

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

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**SINGLE AUDIT REPORT**



**FOR THE YEAR ENDED JUNE 30, 2007**



**ANNUAL FINANCIAL REPORT**  
**POLK COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2007**

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

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

*JAMES R. ARNETTE*  
*Director*

*CARL LOWE, CGFM*  
*Audit Manager*

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*Auditor 4*

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

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

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## POLK COUNTY, TENNESSEE

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# ***Audit Highlights***

Annual Financial Report  
Polk County, Tennessee  
For the Year Ended June 30, 2007

## ***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, 2007.

## ***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 (GASB) Statement No. 34.

Our audit resulted in 11 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.
- ◆ The office failed to perform the steps set forth in the timeline included in their GASB Statement No. 34 implementation plan filed with the Comptroller's Office.
- ◆ Deficiencies were noted in a proposed library construction project.

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### **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.
  - ◆ Purchase orders were not issued in some required instances. In some instances, invoices were paid without documentation that goods had been received or services had been rendered. Also, some paid invoices were not always canceled or marked paid.
  - ◆ A summary of changes from the prior year county road list was not submitted to the County Commission for approval.
-

## **OFFICE OF COUNTY CLERK AND SHERIFF**

- ◆ Some collections were not deposited to the office bank accounts within three days of receipt as required by state statute.
- 

## **OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK**

- ◆ The office did not perform computer system backups on a routine basis. Weekly and fiscal year backups were not performed.
  - ◆ Access to the computer resources within the offices was not sufficiently restricted.
- 

## **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.

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## INTRODUCTORY SECTION

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# Polk County Officials

## June 30, 2007

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### **Officials**

Mike Stinnett, 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  
Rachel Rogers, Director of Accounts and Budget

### **Board of County Commissioners**

Daren Waters, Chairman  
Mark Bishop  
Greg Brooks  
Wanda Cheek  
Daniel Deal  
Wendell Lewis  
John Pippenger  
Kevin Stephens  
Fred Wilcoxon

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## FINANCIAL SECTION

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

**INDEPENDENT AUDITOR'S REPORT**

January 23, 2008

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, 2007, as shown on pages 15 through 37, 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, 2007, 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, 2007, 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 January 23, 2008, 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 and pension information on pages 41 through 47 are not required parts of the basic financial statements but they do provide 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 black ink that reads "John G. Morgan" with a long horizontal flourish extending to the right.

John G. Morgan  
Comptroller of the Treasury

JGM/rd

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

Polk County, Tennessee  
Balance Sheet  
Governmental Funds  
June 30, 2007

	Major Funds				Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Other Capital Projects	Other Govern- mental Funds	
<b>ASSETS</b>						
Equity in Pooled Cash and Investments	\$ 996,293	\$ 693,214	\$ 400,013	\$ 434,989	\$ 197,697	\$ 2,722,206
Accounts Receivable	5,186	13,019	387,401	0	0	405,606
Due from Other Governments	89,290	289,894	5,634	0	0	384,818
Due from Other Funds	0	0	0	0	52,483	52,483
Property Taxes Receivable	3,973,829	0	1,071,169	0	0	5,044,998
Allowance for Uncollectible Property Taxes	(385,665)	0	(92,030)	0	0	(477,695)
Prepaid Items	0	17,386	0	0	0	17,386
<b>Total Assets</b>	<b>\$ 4,678,933</b>	<b>\$ 1,013,513</b>	<b>\$ 1,772,187</b>	<b>\$ 434,989</b>	<b>\$ 250,180</b>	<b>\$ 8,149,802</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts Payable	\$ 4,256	\$ 47,276	\$ 0	\$ 0	\$ 52,719	\$ 104,251
Payroll Deductions Payable	20,686	0	0	0	0	20,686
Contracts Payable	0	0	0	124,174	0	124,174
Due to Other Funds	52,483	0	0	0	0	52,483
Matured Interest on Bonds	0	0	5,827	0	0	5,827
Deferred Revenue - Current Property Taxes	3,435,077	0	948,329	0	0	4,383,406
Deferred Revenue - Delinquent Property Taxes	122,996	0	24,754	0	0	147,750
Other Deferred Revenues	31,292	150,986	375,302	0	0	557,580
<b>Total Liabilities</b>	<b>\$ 3,666,790</b>	<b>\$ 198,262</b>	<b>\$ 1,354,212</b>	<b>\$ 124,174</b>	<b>\$ 52,719</b>	<b>\$ 5,396,157</b>
<b>Fund Balances</b>						
Reserved for Encumbrances	\$ 71,000	\$ 0	\$ 0	\$ 71,840	\$ 0	\$ 142,840
Reserved for Purchase of Electronic Fingerprint Imaging System	0	0	0	0	18,780	18,780
Reserved for Alcohol and Drug Treatment	40,617	0	0	0	0	40,617
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	45,751	0	0	0	0	45,751
Reserved for Drug Court	20,823	0	0	0	0	20,823
Reserved for Courtroom Security	61	0	0	0	0	61
Reserved for Computer System - Register	56,439	0	0	0	0	56,439

(Continued)

Exhibit A

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

	Major Funds				Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Other Capital Projects	Funds Other Govern- mental Funds	
<b>LIABILITIES AND FUND BALANCES (Cont.)</b>						
<u>Fund Balances (Cont.)</u>						
Reserved for Automation Purposes - Circuit Court	\$ 2,244	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,244
Reserved for Automation Purposes - General Sessions Court	15,076	0	0	0	0	15,076
Reserved for Automation Purposes - Juvenile Court	1,932	0	0	0	0	1,932
Reserved for Automation Purposes - Chancery Court	974	0	0	0	0	974
Reserved for Other General Purposes	5,205	0	0	0	0	5,205
Unreserved, Reported In:						
General Fund	752,021	0	0	0	0	752,021
Special Revenue Funds	0	815,251	0	0	63,267	878,518
Debt Service Funds	0	0	417,975	0	0	417,975
Capital Projects Funds	0	0	0	238,975	115,414	354,389
<b>Total Fund Balances</b>	<b>\$ 1,012,143</b>	<b>\$ 815,251</b>	<b>\$ 417,975</b>	<b>\$ 310,815</b>	<b>\$ 197,461</b>	<b>\$ 2,753,645</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,678,933</b>	<b>\$ 1,013,513</b>	<b>\$ 1,772,187</b>	<b>\$ 434,989</b>	<b>\$ 250,180</b>	<b>\$ 8,149,802</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  
For the Year Ended June 30, 2007

	Major Funds				Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Capital Projects	Other Govern- mental Funds	
<b>Revenues</b>						
Local Taxes	\$ 4,219,405	\$ 0	\$ 796,223	\$ 0	\$ 0	\$ 5,015,628
Licenses and Permits	64,304	0	0	0	0	64,304
Fines, Forfeitures, and Penalties	165,563	0	0	0	70,038	235,601
Charges for Current Services	27,899	0	0	0	2,250	30,149
Other Local Revenues	22,413	272,713	119,170	0	1,127	415,423
Fees Received from County Officials	720,997	0	0	0	0	720,997
State of Tennessee	704,857	1,700,266	68,460	0	1,307	2,474,890
Federal Government	199,514	51,592	0	0	730,587	981,693
Other Governments and Citizens Groups	45,219	0	695,678	0	1,000	741,897
<b>Total Revenues</b>	<b>\$ 6,170,171</b>	<b>\$ 2,024,571</b>	<b>\$ 1,679,531</b>	<b>\$ 0</b>	<b>\$ 806,309</b>	<b>\$ 10,680,582</b>
<b>Expenditures</b>						
Current:						
General Government	\$ 608,769	\$ 0	\$ 0	\$ 0	\$ 0	\$ 608,769
Finance	436,975	0	0	0	0	436,975
Administration of Justice	365,372	0	0	0	2,250	367,622
Public Safety	1,850,682	0	0	0	89,190	1,939,872
Public Health and Welfare	952,199	0	0	0	415,800	1,367,999
Social, Cultural, and Recreational Services	46,192	0	0	0	0	46,192
Agriculture and Natural Resources	48,293	0	0	0	0	48,293
Other Operations	879,241	0	0	0	561	879,802
Highways	0	1,943,593	0	0	0	1,943,593
Debt Service:						
Principal on Debt	0	7,884	753,010	0	0	760,894
Interest on Debt	0	1,798	1,251,585	0	0	1,253,383
Other Debt Service	0	0	438,915	0	0	438,915
Capital Projects	50,000	0	0	4,207,146	731,707	4,988,853
<b>Total Expenditures</b>	<b>\$ 5,237,723</b>	<b>\$ 1,953,275</b>	<b>\$ 2,443,510</b>	<b>\$ 4,207,146</b>	<b>\$ 1,239,508</b>	<b>\$ 15,081,162</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ 932,448</b>	<b>\$ 71,296</b>	<b>\$ (763,979)</b>	<b>\$ (4,207,146)</b>	<b>\$ (433,199)</b>	<b>\$ (4,400,580)</b>

(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	Other Capital Projects	Other Govern- mental Funds	
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 50,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 50,000
Refunding Debt Issued	0	0	22,100,000	0	0	22,100,000
Premiums on Debt Issued	0	0	926,579	0	0	926,579
Other Loans Issued	0	0	0	5,052,521	0	5,052,521
Transfers In	0	0	0	0	415,800	415,800
Transfers Out	(415,800)	0	0	0	0	(415,800)
Refunded Loans	0	0	(22,607,793)	0	0	(22,607,793)
Total Other Financing Sources (Uses)	<u>\$ (365,800)</u>	<u>\$ 0</u>	<u>\$ 418,786</u>	<u>\$ 5,052,521</u>	<u>\$ 415,800</u>	<u>\$ 5,521,307</u>
Net Change in Fund Balances	\$ 566,648	\$ 71,296	\$ (345,193)	\$ 845,375	\$ (17,399)	\$ 1,120,727
Fund Balance, July 1, 2006	445,495	743,955	763,168	(534,560)	214,860	1,632,918
Fund Balance, June 30, 2007	<u>\$ 1,012,143</u>	<u>\$ 815,251</u>	<u>\$ 417,975</u>	<u>\$ 310,815</u>	<u>\$ 197,461</u>	<u>\$ 2,753,645</u>

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, 2007

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 1,150,799
Due from Other Governments	<u>63,007</u>
Total Assets	<u><u>\$ 1,213,806</u></u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 63,007
Due to Litigants, Heirs, and Others	<u>1,150,799</u>
Total Liabilities	<u><u>\$ 1,213,806</u></u>

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

**POLK COUNTY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2007**

**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 No. 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 No. 34. These standards require fund financial statements to be presented in conformity with all the provisions of GASB Statement No. 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 separate from the county.

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

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

The 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 appropriate 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’s 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.

**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 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 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 5.31 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. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the fund financial statements.

**4. 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.

**5. Compensated Absences**

It is the county's policy, with the exception of the Highway Department, to permit employees to accumulate earned but unused vacation and sick leave benefits. 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.

**6. Long-term Obligations**

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

#### **7. 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**

### **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.

### 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, 2007.

**B. Construction Commitments**

At June 30, 2007, the Other Capital Projects Fund had uncompleted construction contracts of approximately \$71,840 for justice center facilities. Funding has been received for these future expenditures.

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

The composition of interfund balances as of June 30, 2007, is as follows:

**Due to/from other funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor governmental	General	\$ 52,483

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, 2007, consisted of the following amount:

<u>Transfers Out</u>	<u>Transfers In</u> Nonmajor Governmental Funds
General Fund	\$ 415,800
Total	<u>\$ 415,800</u>

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

them and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**D. Capital Lease**

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 the 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, 2007, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Funds</u>
2008	\$ 9,682
2009	9,682
2010	9,682
2011	<u>1,662</u>
Total Minimum Lease Payments	\$ 30,708
Amount Representing Interest	<u>(2,655)</u>
Present Value of Minimum Lease Payments	<u>\$ 28,053</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.

**General Obligation Bonds and Notes**

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

outlay notes are also issued to fund capital facilities and other capital outlay purchases, such as equipment.

General obligation bonds, other loans, and capital outlay notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and capital notes were issued for original terms of up to 18 years for bonds and up to four and one-half years for notes. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and the note included in long-term debt as of June 30, 2007, will be retired from the General Debt Service Fund.

General obligation bonds, the capital outlay note, and the capital lease outstanding as of June 30, 2007, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-07
General Obligation Bonds -			
Refunding	4 to 5 %	\$ 22,100,000	\$ 22,100,000
Capital Outlay Note	3.5	200,000	120,000
Capital Leases	2.85	42,376	28,053

In prior years, Polk County entered into loan agreements with the Montgomery County Public Building Authority. Under these loan agreements, the authority loaned \$8,000,000, \$8,129,000 and \$8,800,000 to Polk County for construction of two high schools and a justice center. These loans were 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 paid various other fees (trustee, letter of credit, and debt remarketing) in connection with these loans. During the period, Polk County drew down the remaining amount of the \$8,800,000 loan. On April 30, 2007, Polk County refunded these three other loan issues with a general obligation bond issue.

The annual requirements to amortize all bonds and notes outstanding as of June 30, 2007, including interest payments, are presented in the following table:

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2008	\$ 845,000	\$ 988,438	\$ 40,000	\$ 4,122
2009	880,000	951,900	40,000	2,800
2010	915,000	916,700	40,000	1,400
2011	950,000	880,100	0	0

Year Ending June 30 (Cont.)	Bonds		Notes	
	Principal	Interest	Principal	Interest
2012	\$ 990,000	\$ 842,100	\$ 0	\$ 0
2013-17	5,565,000	3,584,300	0	0
2018-22	6,955,000	2,191,900	0	0
2023-25	5,000,000	508,250	0	0
Total	<u>\$ 22,100,000</u>	<u>\$ 10,863,688</u>	<u>\$ 120,000</u>	<u>\$ 8,322</u>

There is \$417,975 available in the General Debt Service Fund to service long-term debt. Bonded debt per capital totaled \$1,377, based on the 2000 federal census. Debt per capita, including bonds, the note, and the capital lease totaled \$1,386, based on the 2000 federal census.

#### Changes in Long-term liabilities

Long-term liability activity for the year ended June 30, 2007, was as follows:

##### Governmental Activities:

	Bonds	Notes
Balance, July 1, 2006	\$ 0	\$ 160,000
Additions	22,100,000	50,000
Deductions	0	(90,000)
Balance, June 30, 2007	<u>\$ 22,100,000</u>	<u>\$ 120,000</u>
Balance Due Within One Year	<u>\$ 845,000</u>	<u>\$ 40,000</u>
	Other Loans	Capital Leases
Balance, July 1, 2006	\$ 18,218,282	\$ 46,984
Additions	5,052,521	0
Deductions	(23,270,803)	(18,931)
Balance, June 30, 2007	<u>\$ 0</u>	<u>\$ 28,053</u>
Balance Due Within One Year	<u>\$ 0</u>	<u>\$ 8,333</u>

Current Refunding

On April 30, 2007, Polk County refunded three other loan issues with a general obligation bond issue. The other loans had variable interest rates and various fees associated with them. The county issued \$22,100,000 of general obligation refunding bonds to provide resources to pay off these other loans. The county also received a premium on this bond issue of \$926,579. This general obligation bond issue has interest rates of 4 to 5 percent. As a result, the liability of these other loans has been removed from the county's long-term debt. Since these other loans had variable interest rates and other fees associated with them, an accurate calculation of the reduction/addition of total debt service payments over the next 18 years could not be determined.

