee.

**RECOMMENDATION**

Operating funds of the Central Cafeteria Fund should be deposited with the county trustee and disbursed by county warrant.

**MANAGEMENT’S RESPONSE – DIRECTOR OF SCHOOLS (DIRECT QUOTE)**

Cafeteria funds are not channeled through the Trustee’s Office because we do not feel that the Trustee’s Office should get a percentage of the cafeteria funds since our budget is very dismal and every cent is needed for the operation of our school system.

**REBUTTAL**

While the trustee is not entitled to commissions on most revenues received by the Central Cafeteria Fund, state law and federal grant regulations govern whether county trustees are entitled to receive commissions, not local officials. All Central Cafeteria Funds should be deposited with the county trustee.

---

**FINDING 06.11      THE OFFICE DID NOT FILE REPORTS ON DEBT OBLIGATIONS WITH THE STATE DIRECTOR OF LOCAL FINANCE**  
(Noncompliance Under Government Auditing Standards)

The office did not file Reports on Debt Obligations with the state director of Local Finance for two lease-purchase agreements totaling \$642,121 for nine school buses and computers, and two capital outlay notes totaling \$650,000 for construction of high school athletic facilities. Section 9-21-151, Tennessee Code Annotated, requires that within 45 days following the issuance of debt, the government must provide to the state director of Local Finance certain information, such as a description of the purchase/construction for which the debt was issued, a description of the debt obligation, and an itemized description of the cost of issuance.

**RECOMMENDATION**

All debt obligations should be reported to the state director of Local Finance as required by state statutes.

**FINDING 06.12      THE OFFICE ENTERED INTO A LEASE-PURCHASE AGREEMENT WITHOUT THE APPROVAL OF THE COUNTY COMMISSION**  
(Noncompliance Under Government Auditing Standards)

The School Department entered into a lease-purchase agreement for computers (\$98,799) without the approval of the County Commission. Section 7-51-904, Tennessee Code Annotated, requires such contracts, leases, or lease-purchase agreements to be approved by resolution of the County Commission.

**RECOMMENDATION**

Lease-purchase agreements should be approved by the County Commission as required by state statute.

---

**OFFICES OF COUNTY CLERK AND SHERIFF**

**FINDING 06.13      COLLECTIONS WERE NOT DEPOSITED WITHIN THREE DAYS OF RECEIPT**  
(Noncompliance Under Government Auditing Standards)

Collections were not deposited to the office bank accounts within three days of receipt as required by Section 5-8-207, Tennessee Code Annotated.

**RECOMMENDATION**

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

---

**OTHER FINDINGS AND RECOMMENDATIONS**

**FINDING 06.14      THE DIRECTOR OF ACCOUNTS AND BUDGET DID NOT MAINTAIN THE ACCOUNTING RECORDS FOR THE HIGHWAY DEPARTMENT**  
(Material Noncompliance Under Government Auditing Standards)

Polk County operates under the Fiscal Control Acts of 1957, which require the director of accounts and budget to maintain accounting records for funds administered by the county executive and the highway superintendent. However, the director of accounts and budget did not maintain the accounting records for the Highway Department; instead, Highway Department personnel maintained their own accounting records.

RECOMMENDATION

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

---

FINDING 06.15      **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF COUNTY EXECUTIVE, HIGHWAY SUPERINTENDENT, DIRECTOR OF SCHOOLS, TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF**

(Internal Control – Reportable Condition Under Government Auditing Standards and OMB Circular A-133)

Duties were not segregated adequately among officials and employees in the Offices of County Executive, Highway Superintendent, Director of Schools, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff. Officials and employees responsible for maintaining accounting records were also involved in receipting, depositing, and/or disbursing funds. We realize that due to limited resources and personnel, management may not be able to properly segregate duties among employees. However, our professional standards require that we bring this matter to the reader's attention in this report.

MANAGEMENT'S RESPONSE – CURRENT COUNTY EXECUTIVE (DIRECT QUOTE)

Due to limited resources and personnel, management is not able to segregate duties among employees properly.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

Due to limited resources and personnel, management is not able to segregate duties among employees properly.

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

Federal Agency	Finding Number	Federal CFDA Number	Criteria	Explanation	Amount Questioned
U.S. Department of Agriculture: Passed-through State Department of Education: Child Nutrition Cluster: School Breakfast Program National School Lunch Program	06.16		Circular A-133, Section 500(d)(1)	Noncompliance - See Finding 06.10 - Central Cafeteria Fund transactions were not channeled through the Trustee's Office	\$ 0
		10.553			
		10.555			
U.S. Department of Agriculture: Passed-through State Department of Education: Child Nutrition Cluster: School Breakfast Program School Lunch Program	06.17		Circular A-133, Section 500(c)(3)	Reportable Condition in Internal Control See Finding 06.15 - Duties were not adequately segregated in the Offices of County Executive and Director of Dchools	0
		10.553			
		10.555			
Environmental Protection Agency: Direct Programs: Surveys, Studies, Investigations, and Special Purpose Grants					
		66.606			
U.S. Department of Education: Passed-through State Department of Education: Title I Grants to Local Educational Agencies Special Education Cluster: Special Education - Grants to States Special Education - Preschool Grants Twenty-First Century Community Learning Centers					
		84.01			
		84.027			
		84.173			
		84.287			

**POLK COUNTY, TENNESSEE, AND THE  
POLK COUNTY SCHOOL DEPARTMENT  
AUDITEE REPORTING RESPONSIBILITIES  
For the Year Ended June 30, 2006**

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

**Office of County Executive – Corrective Action Plan for Current Year Findings**

**FINDINGS 06.15 and 06.17**

Contact Person: Mike Stinnett, Current County Executive

Corrective action planned: Due to limited resources and personnel, management is not able to adequately segregate duties among employees.

Anticipated completion date: None

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

**FINDINGS 06.10 and 06.16**

Contact Person: James Jones, Director of Schools

Corrective action planned: Cafeteria funds are not channeled through the Trustee's Office because we do not feel that the Trustee's Office should get a percentage of the cafeteria funds since our budget is very dismal and every cent is needed for the operation of our school system.

Anticipated completion date: None

**FINDINGS 06.15 and 06.17**

Contact Person: James Jones, Director of Schools

Corrective action planned: Due to limited resources and personnel, management is not able to adequately segregate duties among employees.

Anticipated completion date: None