**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, 2007, was as follows:

	Balance 7-1-06	Issued	Redeemed	Balance 6-30-07
Tax Anticipation Notes	\$ 0	\$ 825,000	\$ (825,000)	\$ 0

**IV. OTHER INFORMATION**

**A. Risk Management**

Polk County is a member of the Tennessee Risk Management Trust (TN-RMT), which is a public entity risk pool created under the auspices of the Tennessee Governmental Tort Liability Act to provide governmental insurance coverage. Polk County pays an annual premium to the TN-RMT for its general liability, property, workers' compensation, and casualty insurance coverage. The creation of the TN-RMT provides for it to be self-sustaining through member premiums.

Polk County provides 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. 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 whitewater rafting on the Ocoee River. Numerous rafting companies for the past few

years have paid the tax under protest. These cases were heard on March 26, 2006, and August 30, 2006. The chancellor's most recent written ruling was filed October 31, 2007, stating that the rafting companies did not have a standing to bring the cases attacking the constitutionality of the tax because the rafting companies were the operators of the amusement and only collected and remitted the tax rather than being the actual tax payer. Presently, the written ruling of the court is being appealed to the Tennessee Court of Appeals. If the rafting tax is held to be unconstitutional, the overall exposure to the county would be significant since the county receives about \$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.

**C. Changes in Administration**

On August 31, 2006, Hoyt Firestone left the Office of County Mayor and was succeeded by Mike Stinnett. On September 20, 2006, Ruth Allen left the Office of Director of Accounts and Budget and was succeeded by Rachel Rogers.

**D. 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, 2007, 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

**E. 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.

**F. Retirement Commitments**

**Employees**

**Plan Description**

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

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.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, 2007, was seven 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, 2007, Polk County's annual pension cost of \$259,629 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2005, 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 Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-07	\$259,629	100%	\$0
6-30-06	293,876	100	0
6-30-05	272,510	100	0

## G. 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.

## H. Purchasing Laws

### Office of County Executive

Purchasing procedures for the County Executive's Office are governed by provisions of the County Purchasing Law of 1957, Section 5-14-101, et seq., Tennessee Code Annotated (TCA). This statute provides for a purchasing

agent to make all purchases exceeding \$5,000 after soliciting sealed competitive bids through public advertisement.

Office of Highway Superintendent

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

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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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, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 4,219,405	\$ 0	\$ 0	\$ 4,219,405	\$ 4,055,748	\$ 4,088,158	\$ 131,247
Licenses and Permits	64,304	0	0	64,304	61,900	64,931	(627)
Fines, Forfeitures, and Penalties	165,563	0	0	165,563	136,250	138,770	26,793
Charges for Current Services	27,899	0	0	27,899	22,700	22,700	5,199
Other Local Revenues	22,413	0	0	22,413	88,250	20,650	1,763
Fees Received from County Officials	720,997	0	0	720,997	579,200	655,769	65,228
State of Tennessee	704,857	0	0	704,857	661,235	665,558	39,299
Federal Government	199,514	0	0	199,514	93,500	210,472	(10,958)
Other Governments and Citizens Groups	45,219	0	0	45,219	32,800	38,219	7,000
<b>Total Revenues</b>	<b>\$ 6,170,171</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 6,170,171</b>	<b>\$ 5,731,583</b>	<b>\$ 5,905,227</b>	<b>\$ 264,944</b>
<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 18,250	\$ 0	\$ 0	\$ 18,250	\$ 17,000	\$ 18,400	\$ 150
Board of Equalization	769	0	0	769	1,200	1,200	431
County Mayor/Executive	97,648	0	0	97,648	85,626	98,522	874
Election Commission	119,641	(2,210)	1,000	118,431	137,265	137,265	18,834
Register of Deeds	87,138	(450)	0	86,688	93,622	93,622	6,934
County Buildings	117,667	(4,150)	3,000	116,517	121,322	120,333	3,816
Other General Administration	167,656	(104)	226	167,778	205,891	201,078	33,300
<u>Finance</u>							
Accounting and Budgeting	58,539	0	0	58,539	59,004	59,004	465
Property Assessor's Office	151,226	0	0	151,226	168,704	168,704	17,478
County Trustee's Office	105,849	0	0	105,849	106,543	106,543	694
County Clerk's Office	121,361	0	50	121,411	133,281	133,281	11,870
<u>Administration of Justice</u>							
Circuit Court	134,182	0	303	134,485	145,370	145,370	10,885

(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 7/1/2006	Add: Encumbrances 6/30/2007	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	\$ 80,074	\$ 0	\$ 0	\$ 80,074	\$ 81,316	\$ 81,316	\$ 1,242
Chancery Court	101,584	(386)	40	101,238	104,469	104,469	3,231
Juvenile Court	49,532	(316)	0	49,216	43,133	50,164	948
<u>Public Safety</u>							
Sheriff's Department	914,547	(23,555)	16,833	907,825	1,014,170	964,732	56,907
Correctional Incentive Program Improvements	672,323	(21,200)	11,226	662,349	743,846	806,846	144,497
Fire Prevention and Control	1,000	0	0	1,000	1,000	1,000	0
Civil Defense	172,565	(29,346)	17,649	160,868	141,750	161,965	1,097
Rescue Squad	53,139	(53,139)	0	0	0	0	0
Other Emergency Management	37,108	(4,282)	11,921	44,747	9,680	68,859	24,112
County Coroner/Medical Examiner	0	0	0	0	300	300	300
<u>Public Health and Welfare</u>							
Local Health Center	52,378	(300)	0	52,078	53,655	53,655	1,577
Ambulance/Emergency Medical Services	735,990	0	0	735,990	735,990	735,990	0
Alcohol and Drug Programs	3,684	0	0	3,684	0	3,719	35
Crippled Children Services	1,250	0	0	1,250	1,250	1,250	0
Other Local Health Services	90,299	0	0	90,299	102,466	102,466	12,167
Sanitation Education/Information	35,025	(563)	1,044	35,506	35,977	35,977	471
Other Public Health and Welfare	33,573	0	0	33,573	48,490	48,490	14,917
<u>Social, Cultural, and Recreational Services</u>							
Senior Citizens Assistance	18,062	0	0	18,062	18,062	18,062	0
Other Social, Cultural, and Recreational	28,130	0	4,100	32,230	33,923	34,173	1,943
<u>Agriculture and Natural Resources</u>							
Agriculture Extension Service	31,526	0	3,608	35,134	33,819	46,519	11,385
Soil Conservation	16,767	0	0	16,767	16,767	16,767	0

(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 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Other Operations</u>							
Tourism	\$ 14,948	\$ 0	\$ 0	\$ 14,948	\$ 0	\$ 14,948	\$ 0
Industrial Development	5,710	0	0	5,710	5,136	6,636	926
Other Economic and Community Development	15,816	0	0	15,816	3,800	16,316	500
Veterans' Services	7,497	0	0	7,497	7,046	7,671	174
Other Charges	191,958	0	0	191,958	173,000	195,775	3,817
Contributions to Other Agencies	50,053	0	0	50,053	40,000	50,500	447
Employee Benefits	593,259	0	0	593,259	656,500	656,500	63,241
<u>Capital Projects</u>							
Social, Cultural, and Recreation Projects	50,000	0	0	50,000	0	50,000	0
Total Expenditures	\$ 5,237,723	\$ (140,001)	\$ 71,000	\$ 5,168,722	\$ 5,380,373	\$ 5,618,387	\$ 449,665
Excess (Deficiency) of Revenues							
Over Expenditures	\$ 932,448	\$ 140,001	\$ (71,000)	\$ 1,001,449	\$ 351,210	\$ 286,840	\$ 714,609
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 50,000	\$ 0	\$ 0	\$ 50,000	\$ 0	\$ 50,000	\$ 0
Transfers Out	(415,800)	0	0	(415,800)	(410,000)	(415,800)	0
Total Other Financing Sources (Uses)	\$ (365,800)	\$ 0	\$ 0	\$ (365,800)	\$ (410,000)	\$ (365,800)	\$ 0
Net Change in Fund Balance							
Fund Balance, July 1, 2006	\$ 566,648	\$ 140,001	\$ (71,000)	\$ 635,649	\$ (58,790)	\$ (78,960)	\$ 714,609
Fund Balance, July 1, 2006	445,495	(140,001)	0	305,494	180,857	78,960	226,534
Fund Balance, June 30, 2007							
Fund Balance, June 30, 2007	\$ 1,012,143	\$ 0	\$ (71,000)	\$ 941,143	\$ 122,067	\$ 0	\$ 941,143

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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 272,713	\$ 229,100	\$ 229,100	\$ 43,613
State of Tennessee	1,700,266	1,853,156	1,861,912	(161,646)
Federal Government	51,592	44,346	44,346	7,246
<b>Total Revenues</b>	<b>\$ 2,024,571</b>	<b>\$ 2,126,602</b>	<b>\$ 2,135,358</b>	<b>\$ (110,787)</b>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 145,357	\$ 135,446	\$ 153,670	\$ 8,313
Highway and Bridge Maintenance	839,843	867,239	1,038,135	198,292
Operation and Maintenance of Equipment	493,552	420,920	533,560	40,008
Other Charges	114,951	102,721	117,700	2,749
Employee Benefits	258,022	258,500	293,200	35,178
Capital Outlay	91,868	449,635	490,634	398,766
<u>Highway &amp; Street Debt Service</u>				
Highway & Street Debt Service	0	9,681	0	0
<u>Principal on Debt</u>				
Highways and Streets	7,884	0	7,884	0
<u>Interest on Debt</u>				
Highways and Streets	1,798	0	1,798	0
<b>Total Expenditures</b>	<b>\$ 1,953,275</b>	<b>\$ 2,244,142</b>	<b>\$ 2,636,581</b>	<b>\$ 683,306</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 71,296	\$ (117,540)	\$ (501,223)	\$ 572,519
Net Change in Fund Balance	\$ 71,296	\$ (117,540)	\$ (501,223)	\$ 572,519
Fund Balance, July 1, 2006	743,955	497,925	501,223	242,732
Fund Balance, June 30, 2007	\$ 815,251	\$ 380,385	\$ 0	\$ 815,251

Exhibit D-3

Polk County, Tennessee  
Schedule of Funding Progress – Pension Plan  
June 30, 2007

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-05	\$ 3,035	\$ 3,419	384	88.76 %	\$ 3,214	11.96 %
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

**POLK COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2007**

**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.

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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

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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

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

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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, 2007

	Special Revenue Funds			Capital Projects Funds			Total Nonmajor Governmental Funds	
	Solid Waste / Sanitation	Drug Control	Total	General Capital Projects	Community Development/ Industrial Park	Isabella Waterline Project		Total
<u>ASSETS</u>								
Equity in Pooled Cash and Investments	\$ 0	\$ 82,283	\$ 82,283	\$ 22,616	\$ 91,523	\$ 1,275	\$ 115,414	\$ 197,697
Due from Other Funds	52,483	0	52,483	0	0	0	0	52,483
<b>Total Assets</b>	<b>\$ 52,483</b>	<b>\$ 82,283</b>	<b>\$ 134,766</b>	<b>\$ 22,616</b>	<b>\$ 91,523</b>	<b>\$ 1,275</b>	<b>\$ 115,414</b>	<b>\$ 250,180</b>
<u>LIABILITIES AND FUND BALANCES</u>								
<u>Liabilities</u>								
Accounts Payable	\$ 52,483	\$ 236	\$ 52,719	\$ 0	\$ 0	\$ 0	\$ 0	\$ 52,719
<b>Total Liabilities</b>	<b>\$ 52,483</b>	<b>\$ 236</b>	<b>\$ 52,719</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 52,719</b>
<u>Fund Balances</u>								
Reserved for Purchase of Electronic Fingerprint Imaging System	\$ 0	\$ 18,780	\$ 18,780	\$ 0	\$ 0	\$ 0	\$ 0	\$ 18,780
Unreserved	0	63,267	63,267	22,616	91,523	1,275	115,414	178,681
<b>Total Fund Balances</b>	<b>\$ 0</b>	<b>\$ 82,047</b>	<b>\$ 82,047</b>	<b>\$ 22,616</b>	<b>\$ 91,523</b>	<b>\$ 1,275</b>	<b>\$ 115,414</b>	<b>\$ 197,461</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 52,483</b>	<b>\$ 82,283</b>	<b>\$ 134,766</b>	<b>\$ 22,616</b>	<b>\$ 91,523</b>	<b>\$ 1,275</b>	<b>\$ 115,414</b>	<b>\$ 250,180</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, 2007

	Special Revenue Funds			
	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees	Total
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 0	\$ 70,038	\$ 0	\$ 70,038
Charges for Current Services	0	0	2,250	2,250
Other Local Revenues	0	0	0	0
State of Tennessee	0	1,307	0	1,307
Federal Government	0	0	0	0
Other Governments and Citizens Groups	0	1,000	0	1,000
Total Revenues	<u>\$ 0</u>	<u>\$ 72,345</u>	<u>\$ 2,250</u>	<u>\$ 74,595</u>
<u>Expenditures</u>				
Current:				
Administration of Justice	\$ 0	\$ 0	\$ 2,250	\$ 2,250
Public Safety	0	89,190	0	89,190
Public Health and Welfare	415,800	0	0	415,800
Other Operations	0	550	0	550
Capital Projects	0	0	0	0
Total Expenditures	<u>\$ 415,800</u>	<u>\$ 89,740</u>	<u>\$ 2,250</u>	<u>\$ 507,790</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (415,800)</u>	<u>\$ (17,395)</u>	<u>\$ 0</u>	<u>\$ (433,195)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 415,800	\$ 0	\$ 0	\$ 415,800
Total Other Financing Sources (Uses)	<u>\$ 415,800</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 415,800</u>
Net Change in Fund Balances	\$ 0	\$ (17,395)	\$ 0	\$ (17,395)
Fund Balance, July 1, 2006	0	99,442	0	99,442
Fund Balance, June 30, 2007	<u>\$ 0</u>	<u>\$ 82,047</u>	<u>\$ 0</u>	<u>\$ 82,047</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 Project	Isabella Waterline Project	Total	
<u>Revenues</u>						
Fines, Forfeitures, and Penalties	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	70,038
Charges for Current Services	0	0	0	0	0	2,250
Other Local Revenues	898	229	0	0	1,127	1,127
State of Tennessee	0	0	0	0	0	1,307
Federal Government	0	0	694,587	36,000	730,587	730,587
Other Governments and Citizens Groups	0	0	0	0	0	1,000
Total Revenues	\$ 898	\$ 229	\$ 694,587	\$ 36,000	\$ 731,714	\$ 806,309
<u>Expenditures</u>						
Current:						
Administration of Justice	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	2,250
Public Safety	0	0	0	0	0	89,190
Public Health and Welfare	0	0	0	0	0	415,800
Other Operations	9	2	0	0	11	561
Capital Projects	0	0	694,587	37,120	731,707	731,707
Total Expenditures	\$ 9	\$ 2	\$ 694,587	\$ 37,120	\$ 731,718	\$ 1,239,508
Excess (Deficiency) of Revenues Over Expenditures	\$ 889	\$ 227	\$ 0	\$ (1,120)	\$ (4)	(433,199)
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	415,800
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	415,800
Net Change in Fund Balances	\$ 889	\$ 227	\$ 0	\$ (1,120)	\$ (4)	(17,399)
Fund Balance, July 1, 2006	21,727	91,296	0	2,395	115,418	214,860
Fund Balance, June 30, 2007	\$ 22,616	\$ 91,523	\$ 0	\$ 1,275	\$ 115,414	\$ 197,461

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, 2007

	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	\$ 415,800	\$ 410,000	\$ 415,800	\$ 0
Total Expenditures	\$ 415,800	\$ 410,000	\$ 415,800	\$ 0
Excess (Deficiency) of Revenues Over Expenditures	\$ (415,800)	\$ (410,000)	\$ (415,800)	\$ 0
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 415,800	\$ 410,000	\$ 415,800	\$ 0
Total Other Financing Sources (Uses)	\$ 415,800	\$ 410,000	\$ 415,800	\$ 0
Net Change in Fund Balance	\$ 0	\$ 0	\$ 0	\$ 0
Fund Balance, July 1, 2006	0	0	0	0
Fund Balance, June 30, 2007	\$ 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, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Fines, Forfeitures, and Penalties	\$ 70,038	\$ 0	\$ 70,038	\$ 98,220	\$ 98,220	\$ (28,182)
State of Tennessee	1,307	0	1,307	0	0	1,307
Other Governments and Citizens Groups	1,000	0	1,000	1,750	1,750	(750)
Total Revenues	<u>\$ 72,345</u>	<u>\$ 0</u>	<u>\$ 72,345</u>	<u>\$ 99,970</u>	<u>\$ 99,970</u>	<u>\$ (27,625)</u>
<u>Expenditures</u>						
<u>Public Safety</u>						
Drug Enforcement	\$ 89,190	\$ (2,550)	\$ 86,640	\$ 99,370	\$ 99,370	\$ 12,730
<u>Other Operations</u>						
Other Charges	550	0	550	600	600	50
Total Expenditures	<u>\$ 89,740</u>	<u>\$ (2,550)</u>	<u>\$ 87,190</u>	<u>\$ 99,970</u>	<u>\$ 99,970</u>	<u>\$ 12,780</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (17,395)</u>	<u>\$ 2,550</u>	<u>\$ (14,845)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (14,845)</u>
Net Change in Fund Balance	\$ (17,395)	\$ 2,550	\$ (14,845)	\$ 0	\$ 0	\$ (14,845)
Fund Balance, July 1, 2006	<u>99,442</u>	<u>(2,550)</u>	<u>96,892</u>	<u>90,497</u>	<u>90,497</u>	<u>6,395</u>
Fund Balance, June 30, 2007	<u>\$ 82,047</u>	<u>\$ 0</u>	<u>\$ 82,047</u>	<u>\$ 90,497</u>	<u>\$ 90,497</u>	<u>\$ (8,450)</u>

# **Major Governmental Fund**

## **General Debt Service Fund**

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

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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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 796,223	\$ 765,700	\$ 765,700	\$ 30,523
Other Local Revenues	119,170	37,000	37,000	82,170
State of Tennessee	68,460	61,500	61,500	6,960
Other Governments and Citizens Groups	695,678	693,558	693,558	2,120
Total Revenues	<u>\$ 1,679,531</u>	<u>\$ 1,557,758</u>	<u>\$ 1,557,758</u>	<u>\$ 121,773</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 50,000	\$ 352,000	\$ 50,000	\$ 0
Education	703,010	1,281,842	703,010	0
<u>Interest on Debt</u>				
General Government	453,447	0	453,702	255
Education	798,138	3,558	798,138	0
<u>Other Debt Service</u>				
General Government	436,690	14,700	437,257	567
Education	2,225	2,400	2,500	275
Total Expenditures	<u>\$ 2,443,510</u>	<u>\$ 1,654,500</u>	<u>\$ 2,444,607</u>	<u>\$ 1,097</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (763,979)</u>	<u>\$ (96,742)</u>	<u>\$ (886,849)</u>	<u>\$ 122,870</u>
<u>Other Financing Sources (Uses)</u>				
Refunding Debt Issued	\$ 22,100,000	\$ 0	\$ 22,100,000	\$ 0
Premiums on Debt Issued	926,579	0	926,579	0
Refunded Loans	(22,607,793)	0	(22,607,793)	0
Total Other Financing Sources (Uses)	<u>\$ 418,786</u>	<u>\$ 0</u>	<u>\$ 418,786</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (345,193)	\$ (96,742)	\$ (468,063)	\$ 122,870
Fund Balance, July 1, 2006	<u>763,168</u>	<u>503,158</u>	<u>468,063</u>	<u>295,105</u>
Fund Balance, June 30, 2007	<u>\$ 417,975</u>	<u>\$ 406,416</u>	<u>\$ 0</u>	<u>\$ 417,975</u>

# Fiduciary Funds

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Agency Funds are used to account for assets held by the county as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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

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

Exhibit G-1

Polk County, Tennessee  
Combining Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2007

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 1,150,799	\$ 1,150,799
Due from Other Governments	63,007	0	63,007
Total Assets	<u>\$ 63,007</u>	<u>\$ 1,150,799</u>	<u>\$ 1,213,806</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 63,007	\$ 0	\$ 63,007
Due to Litigants, Heirs, and Others	0	1,150,799	1,150,799
Total Liabilities	<u>\$ 63,007</u>	<u>\$ 1,150,799</u>	<u>\$ 1,213,806</u>

Exhibit G-2

Polk County, Tennessee  
Combining Statement of Changes in Assets and Liabilities - All Agency Funds  
For the Year Ended June 30, 2007

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 396,041	\$ 396,041	\$ 0
Due from Other Governments	49,749	63,007	49,749	63,007
Total Assets	\$ 49,749	\$ 459,048	\$ 445,790	\$ 63,007
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 49,749	\$ 459,048	\$ 445,790	\$ 63,007
Total Liabilities	\$ 49,749	\$ 459,048	\$ 445,790	\$ 63,007
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 1,017,006	\$ 5,366,816	\$ 5,233,023	\$ 1,150,799
Total Assets	\$ 1,017,006	\$ 5,366,816	\$ 5,233,023	\$ 1,150,799
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 1,017,006	\$ 5,366,816	\$ 5,233,023	\$ 1,150,799
Total Liabilities	\$ 1,017,006	\$ 5,366,816	\$ 5,233,023	\$ 1,150,799
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 396,041	\$ 396,041	\$ 0
Cash	1,017,006	5,366,816	5,233,023	1,150,799
Due from Other Governments	49,749	63,007	49,749	63,007
Total Assets	\$ 1,066,755	\$ 5,825,864	\$ 5,678,813	\$ 1,213,806
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 49,749	\$ 459,048	\$ 445,790	\$ 63,007
Due to Litigants, Heirs, and Others	1,017,006	5,366,816	5,233,023	1,150,799
Total Liabilities	\$ 1,066,755	\$ 5,825,864	\$ 5,678,813	\$ 1,213,806

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## MISCELLANEOUS SCHEDULES

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Exhibit H-1

Polk County, Tennessee  
 Schedule of Changes in Long-term Notes, Capital Leases, Other Loans, and Bonds  
 For the Year Ended June 30, 2007

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-06	Issued During Period	Paid and/or Matured During Period	Debt Refunded	Outstanding 6-30-07
<b>NOTES PAYABLE</b>									
<u>Payable through General Debt Service Fund</u>									
Highway School Athletic Facilities	\$ 200,000	3.5 %	7-7-05	1-7-10	\$ 160,000	\$ 0	\$ 40,000	\$ 0	\$ 120,000
Library Construction	50,000	3.5	7-12-06	7-14-06	0	50,000	50,000		0
Total Notes Payable					<u>\$ 160,000</u>	<u>\$ 50,000</u>	<u>\$ 90,000</u>	<u>\$ 0</u>	<u>\$ 120,000</u>
<b>CAPITAL LEASES PAYABLE</b>									
<u>Payable through Drug Control Fund</u>									
Vehicles	33,174	5.8	2-2-05	2-2-07	\$ 11,047	\$ 0	\$ 11,047	\$ 0	0
<u>Payable through Highway/Public Works Fund</u>									
Dump Truck	42,376	2.85	7-21-05	9-21-10	35,937	0	7,884	0	28,053
Total Capital Leases Payable					<u>\$ 46,984</u>	<u>\$ 0</u>	<u>\$ 18,931</u>	<u>\$ 0</u>	<u>\$ 28,053</u>
<b>OTHER LOANS PAYABLE</b>									
<u>Payable through General Debt Service Fund</u>									
School Buildings	8,000,000	Variable	9-1-00	4-30-07	\$ 6,684,000	\$ 0	\$ 310,000	\$ 6,374,000	\$ 0
School Facilities	8,129,000	Variable	9-1-03	4-30-07	7,786,803	0	353,010	7,433,793	0
Justice Center Facilities	8,800,000	Variable	5-17-05	4-30-07	3,747,479	5,052,521	0	8,800,000	0
Total Other Loans Payable					<u>\$ 18,218,282</u>	<u>\$ 5,052,521</u>	<u>\$ 663,010</u>	<u>\$ 22,607,793</u>	<u>\$ 0</u>
<b>BONDS PAYABLE</b>									
<u>Payable through General Debt Service Fund</u>									
General Obligation Refunding Bond, Series 2007	22,100,000	4 to 5	4-30-07	4-30-25	\$ 0	\$ 22,100,000	\$ 0	\$ 0	\$ 22,100,000
Total Bonds Payable					<u>\$ 0</u>	<u>\$ 22,100,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 22,100,000</u>

Exhibit H-2

Polk County, Tennessee  
Schedule of Bond and Interest Requirements by Year

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2008	\$ 845,000	\$ 988,438	\$ 1,833,438
2009	880,000	951,900	1,831,900
2010	915,000	916,700	1,831,700
2011	950,000	880,100	1,830,100
2012	990,000	842,100	1,832,100
2013	1,030,000	802,500	1,832,500
2014	1,070,000	761,300	1,831,300
2015	1,110,000	718,500	1,828,500
2016	1,155,000	674,100	1,829,100
2017	1,200,000	627,900	1,827,900
2018	1,260,000	567,900	1,827,900
2019	1,320,000	504,900	1,824,900
2020	1,390,000	438,900	1,828,900
2021	1,465,000	369,400	1,834,400
2022	1,520,000	310,800	1,830,800
2023	1,585,000	250,000	1,835,000
2024	1,665,000	170,750	1,835,750
2025	1,750,000	87,500	1,837,500
Total	\$ 22,100,000	\$ 10,863,688	\$ 32,963,688

Exhibit H-3

Polk County, Tennessee  
Schedule of Transfers  
For the Year Ended June 30, 2007

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Solid Waste/Sanitation	Funds for operations	<u>\$ 415,800</u>
Total Transfers			<u>\$ 415,800</u>

Exhibit H-4

Polk County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
For the Year Ended June 30, 2007

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Executive:				
Hoyt Firestone (7-1-06 through 8-31-06)	Section 8-24-102, <u>TCA</u> , and County Commission	\$ 10,024	\$ 50,000	The Cincinnati Insurance Company
Mike Stinnett (9-1-06 through 6-30-07)	Section 8-24-102, <u>TCA</u> , and County Commission	50,115	50,000	Travelers Casualty and Surety Company
Highway Superintendent	Section 8-24-102, <u>TCA</u>	57,276	100,000	"
Trustee	Section 8-24-102, <u>TCA</u>	52,069	664,000	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	52,069	10,000	"
Director of Accounts and Budgets:				
Ruth Allen (7-1-06 through 9-20-06)	County Commission	17,276 (1)	15,000	The Cincinnati Insurance Company
Rachel Rogers (9-21-06 through 6-30-07)	County Commission	25,196	15,000	Travelers Casualty and Surety Company
County Clerk	Section 8-24-102, <u>TCA</u>	52,069	50,000	"
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	52,069	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u> , and Chancery Court Judge	54,319 (2)	25,000	State Farm Insurance Company
Register	Section 8-24-102, <u>TCA</u>	52,069	50,000	Travelers Casualty and Surety Company
Sheriff	Section 8-24-102, <u>TCA</u>	57,276	25,000	"
Other Bonds:				
General County/Highway Employees			125,000	Tennessee School Boards Risk Management Trust

(1) Includes \$9,781 in vacation pay.

(2) Includes special commissioner fees of \$2,250.

Exhibit H-5

Polk County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
For the Year Ended June 30, 2007

	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	\$ 3,328,060	\$ 0	\$ 0	\$ 0	\$ 668,925
Trustee's Collections - Prior Year	127,051	0	0	0	26,458
Circuit/Clerk & Master Collections - Prior Years	148,408	0	0	0	21,778
Interest and Penalty	25,952	0	0	0	5,347
Payments in-Lieu-of Taxes - T.V.A.	65,446	0	0	0	12,265
Payments in-Lieu-of Taxes - Other	72,821	0	0	0	14,656
<u>County Local Option Taxes</u>					
Hotel/Motel Tax	53,427	0	0	0	28,841
Local Amusement Tax	1,581	0	0	0	0
Litigation Tax - General	67,955	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	15,639	0	0	0	0
Business Tax	38,044	0	0	0	7,690
<u>Statutory Local Taxes</u>					
Bank Excise Tax	50,996	0	0	0	10,263
Wholesale Beer Tax	220,510	0	0	0	0
Beer Privilege Tax	3,515	0	0	0	0
Total Local Taxes	\$ 4,219,405	\$ 0	\$ 0	\$ 0	\$ 796,223
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Cable TV Franchise	\$ 40,836	\$ 0	\$ 0	\$ 0	\$ 0
<u>Permits</u>					
Beer Permits	1,900	0	0	0	0
Building Permits	5,525	0	0	0	0
Electrical Permits	16,043	0	0	0	0
Total Licenses and Permits	\$ 64,304	\$ 0	\$ 0	\$ 0	\$ 0
<u>Fines, Forfeitures, and Penalties</u>					
<u>Circuit Court</u>					
Fines	\$ 20,806	\$ 0	\$ 0	\$ 0	\$ 0
Officers Costs	4,464	0	0	0	0
Game and Fish Fines	10	0	0	0	0

(Continued)

Exhibit H-5

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

	Special Revenue Funds				Debt
	General	Drug Control	Constitutional Officers - Fees	Highway / Public Works	Service Fund
<u>Fines, Forfeitures, and Penalties (Cont.)</u>					
<u>Circuit Court (Cont.)</u>					
Drug Control Fines	\$ 0	\$ 20,464	\$ 0	\$ 0	\$ 0
Drug Court Fees	1,632	0	0	0	0
Jail Fees	1,897	0	0	0	0
DUI Treatment Fines	680	0	0	0	0
Data Entry Fee - Circuit Court	426	0	0	0	0
<u>General Sessions Court</u>					
Fines	57,356	0	0	0	0
Officers Costs	33,141	0	0	0	0
Game and Fish Fines	1,363	0	0	0	0
Drug Control Fines	0	28,256	0	0	0
Drug Court Fees	11,587	0	0	0	0
Jail Fees	21,063	0	0	0	0
DUI Treatment Fines	6,641	0	0	0	0
Data Entry Fee - General Sessions Court	3,116	0	0	0	0
Courtroom Security Fee	61	0	0	0	0
<u>Juvenile Court</u>					
Data Entry Fee - Juvenile Court	393	0	0	0	0
<u>Chancery Court</u>					
Officers Costs	763	0	0	0	0
Data Entry Fee - Chancery Court	152	0	0	0	0
<u>Judicial District Drug Program</u>					
Courtroom Security Fee	12	0	0	0	0
<u>Other Fines, Forfeitures, and Penalties</u>					
Proceeds from Confiscated Property	0	21,318	0	0	0
Total Fines, Forfeitures, and Penalties	\$ 165,563	\$ 70,038	\$ 0	\$ 0	\$ 0
<u>Charges for Current Services</u>					
<u>Fees</u>					
Airport Fees	\$ 4,425	\$ 0	\$ 0	\$ 0	\$ 0
Copy Fees	2,249	0	0	0	0
Telephone Commissions	8,168	0	0	0	0
Vending Machine Collections	352	0	0	0	0

(Continued)

Exhibit H-5

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>					
Constitutional Officers' Fees and Commissions	\$ 0	\$ 0	\$ 2,250	\$ 0	\$ 0
Data Processing Fee - Register	9,158	0	0	0	0
Data Processing Fee - Sheriff	2,057	0	0	0	0
Sexual Offender Registration Fees - Sheriff	1,490	0	0	0	0
<b>Total Charges for Current Services</b>	<b>\$ 27,899</b>	<b>\$ 0</b>	<b>\$ 2,250</b>	<b>\$ 0</b>	<b>\$ 0</b>
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 119,170
Lease/Rentals	12,425	0	0	0	0
Commissary Sales	7,087	0	0	0	0
Sale of Gasoline	0	0	0	233,866	0
Sale of Recycled Materials	552	0	0	0	0
Miscellaneous Refunds	135	0	0	38,847	0
<u>Nonrecurring Items</u>					
Sale of Property	190	0	0	0	0
Damages Recovered from Individuals	2,024	0	0	0	0
<b>Total Other Local Revenues</b>	<b>\$ 22,413</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 272,713</b>	<b>\$ 119,170</b>
<u>Fees Received from County Officials</u>					
<u>Fees-In-Lieu of Salary</u>					
County Clerk	\$ 162,821	\$ 0	\$ 0	\$ 0	\$ 0
Circuit Court Clerk	54,072	0	0	0	0
General Sessions Court Clerk	95,867	0	0	0	0
Clerk and Master	79,979	0	0	0	0
Register	106,286	0	0	0	0
Sheriff	7,558	0	0	0	0
Trustee	214,414	0	0	0	0
<b>Total Fees Received from County Officials</b>	<b>\$ 720,997</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

(Continued)

Exhibit H-5

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	8,004	0	0	0	0
<u>Public Safety Grants</u>					
Law Enforcement Training Programs	9,600	0	0	0	0
Other Public Safety Grants	12,615	0	0	0	0
<u>Public Works Grants</u>					
Litter Program	30,200	0	0	0	0
Other Public Works Grants	0	0	0	76,469	0
<u>Other State Revenues</u>					
Income Tax	0	0	0	0	2,545
Beer Tax	18,653	0	0	0	0
Alcoholic Beverage Tax	31,860	0	0	0	0
State Revenue Sharing - T.V.A.	327,514	0	0	0	65,915
Contracted Prisoner Boarding	201,662	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	1,610,886	0
Petroleum Special Tax	0	0	0	12,911	0
Reappraisal Program Reimbursement	7,339	0	0	0	0
Registrar's Salary Supplement	16,380	0	0	0	0
Other State Grants	32,030	0	0	0	0
Other State Revenues	0	1,307	0	0	0
Total State of Tennessee	\$ 704,857	\$ 1,307	\$ 0	\$ 1,700,266	\$ 68,460
<u>Federal Government</u>					
<u>Federal Through State</u>					
Community Development	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Disaster Relief	0	0	0	5,772	0
Homeland Security Grants	73,973	0	0	0	0
Other Federal through State	86,630	0	0	0	0
<u>Direct Federal Revenue</u>					
Police Service (Lake Area)	8,651	0	0	0	0
Forest Service	20,215	0	0	45,820	0
Other Direct Federal Revenue	10,045	0	0	0	0
Total Federal Government	\$ 199,514	\$ 0	\$ 0	\$ 51,592	\$ 0

(Continued)

Exhibit H-5

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	39,800	0	0	0	0
<u>Citizens Groups</u>					
Donations	5,419	1,000	0	0	45,678
Total Other Governments and Citizens Groups	<u>\$ 45,219</u>	<u>\$ 1,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 695,678</u>
Total	<u>\$ 6,170,171</u>	<u>\$ 72,345</u>	<u>\$ 2,250</u>	<u>\$ 2,024,571</u>	<u>\$ 1,679,531</u>

(Continued)

Exhibit H-5

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 Project	Isabella Waterline Project	
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,996,985
Trustee's Collections - Prior Year	0	0	0	0	153,509
Circuit/Clerk & Master Collections - Prior Years	0	0	0	0	170,186
Interest and Penalty	0	0	0	0	31,299
Payments in-Lieu-of Taxes - T.V.A.	0	0	0	0	77,711
Payments in-Lieu-of Taxes - Other	0	0	0	0	87,477
<u>County Local Option Taxes</u>					
Hotel/Motel Tax	0	0	0	0	82,268
Local Amusement Tax	0	0	0	0	1,581
Litigation Tax - General	0	0	0	0	67,955
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	15,639
Business Tax	0	0	0	0	45,734
<u>Statutory Local Taxes</u>					
Bank Excise Tax	0	0	0	0	61,259
Wholesale Beer Tax	0	0	0	0	220,510
Beer Privilege Tax	0	0	0	0	3,515
Total Local Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,015,628
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Cable TV Franchise	\$ 0	\$ 0	\$ 0	\$ 0	\$ 40,836
<u>Permits</u>					
Beer Permits	0	0	0	0	1,900
Building Permits	0	0	0	0	5,525
Electrical Permits	0	0	0	0	16,043
Total Licenses and Permits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 64,304
<u>Fines, Forfeitures, and Penalties</u>					
<u>Circuit Court</u>					
Fines	\$ 0	\$ 0	\$ 0	\$ 0	\$ 20,806
Officers Costs	0	0	0	0	4,464
Game and Fish Fines	0	0	0	0	10

(Continued)

Exhibit H-5

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 Project	Isabella Waterline Project	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>					
<u>Circuit Court (Cont.)</u>					
Drug Control Fines	\$ 0	\$ 0	\$ 0	\$ 0	20,464
Drug Court Fees	0	0	0	0	1,632
Jail Fees	0	0	0	0	1,897
DUI Treatment Fines	0	0	0	0	680
Data Entry Fee - Circuit Court	0	0	0	0	426
<u>General Sessions Court</u>					
Fines	0	0	0	0	57,356
Officers Costs	0	0	0	0	33,141
Game and Fish Fines	0	0	0	0	1,363
Drug Control Fines	0	0	0	0	28,256
Drug Court Fees	0	0	0	0	11,587
Jail Fees	0	0	0	0	21,063
DUI Treatment Fines	0	0	0	0	6,641
Data Entry Fee - General Sessions Court	0	0	0	0	3,116
Courtroom Security Fee	0	0	0	0	61
<u>Juvenile Court</u>					
Data Entry Fee - Juvenile Court	0	0	0	0	393
<u>Chancery Court</u>					
Officers Costs	0	0	0	0	763
Data Entry Fee - Chancery Court	0	0	0	0	152
<u>Judicial District Drug Program</u>					
Courtroom Security Fee	0	0	0	0	12
<u>Other Fines, Forfeitures, and Penalties</u>					
Proceeds from Confiscated Property	0	0	0	0	21,318
Total Fines, Forfeitures, and Penalties	\$ 0	\$ 0	\$ 0	\$ 0	235,601
<u>Charges for Current Services</u>					
<u>Fees</u>					
Airport Fees	\$ 0	\$ 0	\$ 0	\$ 0	4,425
Copy Fees	0	0	0	0	2,249
Telephone Commissions	0	0	0	0	8,168
Vending Machine Collections	0	0	0	0	352

(Continued)

Exhibit H-5

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 Project	Isabella Waterline Project	
<u>Charges for Current Services (Cont.)</u>					
<u>Fees (Cont.)</u>					
Constitutional Officers' Fees and Commissions	\$ 0	\$ 0	\$ 0	\$ 0	2,250
Data Processing Fee - Register	0	0	0	0	9,158
Data Processing Fee - Sheriff	0	0	0	0	2,057
Sexual Offender Registration Fees - Sheriff	0	0	0	0	1,490
Total Charges for Current Services	\$ 0	\$ 0	\$ 0	\$ 0	30,149
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 898	\$ 229	\$ 0	\$ 0	120,297
Lease/Rentals	0	0	0	0	12,425
Commissary Sales	0	0	0	0	7,087
Sale of Gasoline	0	0	0	0	233,866
Sale of Recycled Materials	0	0	0	0	552
Miscellaneous Refunds	0	0	0	0	38,982
<u>Nonrecurring Items</u>					
Sale of Property	0	0	0	0	190
Damages Recovered from Individuals	0	0	0	0	2,024
Total Other Local Revenues	\$ 898	\$ 229	\$ 0	\$ 0	415,423
<u>Fees Received from County Officials</u>					
<u>Fees-In-Lieu of Salary</u>					
County Clerk	\$ 0	\$ 0	\$ 0	\$ 0	162,821
Circuit Court Clerk	0	0	0	0	54,072
General Sessions Court Clerk	0	0	0	0	95,867
Clerk and Master	0	0	0	0	79,979
Register	0	0	0	0	106,286
Sheriff	0	0	0	0	7,558
Trustee	0	0	0	0	214,414
Total Fees Received from County Officials	\$ 0	\$ 0	\$ 0	\$ 0	720,997

(Continued)

Exhibit H-5

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 Project	Isabella Waterline Project	
<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	8,004
<u>Public Safety Grants</u>					
Law Enforcement Training Programs	0	0	0	0	9,600
Other Public Safety Grants	0	0	0	0	12,615
<u>Public Works Grants</u>					
Litter Program	0	0	0	0	30,200
Other Public Works Grants	0	0	0	0	76,469
<u>Other State Revenues</u>					
Income Tax	0	0	0	0	2,545
Beer Tax	0	0	0	0	18,653
Alcoholic Beverage Tax	0	0	0	0	31,860
State Revenue Sharing - T.V.A.	0	0	0	0	393,429
Contracted Prisoner Boarding	0	0	0	0	201,662
Gasoline and Motor Fuel Tax	0	0	0	0	1,610,886
Petroleum Special Tax	0	0	0	0	12,911
Reappraisal Program Reimbursement	0	0	0	0	7,339
Registrar's Salary Supplement	0	0	0	0	16,380
Other State Grants	0	0	0	0	32,030
Other State Revenues	0	0	0	0	1,307
Total State of Tennessee	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,474,890
<u>Federal Government</u>					
<u>Federal Through State</u>					
Community Development	\$ 0	\$ 0	\$ 131,975	\$ 0	\$ 131,975
Disaster Relief	0	0	0	0	5,772
Homeland Security Grants	0	0	0	0	73,973
Other Federal through State	0	0	0	0	86,630
<u>Direct Federal Revenue</u>					
Police Service (Lake Area)	0	0	0	0	8,651
Forest Service	0	0	0	0	66,035
Other Direct Federal Revenue	0	0	562,612	36,000	608,657
Total Federal Government	\$ 0	\$ 0	\$ 694,587	\$ 36,000	\$ 981,693

(Continued)

Exhibit H-5

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 Project	Isabella Waterline Project	
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 0	\$ 0	\$ 0	\$ 0	\$ 650,000
Contracted Services	0	0	0	0	39,800
<u>Citizens Groups</u>					
Donations	0	0	0	0	52,097
Total Other Governments and Citizens Groups	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 741,897</u>
Total	<u>\$ 898</u>	<u>\$ 229</u>	<u>\$ 694,587</u>	<u>\$ 36,000</u>	<u>\$ 10,680,582</u>

Exhibit H-6

Polk County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2007

General Fund

General Government

County Commission

Board and Committee Members Fees	\$ 18,250	
Total County Commission		\$ 18,250

Board of Equalization

Board and Committee Members Fees	\$ 769	
Total Board of Equalization		769

County Mayor/Executive

County Official/Administrative Officer	\$ 60,139	
Secretary(ies)	32,585	
State Retirement	3,724	
Travel	1,200	
Total County Mayor/Executive		97,648

Election Commission

County Official/Administrative Officer	\$ 46,862	
Clerical Personnel	17,643	
Election Commission	7,500	
Election Workers	24,841	
In-Service Training	3,474	
Communication	2,711	
Dues and Memberships	175	
Legal Notices, Recording, and Court Costs	2,173	
Maintenance and Repair Services - Equipment	100	
Printing, Stationery, and Forms	2,373	
Rentals	697	
Other Contracted Services	8,740	
Office Supplies	602	
Other Supplies and Materials	1,488	
Furniture and Fixtures	262	
Total Election Commission		119,641

Register of Deeds

County Official/Administrative Officer	\$ 52,069	
Clerical Personnel	20,568	
State Retirement	3,224	
Maintenance Agreements	5,631	
Printing, Stationery, and Forms	1,040	
Data Processing Equipment	4,606	
Total Register of Deeds		87,138

(Continued)

Exhibit H-6

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

General Fund (Cont.)

General Government (Cont.)

County Buildings

Custodial Personnel	\$	26,565	
Maintenance and Repair Services - Buildings		14,544	
Other Contracted Services		3,182	
Custodial Supplies		3,459	
Utilities		69,917	
Total County Buildings			\$ 117,667

Other General Administration

Audit Services	\$	3,700	
Communication		26,475	
Dues and Memberships		3,052	
Legal Services		28,217	
Legal Notices, Recording, and Court Costs		566	
Licenses		810	
Maintenance and Repair Services - Equipment		17,237	
Medical and Dental Services		13,411	
Pest Control		4,965	
Postal Charges		24,225	
Permits		1,100	
Other Contracted Services		18,116	
Office Supplies		4,010	
Other Supplies and Materials		339	
Premiums on Corporate Surety Bonds		5,289	
Interest on Notes		16,144	
Total Other General Administration			167,656

Finance

Accounting and Budgeting

County Official/Administrative Officer	\$	42,472	
Data Processing Services		4,440	
Data Processing Equipment		11,627	
Total Accounting and Budgeting			58,539

Property Assessor's Office

County Official/Administrative Officer	\$	52,069	
Assistant(s)		34,191	
Deputy(ies)		19,069	
State Retirement		3,224	
Data Processing Services		8,848	
Dues and Memberships		300	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Travel	\$	3,427	
Permits		14,445	
Other Contracted Services		13,925	
Office Supplies		850	
Other Supplies and Materials		878	
Total Property Assessor's Office			\$ 151,226

County Trustee's Office

County Official/Administrative Officer	\$	52,069	
Deputy(ies)		35,763	
In-Service Training		165	
State Retirement		3,224	
Communication		1,389	
Data Processing Services		6,366	
Dues and Memberships		300	
Legal Notices, Recording, and Court Costs		120	
Rentals		676	
Travel		1,074	
Data Processing Supplies		410	
Office Supplies		390	
Data Processing Equipment		3,903	
Total County Trustee's Office			105,849

County Clerk's Office

County Official/Administrative Officer	\$	52,069	
Deputy(ies)		50,968	
State Retirement		3,224	
Communication		505	
Dues and Memberships		300	
Legal Notices, Recording, and Court Costs		90	
Maintenance Agreements		8,053	
Rentals		678	
Travel		1,318	
Office Supplies		3,539	
Office Equipment		617	
Total County Clerk's Office			121,361

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	52,069	
--	----	--------	--

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

Deputy(ies)	\$	65,967	
Jury and Witness Fees		3,354	
State Retirement		3,224	
Maintenance Agreements		6,437	
Printing, Stationery, and Forms		3,131	
Total Circuit Court			\$ 134,182

General Sessions Court

Judge(s)	\$	74,758	
State Retirement		4,613	
Dues and Memberships		102	
Travel		601	
Total General Sessions Court			80,074

Chancery Court

County Official/Administrative Officer	\$	52,069	
Deputy(ies)		38,139	
Jury and Witness Fees		264	
State Retirement		3,224	
Data Processing Services		3,663	
Dues and Memberships		300	
Legal Notices, Recording, and Court Costs		845	
Printing, Stationery, and Forms		1,416	
Travel		147	
Data Processing Equipment		1,517	
Total Chancery Court			101,584

Juvenile Court

Assistant(s)	\$	15,673	
Youth Service Officer(s)		24,073	
Attendants		6,618	
In-Service Training		99	
Travel		1,859	
Other Supplies and Materials		1,210	
Total Juvenile Court			49,532

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	57,276	
Deputy(ies)		384,395	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Investigator(s)	\$	69,500	
Dispatchers/Radio Operators		49,078	
Clerical Personnel		19,069	
Overtime Pay		27,787	
In-Service Training		825	
State Retirement		3,547	
Communication		773	
Dues and Memberships		300	
Evaluation and Testing		280	
Maintenance Agreements		7,293	
Maintenance and Repair Services - Equipment		3,494	
Maintenance and Repair Services - Vehicles		15,186	
Printing, Stationery, and Forms		564	
Travel		278	
Gasoline		58,608	
Law Enforcement Supplies		1,537	
Office Supplies		1,070	
Tires and Tubes		5,151	
Uniforms		2,970	
Other Supplies and Materials		5,686	
Liability Insurance		36,038	
Vehicle and Equipment Insurance		18,600	
Data Processing Equipment		1,600	
Law Enforcement Equipment		23,368	
Motor Vehicles		120,274	
Total Sheriff's Department			\$ 914,547

Correctional Incentive Program Improvements

Assistant(s)	\$	27,888
Dispatchers/Radio Operators		152,820
Guards		151,521
Cafeteria Personnel		22,396
Overtime Pay		51,269
In-Service Training		789
Social Security		26,431
Maintenance and Repair Services - Buildings		3,097
Maintenance and Repair Services - Equipment		7,459
Medical and Dental Services		106,948
Printing, Stationery, and Forms		790
Travel		633

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Safety (Cont.)

Correctional Incentive Program Improvements (Cont.)

Custodial Supplies	\$	8,979	
Food Supplies		67,788	
Prisoners Clothing		2,053	
Uniforms		1,412	
Utilities		36,231	
Other Supplies and Materials		3,819	
Total Correctional Incentive Program Improvements			\$ 672,323

Fire Prevention and Control

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

Civil Defense

In-Service Training	\$	400	
Contracts with Government Agencies		67,092	
Contracts with Other Public Agencies		75,766	
Maintenance and Repair Services - Vehicles		1,161	
Data Processing Supplies		400	
Gasoline		600	
Other Supplies and Materials		200	
Other Equipment		26,946	
Total Civil Defense			172,565

Rescue Squad

Maintenance and Repair Services - Equipment	\$	1,550	
Maintenance and Repair Services - Vehicles		1,175	
Gasoline		1,500	
Office Supplies		439	
Other Supplies and Materials		2,600	
Other Equipment		45,875	
Total Rescue Squad			53,139

Other Emergency Management

County Official/Administrative Officer	\$	4,700	
Communication		2,058	
Maintenance and Repair Services - Equipment		159	
Maintenance and Repair Services - Vehicles		493	
Travel		254	
Gasoline		1,000	
Office Supplies		13	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Safety (Cont.)

Other Emergency Management (Cont.)

Other Supplies and Materials	\$ 24,149	
Motor Vehicles	4,282	
Total Other Emergency Management		\$ 37,108

Public Health and Welfare

Local Health Center

Contracts with Government Agencies	\$ 44,370	
Other Supplies and Materials	8,008	
Total Local Health Center		52,378

Ambulance/Emergency Medical Services

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

Alcohol and Drug Programs

Other Contracted Services	\$ 3,684	
Total Alcohol and Drug Programs		3,684

Crippled Children Services

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

Other Local Health Services

Assistant(s)	\$ 58,873	
Attendants	15,577	
State Retirement	2,397	
Other Fringe Benefits	5,836	
Travel	7,273	
Other Supplies and Materials	343	
Total Other Local Health Services		90,299

Sanitation Education/Information

Supervisor/Director	\$ 22,960	
Maintenance and Repair Services - Vehicles	1,117	
Gasoline	1,938	
Instructional Supplies and Materials	5,133	
Tires and Tubes	2,704	
Other Supplies and Materials	1,173	
Total Sanitation Education/Information		35,025

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Other Public Health and Welfare

Assistant(s)	\$	23,246	
Social Security		1,763	
State Retirement		1,008	
Employee and Dependent Insurance		3,530	
Travel		4,026	
Total Other Public Health and Welfare			\$ 33,573

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Supervisor/Director	\$	18,062	
Total Senior Citizens Assistance			18,062

Other Social, Cultural, and Recreational

Part-time Personnel	\$	17,306	
Other Supplies and Materials		10,824	
Total Other Social, Cultural, and Recreational			28,130

Agriculture and Natural Resources

Agriculture Extension Service

County Official/Administrative Officer	\$	9,051	
Supervisor/Director		6,928	
Secretary(ies)		4,025	
Social Security		1,530	
State Retirement		2,846	
Data Processing Services		460	
Maintenance and Repair Services - Buildings		1,130	
Other Supplies and Materials		5,556	
Total Agriculture Extension Service			31,526

Soil Conservation

Contributions	\$	16,767	
Total Soil Conservation			16,767

Other Operations

Tourism

Contracts with Private Agencies	\$	14,948	
Total Tourism			14,948

Industrial Development

Contracts with Other Public Agencies	\$	5,710	
Total Industrial Development			5,710

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Other Operations (Cont.)

Other Economic and Community Development

Contracts with Other Public Agencies	\$	3,541	
Contracts with Private Agencies		11,475	
Travel		800	
Total Other Economic and Community Development			\$ 15,816

Veterans' Services

Clerical Personnel	\$	6,007	
Travel		1,490	
Total Veterans' Services			7,497

Other Charges

Building and Contents Insurance	\$	52,193	
Trustee's Commission		88,749	
Workers' Compensation Insurance		51,016	
Total Other Charges			191,958

Contributions to Other Agencies

Remittance of Revenue Collected	\$	50,053	
Total Contributions to Other Agencies			50,053

Employee Benefits

Social Security	\$	140,453	
State Retirement		88,162	
Employee and Dependent Insurance		361,904	
Unemployment Compensation		2,740	
Total Employee Benefits			593,259

Capital Projects

Social, Cultural, and Recreation Projects

Contributions	\$	50,000	
Total Social, Cultural, and Recreation Projects			50,000

Total General Fund \$ 5,237,723

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Contracts with Private Agencies	\$	415,800	
Total Sanitation Management			\$ 415,800

Total Solid Waste/Sanitation Fund 415,800

(Continued)

Exhibit H-6

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

Drug Control Fund

Public Safety

Drug Enforcement

Investigator(s)	\$	61,389	
Salary Supplements		4,000	
Communication		2,618	
Confidential Drug Enforcement Payments		5,000	
Maintenance and Repair Services - Vehicles		1,161	
Law Enforcement Supplies		433	
Tires and Tubes		388	
Uniforms		454	
Other Supplies and Materials		2,053	
Principal on Capital Leases		11,047	
Interest on Capital Leases		647	
Total Drug Enforcement			\$ 89,190

Other Operations

Other Charges

Trustee's Commission	\$	550	
Total Other Charges			550

Total Drug Control Fund \$ 89,740

Constitutional Officers - Fees Fund

Administration of Justice

Chancery Court

Special Commissioner Fees/Special Master Fees	\$	2,250	
Total Chancery Court			\$ 2,250

Total Constitutional Officers - Fees Fund 2,250

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	57,276	
Accountants/Bookkeepers		28,232	
Clerical Personnel		23,893	
Communication		13,993	
Data Processing Services		6,374	
Dues and Memberships		2,956	
Postal Charges		600	
Travel		1,546	
Other Contracted Services		310	

(Continued)

Exhibit H-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Drugs and Medical Supplies	\$	1,935	
Office Supplies		2,314	
Uniforms		4,820	
Other Charges		1,108	
Total Administration			\$ 145,357

Highway and Bridge Maintenance

Foremen	\$	72,151	
Equipment Operators - Heavy		78,726	
Truck Drivers		127,238	
Laborers		186,817	
Contracts with Private Agencies		79,905	
Asphalt - Hot Mix		124,529	
Asphalt - Liquid		13,648	
Crushed Stone		129,934	
Pipe		13,795	
Road Signs		12,701	
Other Supplies and Materials		399	
Total Highway and Bridge Maintenance			839,843

Operation and Maintenance of Equipment

Mechanic(s)	\$	60,355	
Maintenance and Repair Services - Equipment		502	
Rentals		2,580	
Diesel Fuel		166,403	
Equipment and Machinery Parts		69,159	
Garage Supplies		25,802	
Gasoline		150,258	
Lubricants		5,420	
Small Tools		32	
Tires and Tubes		12,805	
Other Supplies and Materials		236	
Total Operation and Maintenance of Equipment			493,552

Other Charges

Electricity	\$	5,230	
Water and Sewer		1,208	
Liability Insurance		16,000	
Trustee's Commission		16,243	
Vehicle and Equipment Insurance		8,270	

(Continued)

Exhibit H-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Other Charges (Cont.)

Workers' Compensation Insurance	\$ 68,000	
Total Other Charges		\$ 114,951

Employee Benefits

Social Security	\$ 46,218	
State Retirement	39,174	
Employee and Dependent Insurance	<u>172,630</u>	
Total Employee Benefits		258,022

Capital Outlay

Building Improvements	\$ 42,784	
Highway Equipment	<u>49,084</u>	
Total Capital Outlay		91,868

Principal on Debt

Highways and Streets

Principal on Capital Leases	\$ 7,884	
Total Highways and Streets		7,884

Interest on Debt

Highways and Streets

Interest on Capital Leases	\$ 1,798	
Total Highways and Streets		<u>1,798</u>

Total Highway/Public Works Fund		\$ 1,953,275
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General Debt Service Fund

Principal on Debt

General Government

Principal on Notes	\$ 50,000	
Total General Government		\$ 50,000

Education

Principal on Notes	\$ 40,000	
Principal on Other Loans	<u>663,010</u>	
Total Education		703,010

Interest on Debt

General Government

Interest on Notes	\$ 14	
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(Continued)

Exhibit H-6

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

General Debt Service Fund (Cont.)

Interest on Debt (Cont.)

General Government (Cont.)

Interest on Other Loans	\$ 453,433	
Total General Government	<u>453,433</u>	\$ 453,447

Education

Interest on Notes	\$ 5,678	
Interest on Other Loans	<u>792,460</u>	
Total Education		798,138

Other Debt Service

General Government

Trustee's Commission	\$ 16,749	
Underwriter's Discount	187,850	
Other Debt Issuance Charges	230,936	
Other Debt Service	<u>1,155</u>	
Total General Government		436,690

Education

Other Debt Service	\$ 2,225	
Total Education		<u>2,225</u>

Total General Debt Service Fund		\$ 2,443,510
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General Capital Projects Fund

Other Operations

Other Charges

Trustee's Commission	\$ 9	
Total Other Charges	<u>9</u>	<u>9</u>

Total General Capital Projects Fund		9
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Community Development/Industrial Park Fund

Other Operations

Other Charges

Trustee's Commission	\$ 2	
Total Other Charges	<u>2</u>	<u>2</u>

Total Community Development/Industrial Park Fund		2
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(Continued)

Exhibit H-6

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

<u>Linsdale Waterline Projects Fund</u>			
<u>Capital Projects</u>			
<u>Public Utility Projects</u>			
Contracts with Government Agencies	\$	666,087	
Contracts with Other Public Agencies		<u>28,500</u>	
Total Public Utility Projects			<u>\$ 694,587</u>
Total Linsdale Waterline Projects Fund			\$ 694,587
 <u>Isabella Waterline Projects Fund</u>			
<u>Capital Projects</u>			
<u>Other General Government Projects</u>			
Contracts with Private Agencies	\$	<u>37,120</u>	
Total Other General Government Projects			<u>\$ 37,120</u>
Total Isabella Waterline Projects Fund			37,120
 <u>Other Capital Projects Fund</u>			
<u>Capital Projects</u>			
<u>Public Safety Projects</u>			
Architects	\$	10,000	
Other Charges		571	
Building Construction		4,176,575	
Communication Equipment		<u>20,000</u>	
Total Public Safety Projects			<u>\$ 4,207,146</u>
Total Other Capital Projects Fund			<u>4,207,146</u>
Total Governmental Funds - Primary Government			<u>\$ 15,081,162</u>

Exhibit H-7

Polk County, Tennessee  
Schedule of Detailed Receipts, Disbursements,  
and Changes in Cash Balance - City Agency Fund  
For the Year Ended June 30, 2007

	<u>Cities - Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 396,041
Total Cash Receipts	<u>\$ 396,041</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 392,294
Trustee's Commission	3,747
Total Cash Disbursements	<u>\$ 396,041</u>
Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ 0
Cash Balance, July 1, 2006	<u>0</u>
Cash Balance, June 30, 2007	<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, 2007**

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

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

*JAMES R. ARNETTE*  
*Director*

*CARL LOWE, CGFM*  
*Audit Manager*

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

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

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

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**POLK COUNTY SCHOOL DEPARTMENT  
A COMPONENT UNIT OF POLK COUNTY, TENNESSEE  
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***Audit Highlights***  
Annual Financial Report  
Polk County School Department  
For the Year Ended June 30, 2007

***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, 2007.

***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 (GASB) Statement No. 34.

Our audit resulted in seven 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.
- ◆ The office failed to perform steps set forth in the timeline included in their GASB Statement No. 34 implementation plan filed with the Comptroller's Office.
- ◆ General Purpose School Fund expenditures and encumbrances exceeded appropriations in four of 25 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 posted incorrectly.
- ◆ Central Cafeteria Fund transactions were not channeled through the Trustee's Office.
- ◆ The office did not file the required Report on Debt Obligation with the state director of Local Finance for a lease-purchase agreement.
- ◆ The office did not perform computer system backups on a routine basis, and backups were not stored in a secure location.
- ◆ Duties were not segregated adequately among officials and employees in the School Department.

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## INTRODUCTORY SECTION

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Polk County School Department  
June 30, 2007

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**Official**

James Jones, Director of Schools

**Board of Education**

Gary Silvers, Chairman  
David Bigham  
Carlton Deal  
Harman Harden  
David Hyatt  
Jason Lamb  
Tracy McAbee  
Grady Samples  
Mark Williams

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## FINANCIAL SECTION

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

**INDEPENDENT AUDITOR'S REPORT**

January 23, 2008

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, 2007, as shown on pages 15 through 34, 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, 2007, 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, 2007, and the respective changes in financial position and cash flows 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 January 23, 2008, 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 on pages 37 through 41 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, combining and individual nonmajor fund financial statements, budgetary comparison schedule of the nonmajor governmental 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 schedule of the nonmajor governmental fund, and 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/rd

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

Polk County, Tennessee  
Balance Sheet - Governmental Funds  
 Polk County School Department  
 June 30, 2007

	Major Funds		Nonmajor	Total
	General Purpose School	Central Cafeteria	Other Governmental Funds	
<b>ASSETS</b>				
Cash	\$ 0	\$ 266,171	\$ 0	\$ 266,171
Equity in Pooled Cash and Investments	415,041	0	96,547	511,588
Accounts Receivable	1,104	0	0	1,104
Due from Other Governments	724,391	166,534	148,615	1,039,540
Due from Other Funds	66,596	69,200	59,624	195,420
Property Taxes Receivable	2,238,616	0	0	2,238,616
Allowance for Uncollectible Property Taxes	(226,519)	0	0	(226,519)
<b>Total Assets</b>	<b>\$ 3,219,229</b>	<b>\$ 501,905</b>	<b>\$ 304,786</b>	<b>\$ 4,025,920</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<u>Liabilities</u>				
Accounts Payable	\$ 49,045	\$ 0	\$ 25,211	\$ 74,256
Accrued Payroll	13,533	0	0	13,533
Payroll Deductions Payable	485,789	0	27,720	513,509
Due to Other Funds	128,824	0	66,596	195,420
Deferred Revenue - Current Property Taxes	1,917,742	0	0	1,917,742
Deferred Revenue - Delinquent Property Taxes	75,809	0	0	75,809
Other Deferred Revenues	147,914	0	0	147,914
<b>Total Liabilities</b>	<b>\$ 2,818,656</b>	<b>\$ 0</b>	<b>\$ 119,527</b>	<b>\$ 2,938,183</b>
<u>Fund Balances</u>				
Reserved for Encumbrances	\$ 62,340	\$ 0	\$ 32,859	\$ 95,199
Reserved for Career Ladder - Extended Contract	42,291	0	0	42,291
Reserved for Career Ladder Program	710	0	0	710
Other Federal Reserves	0	0	6,315	6,315
Unreserved, Reported In:				
General Fund	295,232	0	0	295,232
Special Revenue Funds	0	501,905	0	501,905
Capital Projects Funds	0	0	146,085	146,085
<b>Total Fund Balances</b>	<b>\$ 400,573</b>	<b>\$ 501,905</b>	<b>\$ 185,259</b>	<b>\$ 1,087,737</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,219,229</b>	<b>\$ 501,905</b>	<b>\$ 304,786</b>	<b>\$ 4,025,920</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, 2007

	Major Funds		Nonmajor	Total
	General Purpose School	Central Cafeteria	Other Governmental Funds	
<u>Revenues</u>				
Local Taxes	\$ 3,662,368	\$ 0	\$ 0	\$ 3,662,368
Licenses and Permits	1,805	0	0	1,805
Charges for Current Services	0	427,203	0	427,203
Other Local Revenues	96,449	2,993	0	99,442
State of Tennessee	11,767,297	14,429	0	11,781,726
Federal Government	451,126	814,262	1,332,784	2,598,172
Total Revenues	<u>\$ 15,979,045</u>	<u>\$ 1,258,887</u>	<u>\$ 1,332,784</u>	<u>\$ 18,570,716</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 10,064,224	\$ 0	\$ 1,066,420	\$ 11,130,644
Support Services	4,541,389	0	261,652	4,803,041
Operation of Non-Instructional Services	295,746	1,147,758	0	1,443,504
Debt Service:				
Principal on Debt	75,000	0	0	75,000
Interest on Debt	14,692	0	0	14,692
Other Debt Service	650,000	0	0	650,000
Capital Projects	0	0	202,519	202,519
Total Expenditures	<u>\$ 15,641,051</u>	<u>\$ 1,147,758</u>	<u>\$ 1,530,591</u>	<u>\$ 18,319,400</u>
Excess (Deficiency) of Revenues				
Over Expenditures	\$ 337,994	\$ 111,129	\$ (197,807)	\$ 251,316
<u>Other Financing Sources (Uses)</u>				
Capital Leases Issued	\$ 0	\$ 0	\$ 27,270	\$ 27,270
Transfers In	0	0	59,624	59,624
Transfers Out	(59,624)	0	0	(59,624)
Total Other Financing Sources (Uses)	<u>\$ (59,624)</u>	<u>\$ 0</u>	<u>\$ 86,894</u>	<u>\$ 27,270</u>
Net Change in Fund Balances	\$ 278,370	\$ 111,129	\$ (110,913)	\$ 278,586
Fund Balance, July 1, 2006	122,203	390,776	296,172	809,151
Fund Balance, June 30, 2007	<u>\$ 400,573</u>	<u>\$ 501,905</u>	<u>\$ 185,259</u>	<u>\$ 1,087,737</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, 2007

	<u>Governmental Activities - Internal Service Fund Self-Insurance Fund</u>
<u>ASSETS</u>	
Current Assets:	
Cash in Bank	\$ 38,195
Total Assets	<u>\$ 38,195</u>
<u>NET ASSETS</u>	
Unrestricted	<u>\$ 38,195</u>
Total Net Assets	<u><u>\$ 38,195</u></u>

The notes to the financial statements 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, 2007

	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>\$          473</u>
Change in Net Assets	\$          473
Net Assets, July 1, 2006	<u>37,722</u>
Net Assets, June 30, 2007	<u><u>\$          38,195</u></u>

The notes to the financial statements 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, 2007

	Governmental Activities - Internal Service Fund <hr/> Self-Insurance Fund <hr/>
<u>Cash Flows From Investing Activities</u>	
Interest on Investments	\$ 473
Net Cash Provided By (Used In) Investing Activities	<u>\$ 473</u>
Net Increase (Decrease) in Cash	\$ 473
Cash, July 1, 2006	<u>37,722</u>
Cash, June 30, 2007	<u><u>\$ 38,195</u></u>

The notes to the financial statements 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, 2007**

**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 No. 34 and accounting principles generally accepted in the United States of America. The School Department has elected instead to implement only 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 No. 34. These standards require fund financial statements to be presented in conformity with all the provisions of GASB Statement No. 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 reports only 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.

Additionally, the School Department reports the following fund types:

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

**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 School Department employees who chose to participate in the program. However, due to the increased costs of the plan, operations ceased in October 2002, but a balance remains in the fund for future use.

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 \$38,195, at June 30, 2007, 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 5.31 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 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 except the Education Capital Projects Fund, which adopts project length budgets. All annual appropriations lapse at fiscal year end.

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, 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 School Department'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>
Other Student Services	\$ 4,950
Regular Instruction Program	3,801
Director of Schools	2,136
Maintenance of Plant	11,273

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

**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 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, 2007.

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

The composition of interfund balances as of June 30, 2007, is as follows:

**Due to/from other funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Purpose School	Nonmajor governmental	\$ 66,596
Central Cafeteria	General Purpose School	69,200
Nonmajor governmental	"	59,624

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, 2007, consisted of the following amount:

<u>Transfers Out</u>	<u>Transfers In</u> Nonmajor Governmental Fund
General Purpose School Fund	\$ 59,624
Total	\$ <u>59,624</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 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.

On October 13, 2006, the School Department entered into a two-year lease-purchase agreement for computers. The terms of the agreement require total lease payments of \$27,270 plus interest of five percent. Title to the computers transfers to the School Department at the end of the lease period. The lease payments are made by the School Federal Projects 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, 2007, were as follows:

Year Ending June 30	Governmental Funds
2008	\$ 151,606
2009	101,125
2010	101,125
2011	101,125
Total Minimum Lease Payments	\$ 454,981
Amount Representing Interest	(46,856)
Present Value of Minimum Lease Payments	\$ 408,125

**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, 2007, will be retired from the General Purpose School Fund.

The capital outlay note and capital leases outstanding as of June 30, 2007, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-07
Capital Outlay Note	3.5 %	\$ 450,000	\$ 375,000
Capital Leases	4.64 to 6.66	669,401	408,125

The annual requirements to amortize the note outstanding as of June 30, 2007, are presented in the following table:

Year Ending June 30	Note	
	Principal	Interest
2008	\$ 75,000	\$ 14,183
2009	75,000	10,500
2010	75,000	7,875
2011	75,000	5,250
2012	75,000	2,625
Total	<u>\$ 375,000</u>	<u>\$ 40,433</u>

Debt per capita, including the note and capital leases totaled \$49, based on the 2000 federal census.

#### Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2007, was as follows:

Governmental Activities:

	Notes	Capital Leases
Balance, July 1, 2006	\$ 450,000	\$ 505,929
Additions	0	27,270
Deductions	<u>(75,000)</u>	<u>(125,074)</u>
Balance, June 30, 2007	<u>\$ 375,000</u>	<u>\$ 408,125</u>

#### **E. Short-term Debt**

Polk County issued anticipation notes in advance of property tax collections and grants 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, 2007, was as follows:

	Balance 7-01-06	Issued	Redeemed	Balance 6-30-07
Anticipation Notes	\$ 0	\$ 450,000	\$ (450,000)	\$ 0

#### IV. OTHER INFORMATION

##### A. Risk Management

The School Department is a member of the Tennessee Risk Management Trust (TN-RMT), which is a public entity risk pool created under the auspices of the Tennessee Governmental Tort Liability Act to provide governmental insurance coverage. The School Department pays an annual premium to the TN-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of the TN-RMT 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 was 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 employees' dental insurance plan was discontinued in October 2002, due to increased costs of the plan. The balance of \$38,195 at June 30, 2007, is being maintained in the Self-Insurance Fund for future use.

##### B. Contingent Liabilities

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

##### C. Retirement Commitments

###### Employees

###### **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 <http://www.treasury.state.tn.us>.

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.F. 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 <http://www.treasury.state.tn.us>.

### **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, 2007, was 6.13 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, 2007, 2006, and 2005, were \$521,891, \$449,098, and \$433,757, respectively, equal to the required contributions for each year.

### **D. 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, no retiring employees opted for the lump-sum payment. As of June 30, 2007, 26 school retirees 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 \$73,831 were recognized for post-employment health care.

### **E. 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.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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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, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 3,662,368	\$ 0	\$ 0	\$ 3,662,368	\$ 3,626,141	\$ 3,626,141	\$ 36,227
Licenses and Permits	1,805	0	0	1,805	2,600	2,600	(795)
Other Local Revenues	96,449	0	0	96,449	74,050	74,050	22,399
State of Tennessee	11,767,297	0	0	11,767,297	11,856,393	12,430,066	(662,769)
Federal Government	451,126	0	0	451,126	620,686	637,246	(186,120)
<b>Total Revenues</b>	<b>\$ 15,979,045</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 15,979,045</b>	<b>\$ 16,179,870</b>	<b>\$ 16,770,103</b>	<b>\$ (791,058)</b>
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 8,320,513	\$ (16,632)	\$ 24,337	\$ 8,328,218	\$ 8,303,522	\$ 8,657,990	\$ 329,772
Special Education Program	810,908	0	0	810,908	848,156	836,575	25,667
Vocational Education Program	647,699	0	0	647,699	661,480	659,504	11,805
Student Body Education Program	233,853	0	11,757	245,610	209,724	248,509	2,899
Adult Education Program	51,251	0	0	51,251	46,374	98,910	47,659
<u>Support Services</u>							
Attendance	784	0	0	784	1,500	785	1
Health Services	45,446	0	0	45,446	46,640	45,592	146
Other Student Support	281,631	0	0	281,631	281,784	276,681	(4,950)
Regular Instruction Program	286,703	0	0	286,703	291,498	282,902	(3,801)
Special Education Program	88,258	0	0	88,258	97,030	89,567	1,309
Vocational Education Program	43,120	0	0	43,120	42,298	44,290	1,170
Adult Programs	55,511	0	5,332	60,843	39,822	100,345	39,502
Board of Education	313,160	0	72	313,232	303,352	315,854	2,622
Director of Schools	239,455	0	0	239,455	225,802	237,319	(2,136)
Office of the Principal	959,480	0	0	959,480	1,003,049	963,383	3,903
Fiscal Services	52,268	0	0	52,268	56,377	53,374	1,106

(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 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Operation of Plant	\$ 1,238,488	\$ (2,000)	\$ 1,940	\$ 1,238,428	\$ 1,253,593	\$ 1,251,856	\$ 13,428
Maintenance of Plant	123,635	0	0	123,635	101,007	112,362	(11,273)
Transportation	813,450	0	535	813,985	848,096	815,157	1,172
<u>Operation of Non-Instructional Services</u>							
Food Service	38,234	0	0	38,234	488,907	320,177	281,943
Early Childhood Education	257,512	0	18,367	275,879	277,505	556,011	280,132
<u>Capital Outlay</u>							
Regular Capital Outlay	0	0	0	0	780,134	0	0
<u>Principal on Debt</u>							
Education	75,000	0	0	75,000	0	75,000	0
<u>Interest on Debt</u>							
Education	14,692	0	0	14,692	0	14,692	0
<u>Other Debt Service</u>							
Education	650,000	0	0	650,000	0	650,000	0
Total Expenditures	\$ 15,641,051	\$ (18,632)	\$ 62,340	\$ 15,684,759	\$ 16,207,650	\$ 16,706,835	\$ 1,022,076
Excess (Deficiency) of Revenues							
Over Expenditures	\$ 337,994	\$ 18,632	\$ (62,340)	\$ 294,286	\$ (27,780)	\$ 63,268	\$ 231,018
<u>Other Financing Sources (Uses)</u>							
Transfers Out	\$ (59,624)	\$ 0	\$ 0	\$ (59,624)	\$ 27,780	\$ (93,335)	\$ 33,711
Total Other Financing Sources (Uses)	\$ (59,624)	\$ 0	\$ 0	\$ (59,624)	\$ 27,780	\$ (93,335)	\$ 33,711
Net Change in Fund Balance							
Fund Balance, July 1, 2006	\$ 278,370	\$ 18,632	\$ (62,340)	\$ 234,662	\$ 0	\$ (30,067)	\$ 264,729
	122,203	(18,632)	0	103,571	0	30,067	73,504
Fund Balance, June 30, 2007							
	\$ 400,573	\$ 0	\$ (62,340)	\$ 338,233	\$ 0	\$ 0	\$ 338,233

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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 427,203	\$ 413,500	\$ 413,500	\$ 13,703
Other Local Revenues	2,993	5,360	5,360	(2,367)
State of Tennessee	14,429	14,500	14,500	(71)
Federal Government	814,262	665,200	704,975	109,287
Total Revenues	<u>\$ 1,258,887</u>	<u>\$ 1,098,560</u>	<u>\$ 1,138,335</u>	<u>\$ 120,552</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 1,147,758	\$ 1,098,560	\$ 1,223,335	\$ 75,577
Total Expenditures	<u>\$ 1,147,758</u>	<u>\$ 1,098,560</u>	<u>\$ 1,223,335</u>	<u>\$ 75,577</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 111,129</u>	<u>\$ 0</u>	<u>\$ (85,000)</u>	<u>\$ 196,129</u>
Net Change in Fund Balance	\$ 111,129	\$ 0	\$ (85,000)	\$ 196,129
Fund Balance, July 1, 2006	<u>390,776</u>	<u>390,776</u>	<u>390,776</u>	<u>0</u>
Fund Balance, June 30, 2007	<u>\$ 501,905</u>	<u>\$ 390,776</u>	<u>\$ 305,776</u>	<u>\$ 196,129</u>

**POLK COUNTY SCHOOL DEPARTMENT  
A COMPONENT UNIT OF POLK COUNTY, TENNESSEE  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2007**

**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):

<u>Major Category</u>	<u>Amount Overspent</u>
Other Student Services	\$ 4,950
Regular Instruction Program	3,801
Director of Schools	2,136
Maintenance of Plant	11,273

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

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**COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULE**

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# Nonmajor Governmental Funds

## Special Revenue Fund

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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.

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

## Capital Projects Fund

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

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

Exhibit E-1

Polk County, Tennessee  
Combining Balance Sheet - Nonmajor Governmental Funds  
Polk County School Department  
June 30, 2007

	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 10,086	\$ 86,461	\$ 96,547
Due from Other Governments	148,615	0	148,615
Due from Other Funds	0	59,624	59,624
	<hr/>	<hr/>	<hr/>
Total Assets	\$ 158,701	\$ 146,085	\$ 304,786
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 25,211	\$ 0	\$ 25,211
Payroll Deductions Payable	27,720	0	27,720
Due to Other Funds	66,596	0	66,596
Total Liabilities	<hr/>	<hr/>	<hr/>
	\$ 119,527	\$ 0	\$ 119,527
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 32,859	\$ 0	\$ 32,859
Other Federal Reserves	6,315	0	6,315
Unreserved	0	146,085	146,085
Total Fund Balances	<hr/>	<hr/>	<hr/>
	\$ 39,174	\$ 146,085	\$ 185,259
Total Liabilities and Fund Balances	<hr/>	<hr/>	<hr/>
	\$ 158,701	\$ 146,085	\$ 304,786

Exhibit E-2

Polk County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Nonmajor Governmental Funds  
Polk County School Department  
For the Year Ended June 30, 2007

	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	School Federal Projects	Education Capital Projects	
<u>Revenues</u>			
Federal Government	\$ 1,332,784	\$ 0	\$ 1,332,784
Total Revenues	<u>\$ 1,332,784</u>	<u>\$ 0</u>	<u>\$ 1,332,784</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 1,066,420	\$ 0	\$ 1,066,420
Support Services	261,652	0	261,652
Capital Projects	0	202,519	202,519
Total Expenditures	<u>\$ 1,328,072</u>	<u>\$ 202,519</u>	<u>\$ 1,530,591</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 4,712</u>	<u>\$ (202,519)</u>	<u>\$ (197,807)</u>
<u>Other Financing Sources (Uses)</u>			
Capital Leases Issued	\$ 27,270	\$ 0	\$ 27,270
Transfers In	0	59,624	59,624
Total Other Financing Sources (Uses)	<u>\$ 27,270</u>	<u>\$ 59,624</u>	<u>\$ 86,894</u>
Net Change in Fund Balances	\$ 31,982	\$ (142,895)	\$ (110,913)
Fund Balance, July 1, 2006	<u>7,192</u>	<u>288,980</u>	<u>296,172</u>
Fund Balance, June 30, 2007	<u>\$ 39,174</u>	<u>\$ 146,085</u>	<u>\$ 185,259</u>

Exhibit E-3

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, 2007

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Federal Government	\$ 1,332,784	\$ 0	\$ 1,332,784	\$ 1,422,472	\$ 1,422,472	\$ (89,688)
Total Revenues	\$ 1,332,784	\$ 0	\$ 1,332,784	\$ 1,422,472	\$ 1,422,472	\$ (89,688)
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 535,511	\$ 5,928	\$ 541,439	\$ 551,454	\$ 563,605	\$ 22,166
Special Education Program	454,988	17,079	472,067	502,954	510,979	38,912
Vocational Education Program	75,921	1,459	77,380	49,778	77,380	0
<u>Support Services</u>						
Health Services	65,927	0	65,927	75,036	76,056	10,129
Other Student Support	26,043	0	26,043	18,453	30,065	4,022
Regular Instruction Program	139,004	8,393	147,397	168,832	156,573	9,176
Special Education Program	30,010	0	30,010	52,912	32,363	2,353
Vocational Education Program	668	0	668	1,000	668	0
Total Expenditures	\$ 1,328,072	\$ 32,859	\$ 1,360,931	\$ 1,420,419	\$ 1,447,689	\$ 86,758
Excess (Deficiency) of Revenues Over Expenditures	\$ 4,712	\$ (32,859)	\$ (28,147)	\$ 2,053	\$ (25,217)	\$ (2,930)
<u>Other Financing Sources (Uses)</u>						
Capital Leases Issued	\$ 27,270	\$ 0	\$ 27,270	\$ 0	\$ 27,270	\$ 0
Transfers Out	0	0	0	(7,875)	(7,875)	7,875
Total Other Financing Sources (Uses)	\$ 27,270	\$ 0	\$ 27,270	\$ (7,875)	\$ 19,395	\$ 7,875

(Continued)

Exhibit E-3

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 (Cont.)

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
Net Change in Fund Balance	\$ 31,982	\$ (32,859)	\$ (877)	\$ (5,822)	\$ (5,822)	\$ 4,945
Fund Balance, July 1, 2006	7,192	0	7,192	5,822	5,822	1,370
Fund Balance, June 30, 2007	\$ 39,174	\$ (32,859)	\$ 6,315	\$ 0	\$ 0	\$ 6,315

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## MISCELLANEOUS SCHEDULES

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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, 2007

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-06	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-07
<u>NOTES PAYABLE</u>								
<u>Payable though General Purpose School Fund</u>								
Athletic Complex	\$ 450,000	3.5 %	9-1-05	9-1-11	\$ 450,000	\$ 0	\$ 75,000	\$ 375,000
Total Notes Payable					<u>\$ 450,000</u>	<u>\$ 0</u>	<u>\$ 75,000</u>	<u>\$ 375,000</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	\$ 442,208	\$ 0	\$ 80,606	\$ 361,602
Computers	98,799	6.66	10-13-05	10-13-07	63,721	0	30,833	32,888
Total Payable though General Purpose School Fund					<u>\$ 505,929</u>	<u>\$ 0</u>	<u>\$ 111,439</u>	<u>\$ 394,490</u>
<u>Payable though School Federal Projects Fund</u>								
Computers	27,270	5	10-13-06	10-13-08	\$ 0	\$ 27,270	\$ 13,635	\$ 13,635
Total Capital Leases Payable					<u>\$ 505,929</u>	<u>\$ 27,270</u>	<u>\$ 125,074</u>	<u>\$ 408,125</u>

Exhibit F-2

Polk County, Tennessee  
Schedule of Transfers  
Polk County School Department  
For the Year Ended June 30, 2007

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General Purpose School	Education Capital Projects	Capital project obligations	<u>\$ 59,624</u>
Total Transfers			<u><u>\$ 59,624</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, 2007

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Director of Schools	State Board of Education and Polk County Board of Education	\$ 100,488 (1)	(2)	
Employee Blanket Bond Coverage: School Department Employees			\$ 150,000	Tennessee School Boards Risk Management Trust

- (1) Includes negotiated annual allowance of \$7,800 for in-county travel.  
(2) 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, 2007

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 2,017,072	\$ 0	\$ 0	\$ 2,017,072
Trustee's Collections - Prior Year	90,405	0	0	90,405
Circuit/Clerk & Master Collections - Prior Years	117,882	0	0	117,882
Interest and Penalty	17,751	0	0	17,751
Payments in-Lieu-of Taxes - T.V.A.	38,286	0	0	38,286
Payments in-Lieu-of Taxes - Other	44,884	0	0	44,884
<u>County Local Option Taxes</u>				
Local Option Sales Tax	1,267,719	0	0	1,267,719
Business Tax	31,989	0	0	31,989
<u>Statutory Local Taxes</u>				
Bank Excise Tax	31,432	0	0	31,432
Interstate Telecommunications Tax	4,948	0	0	4,948
Total Local Taxes	\$ 3,662,368	\$ 0	\$ 0	\$ 3,662,368
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 1,805	\$ 0	\$ 0	\$ 1,805
Total Licenses and Permits	\$ 1,805	\$ 0	\$ 0	\$ 1,805
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Lunch Payments - Children	\$ 0	\$ 0	\$ 290,190	\$ 290,190
Lunch Payments - Adults	0	0	17,630	17,630
Income from Breakfast	0	0	14,266	14,266
Special Milk Sales	0	0	12,546	12,546
A la carte Sales	0	0	87,394	87,394
<u>Other Charges for Services</u>				
Other Charges for Services	0	0	5,177	5,177
Total Charges for Current Services	\$ 0	\$ 0	\$ 427,203	\$ 427,203
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 43	\$ 0	\$ 661	\$ 704
Lease/Rentals	13,365	0	0	13,365
Miscellaneous Refunds	76,711	0	0	76,711
<u>Nonrecurring Items</u>				
Damages Recovered from Individuals	82	0	0	82
Contributions and Gifts	6,000	0	0	6,000
<u>Other Local Revenues</u>				
Other Local Revenues	248	0	2,332	2,580
Total Other Local Revenues	\$ 96,449	\$ 0	\$ 2,993	\$ 99,442
<u>State of Tennessee</u>				
<u>State Education Funds</u>				
Basic Education Program	\$ 11,050,086	\$ 0	\$ 0	\$ 11,050,086
School Food Service	14,429	0	14,429	28,858
Driver Education	4,265	0	0	4,265
Career Ladder Program	110,491	0	0	110,491

(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	Total
<u>State of Tennessee (Cont.)</u>				
<u>State Education Funds (Cont.)</u>				
Career Ladder - Extended Contract	\$ 65,294	\$ 0	\$ 0	\$ 65,294
<u>Other State Revenues</u>				
Income Tax	8,780	0	0	8,780
State Revenue Sharing - T.V.A.	201,864	0	0	201,864
Other State Grants	270,003	0	0	270,003
Other State Revenues	42,085	0	0	42,085
Total State of Tennessee	<u>\$ 11,767,297</u>	<u>\$ 0</u>	<u>\$ 14,429</u>	<u>\$ 11,781,726</u>
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 604,576	\$ 604,576
Breakfast	0	0	202,033	202,033
USDA - Other	0	0	7,653	7,653
Adult Education State Grant Program	111,305	0	0	111,305
Title I Grants to Local Education Agencies	0	580,873	0	580,873
Innovative Education Program Strategies	0	4,065	0	4,065
Special Education - Grants to States	0	548,737	0	548,737
Special Education Preschool Grants	0	18,449	0	18,449
Safe and Drug-Free Schools - State Grants	0	16,327	0	16,327
Appalachian Regional Commission	7,500	0	0	7,500
Eisenhower Professional Development State Grants	0	113,555	0	113,555
Other Federal through State	263,591	50,778	0	314,369
<u>Direct Federal Revenue</u>				
Forest Service	68,730	0	0	68,730
Total Federal Government	<u>\$ 451,126</u>	<u>\$ 1,332,784</u>	<u>\$ 814,262</u>	<u>\$ 2,598,172</u>
Total	<u>\$ 15,979,045</u>	<u>\$ 1,332,784</u>	<u>\$ 1,258,887</u>	<u>\$ 18,570,716</u>

Exhibit F-5

Polk County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Polk County School Department  
For the Year Ended June 30, 2007

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 5,769,632	
Career Ladder Program	57,783	
Career Ladder Extended Contracts	40,800	
Educational Assistants	53,505	
Other Salaries and Wages	121,784	
Non-certified Substitute Teachers	111,422	
Social Security	342,984	
State Retirement	357,963	
Life Insurance	3,720	
Medical Insurance	804,708	
Dental Insurance	55,085	
Unemployment Compensation	1,245	
Employer Medicare	85,597	
Instructional Supplies and Materials	80,125	
Textbooks	129,861	
Other Charges	304,299	
Total Regular Instruction Program		\$ 8,320,513

Special Education Program

Teachers	\$ 456,392	
Career Ladder Program	7,000	
Career Ladder Extended Contracts	2,400	
Homebound Teachers	31,278	
Educational Assistants	105,052	
Non-certified Substitute Teachers	8,258	
Social Security	36,231	
State Retirement	34,713	
Life Insurance	519	
Medical Insurance	107,496	
Dental Insurance	4,446	
Unemployment Compensation	3,546	
Employer Medicare	8,473	
Instructional Supplies and Materials	5,104	
Total Special Education Program		810,908

Vocational Education Program

Teachers	\$ 482,904
Career Ladder Program	5,000
Non-certified Substitute Teachers	1,732

(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	\$	27,442	
State Retirement		29,594	
Life Insurance		317	
Medical Insurance		72,671	
Dental Insurance		4,940	
Employer Medicare		6,418	
Instructional Supplies and Materials		16,681	
Total Vocational Education Program			\$ 647,699

Student Body Education Program

Career Ladder Program	\$	1,000	
Career Ladder Extended Contracts		500	
Other Salaries and Wages		45,445	
Social Security		2,911	
State Retirement		2,878	
Life Insurance		26	
Medical Insurance		5,096	
Dental Insurance		412	
Employer Medicare		681	
Travel		1,315	
Other Contracted Services		87,028	
Other Charges		35,862	
Principal on Capital Leases		30,833	
Interest on Capital Leases		4,245	
Other Equipment		15,621	
Total Student Body Education Program			233,853

Adult Education Program

Teachers	\$	19,299	
Other Salaries and Wages		28,396	
Social Security		2,739	
State Retirement		176	
Employer Medicare		641	
Total Adult Education Program			51,251

Support Services

Attendance

Travel	\$	784	
Total Attendance			784

(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

Medical Personnel	\$	35,079	
Social Security		2,158	
State Retirement		2,150	
Life Insurance		26	
Medical Insurance		5,116	
Dental Insurance		412	
Employer Medicare		505	
Total Health Services			\$ 45,446

Other Student Support

Career Ladder Program	\$	3,750	
Guidance Personnel		136,583	
Psychological Personnel		48,631	
Career Ladder Extended Contracts		2,000	
Assessment Personnel		36,436	
Social Security		13,506	
State Retirement		11,719	
Life Insurance		94	
Medical Insurance		18,525	
Dental Insurance		1,379	
Employer Medicare		3,159	
Evaluation and Testing		5,849	
Total Other Student Support			281,631

Regular Instruction Program

Supervisor/Director	\$	34,036
Career Ladder Program		4,000
Career Ladder Extended Contracts		1,000
Librarians		161,886
Non-certified Substitute Teachers		810
Social Security		11,937
State Retirement		12,731
Life Insurance		170
Medical Insurance		32,978
Dental Insurance		1,441
Employer Medicare		2,792
Travel		3,292
Other Supplies and Materials		5,108
In Service/Staff Development		963

(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.)

Regular Instruction Program (Cont.)

Other Charges	\$ 13,559	
Total Regular Instruction Program		\$ 286,703

Special Education Program

Supervisor/Director	\$ 61,851	
Career Ladder Program	1,000	
Clerical Personnel	4,643	
Social Security	4,110	
State Retirement	4,178	
Life Insurance	31	
Medical Insurance	5,606	
Dental Insurance	391	
Employer Medicare	961	
Travel	5,487	
Total Special Education Program		88,258

Vocational Education Program

Supervisor/Director	\$ 33,818	
Career Ladder Program	1,000	
Career Ladder Extended Contracts	1,000	
Social Security	2,038	
State Retirement	2,079	
Life Insurance	13	
Medical Insurance	2,489	
Dental Insurance	206	
Employer Medicare	477	
Total Vocational Education Program		43,120

Adult Programs

Supervisor/Director	\$ 28,997	
Social Security	1,786	
Life Insurance	26	
Medical Insurance	5,134	
Dental Insurance	412	
Employer Medicare	418	
Indirect Cost	4,021	
In Service/Staff Development	3,278	
Other Charges	11,439	
Total Adult Programs		55,511

(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

Secretary to Board	\$	1,500	
Board and Committee Members Fees		13,450	
Social Security		920	
State Retirement		105	
Employer Medicare		215	
Audit Services		9,250	
Dues and Memberships		6,936	
Legal Services		43,266	
Travel		596	
Other Contracted Services		1,243	
Liability Insurance		34,774	
Premiums on Corporate Surety Bonds		1,787	
Trustee's Commission		88,840	
Workers' Compensation Insurance		110,278	
Total Board of Education			\$ 313,160

Director of Schools

County Official/Administrative Officer	\$	92,688	
Secretary(ies)		25,513	
Social Security		7,328	
State Retirement		7,913	
Life Insurance		38	
Medical Insurance		8,679	
Dental Insurance		412	
Employer Medicare		1,803	
Communication		66,731	
Dues and Memberships		1,717	
Postal Charges		2,875	
Travel		9,960	
Other Contracted Services		11,000	
Office Supplies		2,798	
Total Director of Schools			239,455

Office of the Principal

Principals	\$	391,634	
Career Ladder Program		7,000	
Accountants/Bookkeepers		89,637	
Career Ladder Extended Contracts		1,000	
Assistant Principals		175,682	

(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	\$	80,394	
Social Security		44,230	
State Retirement		45,010	
Life Insurance		554	
Medical Insurance		105,756	
Dental Insurance		3,705	
Employer Medicare		10,344	
Travel		4,534	
Total Office of the Principal			\$ 959,480

Fiscal Services

Clerical Personnel	\$	32,487	
Social Security		1,777	
State Retirement		2,274	
Life Insurance		31	
Medical Insurance		6,046	
Employer Medicare		416	
Travel		135	
Other Contracted Services		7,185	
Office Supplies		1,917	
Total Fiscal Services			52,268

Operation of Plant

Custodial Personnel	\$	287,953	
Other Salaries and Wages		7,260	
Social Security		17,481	
State Retirement		11,539	
Life Insurance		469	
Medical Insurance		83,468	
Unemployment Compensation		111	
Employer Medicare		4,088	
Other Contracted Services		61,133	
Custodial Supplies		43,672	
Electricity		474,943	
Fuel Oil		69,038	
Water and Sewer		46,956	
Other Supplies and Materials		20,700	
Boiler Insurance		5,713	
Building and Contents Insurance		103,964	
Total Operation of Plant			1,238,488

(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.)

Maintenance of Plant

Maintenance Personnel	\$	82,539	
Other Salaries and Wages		300	
Social Security		5,104	
State Retirement		5,736	
Life Insurance		106	
Medical Insurance		19,504	
Employer Medicare		1,194	
Other Equipment		9,152	
Total Maintenance of Plant			\$ 123,635

Transportation

Mechanic(s)	\$	66,803	
Bus Drivers		299,780	
Clerical Personnel		4,387	
Other Salaries and Wages		33,609	
Social Security		24,914	
State Retirement		12,057	
Life Insurance		546	
Medical Insurance		40,821	
Employer Medicare		5,830	
Medical and Dental Services		1,198	
Gasoline		114,925	
Tires and Tubes		12,855	
Vehicle Parts		60,716	
Vehicle and Equipment Insurance		32,100	
Other Charges		1,785	
Principal on Capital Leases		80,606	
Interest on Capital Leases		20,518	
Total Transportation			813,450

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	24,480
Clerical Personnel		2,708
Social Security		1,669
State Retirement		1,903
Life Insurance		29
Medical Insurance		5,681
Employer Medicare		390

(Continued)

Exhibit F-5

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

<u>General Purpose School Fund (Cont.)</u>		
<u>Operation of Non-Instructional Services (Cont.)</u>		
<u>Food Service (Cont.)</u>		
Travel	\$ 1,374	
Total Food Service		\$ 38,234
 <u>Early Childhood Education</u>		
Teachers	\$ 105,745	
Career Ladder Extended Contracts	500	
Clerical Personnel	9,621	
Educational Assistants	37,298	
Non-certified Substitute Teachers	2,205	
Social Security	9,520	
State Retirement	9,802	
Life Insurance	172	
Medical Insurance	35,340	
Dental Insurance	1,235	
Employer Medicare	2,260	
Travel	1,245	
Other Contracted Services	510	
Instructional Supplies and Materials	42,059	
Total Early Childhood Education		257,512
 <u>Principal on Debt</u>		
<u>Education</u>		
Principal on Notes	\$ 75,000	
Total Education		75,000
 <u>Interest on Debt</u>		
<u>Education</u>		
Interest on Notes	\$ 14,692	
Total Education		14,692
 <u>Other Debt Service</u>		
<u>Education</u>		
Debt Service Contribution to Primary Government	\$ 650,000	
Total Education		650,000
 Total General Purpose School Fund		 \$ 15,641,051

(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	\$	232,218	
Educational Assistants		125,786	
Other Salaries and Wages		850	
Non-certified Substitute Teachers		4,050	
Social Security		21,698	
State Retirement		21,743	
Life Insurance		384	
Medical Insurance		66,361	
Dental Insurance		2,470	
Employer Medicare		5,074	
Instructional Supplies and Materials		1,774	
Other Charges		53,103	
Total Regular Instruction Program			\$ 535,511

Special Education Program

Teachers	\$	33,223	
Clerical Personnel		9,088	
Educational Assistants		124,949	
Other Salaries and Wages		3,992	
Non-certified Substitute Teachers		765	
Social Security		10,570	
State Retirement		11,198	
Life Insurance		306	
Medical Insurance		53,252	
Dental Insurance		412	
Employer Medicare		2,484	
Contracts with Private Agencies		112,622	
Other Contracted Services		4,486	
Other Supplies and Materials		44,351	
Other Charges		7,295	
Special Education Equipment		35,995	
Total Special Education Program			454,988

Vocational Education Program

Travel	\$	6,000
Other Contracted Services		4,000
Instructional Supplies and Materials		2,726
Principal on Capital Leases		13,635
Interest on Capital Leases		1,769

(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.)

Instruction (Cont.)

Vocational Education Program (Cont.)

Vocational Instruction Equipment	\$ 47,791	
Total Vocational Education Program		\$ 75,921

Support Services

Health Services

Medical Personnel	\$ 47,974	
Social Security	2,974	
State Retirement	2,599	
Life Insurance	53	
Medical Insurance	10,231	
Employer Medicare	696	
Drugs and Medical Supplies	1,400	
Total Health Services		65,927

Other Student Support

Other Salaries and Wages	\$ 23,800	
Social Security	1,475	
State Retirement	423	
Employer Medicare	345	
Total Other Student Support		26,043

Regular Instruction Program

Supervisor/Director	\$ 31,602	
Secretary(ies)	10,868	
Social Security	2,477	
State Retirement	2,709	
Life Insurance	20	
Medical Insurance	4,962	
Dental Insurance	185	
Employer Medicare	579	
Consultants	7,616	
Travel	2,637	
Library Books/Media	3,377	
Other Supplies and Materials	9,225	
In Service/Staff Development	53,354	
Other Equipment	9,393	
Total Regular Instruction Program		139,004

(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

Secretary(ies)	\$	5,401	
Social Security		440	
State Retirement		409	
Life Insurance		6	
Medical Insurance		1,081	
Employer Medicare		92	
Travel		9,880	
Other Contracted Services		50	
Other Supplies and Materials		4,824	
In Service/Staff Development		7,827	
Total Special Education Program			\$ 30,010

Vocational Education Program

Travel	\$	668	
Total Vocational Education Program			668

Total School Federal Projects Fund \$ 1,328,072

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Cafeteria Personnel	\$	354,373	
Social Security		21,929	
Life Insurance		412	
Medical Insurance		16,056	
Unemployment Compensation		1,447	
Employer Medicare		5,128	
Communication		1,866	
Dues and Memberships		643	
Maintenance Agreements		3,966	
Maintenance and Repair Services - Equipment		24,025	
Other Contracted Services		3,358	
Food Supplies		558,949	
Other Supplies and Materials		52,877	
Refunds		563	
In Service/Staff Development		2,165	
Other Charges		55,183	
Food Service Equipment		44,818	
Total Food Service			\$ 1,147,758

Total Central Cafeteria Fund 1,147,758

(Continued)

Exhibit F-5

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

<u>Education Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>Education Capital Projects</u>		
Building Construction	\$ 116,331	
Building Improvements	<u>86,188</u>	
Total Education Capital Projects		<u>\$ 202,519</u>
Total Education Capital Projects Fund		<u>\$ 202,519</u>
Total Governmental Funds - Polk County School Department		<u>\$ 18,319,400</u>

**SINGLE AUDIT REPORT**  
**POLK COUNTY, TENNESSEE**  
**AND**  
**POLK COUNTY SCHOOL DEPARTMENT**  
**FOR THE YEAR ENDED JUNE 30, 2007**

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

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

*JAMES R. ARNETTE*  
*Director*

*CARL LOWE, CGFM*  
*Audit Manager*

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

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

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

January 23, 2008

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

To the Polk 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, 2007, which collectively comprise Polk County's and the Polk County School Department's basic financial statements and have issued our report thereon dated January 23, 2008. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Polk County's and the Polk County School Department's internal control over financial reporting. Accordingly,

we do not express an opinion on the effectiveness of Polk County's and the Polk County School Department's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting: 07.03(C,D), 07.05, 07.10, 07.12, 07.13, and 07.15.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Polk County's and the Polk County School Department's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is 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 their 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 which are described in the accompanying Schedule of Findings and Questioned Costs as items 07.01, 07.02, 07.03(A,B,E), 07.04, 07.06, 07.07, 07.08, 07.09, 07.11, and 07.14.

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

Polk County's and the Polk County School Department's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit their responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the county executive, County Commission, highway superintendent, director of schools, Board of Education, others within Polk County, 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 stroke at the end.

John G. Morgan  
Comptroller of the Treasury

JGM/rd



STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT  
SUITE 1500  
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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

January 23, 2008

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, 2007. 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 07.08 and 07.16 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, 2007.

#### 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Polk County's and the Polk County School Department's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the county's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

Schedule of Expenditures 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, 2007, and have issued our reports thereon dated January 23, 2008. 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 our opinions on the financial statements that collectively comprise Polk County's and the Polk County School Department's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information 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.

Polk County's and the Polk County School Department's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit their responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the county executive, County Commission, highway superintendent, director of schools, Board of Education, others within Polk County, 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/rd

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, 2007

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Passed-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Direct Programs:			
Rural Business Enterprise Grants	10.769	(3)	\$ 9,245
Water and Waste Disposal Loans and Grants (Section 306C)	10.770	N/A	36,000
Passed-through State Department of Agriculture:			
Food Donation (Noncash Assistance)	10.550	N/A	41,506
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	202,033
National School Lunch Program	10.555	N/A	612,229
Total U.S. Department of Agriculture			<u>\$ 901,013</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/State's Program	14.228	GG-05-11802-00	<u>\$ 131,975</u>
U.S. Department of Interior:			
Direct Program:			
Payments in-Lieu-of Taxes	15.226	(2)	<u>\$ 132,361</u>
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Enforcing Underage Drinking Laws Program	16.727	GG-07-12683-00	<u>\$ 27,264</u>
Appalachian Regional Commission:			
Passed-through Tennessee Valley Authority:			
Appalachian Area Development	23.002	TN-15518-06	<u>\$ 7,500</u>
Environmental Protection Agency:			
Direct Program:			
Surveys, Studies, Investigations, and Special Purpose Grants	66.606	XP-97487606-00	<u>\$ 562,612</u>
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	GG-07-033725-02	\$ 111,305
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	541,824
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	549,041
Special Education - Preschool Grants	84.173	N/A	18,888
Vocational Education - Basic Grants to States	84.048	N/A	47,543
Safe and Drug Free Schools and Communities - State Grants	84.186	(2)	19,367
Twenty-First Century Community Learning Centers	84.287	N/A	220,318
State Grants for Innovative Programs	84.298	N/A	3,060
Education Technology State Grants	84.318	N/A	11,238
Improving Teacher Quality State Grants	84.367	N/A	109,841
Hurricane Education Recovery	84.938	N/A	13,009
Total U.S. Department of Education			<u>\$ 1,645,434</u>
Elections Assistance Commission:			
Passed-through Tennessee Secretary of State:			
Help America Vote Act Requirements Payments	90.401	(4)	<u>\$ 6,375</u>

(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)	\$ 57,583
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	(2)	22,672
Total U.S. Department of Health and Human Services			\$ 80,255
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	\$ 3,000
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
State Domestic Preparedness Equipment Support Program	97.004	(5)	\$ 23,744
Homeland Security Grant Program	97.067	Z-05-025199-00	50,229
Total U.S. Department of Homeland Security			\$ 73,973
Total Expenditures of Federal Awards			\$ 3,571,762
<u>State Grants</u>			
Senior Center - State Commission on Aging	N/A	(2)	\$ 8,004
Juvenile Services Program - State Commission on Children and Youth	N/A	Z-07-036572-00	9,000
Litter Program - State Department of Transportation	N/A	(6)	30,200
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	7,339
Local Health Services - State Department of Health	N/A	(7)	30,500
Airport Maintenance Grant - State Department of Transportation	N/A	Z-07-035580-00	1,530
Family Resource - State Department of Education	N/A	C626016593-00	40,800
Voluntary PreK - State Department of Education	N/A	(2)	198,346
Waste Tire Grant - State Department of Environment and Conservation	N/A	Z-03-011295-00	12,615
School Safety - State Department of Education	N/A	(2)	30,857
Total State Grants			\$ 369,191

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) - GG-06-577412-00: \$5,245; N/A: \$4,000.  
(4) - Z-07-037426-00: \$4,875; Z-07-037864-00: \$1,500.  
(5) - Z-04-022484-00: \$22,794; GG-05-20771-00: \$950.  
(6) - Z-06-028000-00: \$4,692; Z-07-033838-00: \$25,508.  
(7) - Z-07-031536-00: \$25,500; Z-07-020402-00: \$5,000.

Polk County, Tennessee, and the Polk County School Department  
Schedule of Audit Findings Not Corrected  
June 30, 2007

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, 2006, which have not been corrected.

**POLK COUNTY AND POLK COUNTY SCHOOL DEPARTMENT**

Finding Number	Page Number	Subject
06.01	12	Government-wide financial statements were not presented in accordance with generally accepted accounting principles

**OFFICE OF HIGHWAY SUPERINTENDENT**

Finding Number	Page Number	Subject
06.02	13	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
06.05	14	A summary of changes from the prior year county road list was not submitted to the County Commission for approval

**OFFICE OF DIRECTOR OF SCHOOLS**

Finding Number	Page Number	Subject
06.06	14	General Purpose School Fund expenditures and encumbrances exceeded appropriations approved by the County Commission, some budget amendments were not approved by the County Commission, and some budget amendments were posted incorrectly to the accounting records
06.10	17	Central Cafeteria Fund transactions were not channeled through the Trustee's Office
06.11	17	The office did not file a Report on Debt Obligation with the state director of Local Finance

**OFFICES OF COUNTY CLERK AND SHERIFF**

<b>Finding Number</b>	<b>Page Number</b>	<b>Subject</b>
06.13	18	Collections were not deposited within three days of receipt

**OTHER FINDINGS**

<b>Finding Number</b>	<b>Page Number</b>	<b>Subject</b>
06.14	18	The director of accounts and budgets did not maintain the accounting records for the Highway Department
06.15	19	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

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2007**

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**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 significant deficiencies in internal control. None of these conditions was considered to be a material weakness.
3. The audit disclosed three instances of noncompliance that are material to the financial statements of Polk County and three instances of noncompliance that are material to the financial statements of the Polk County School Department.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. A qualified opinion was issued on compliance for major programs.
6. The audit revealed one finding that is 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); and the Special Education Cluster: the Special Education – Grants to States and the Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Polk County 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 county executive and the director of schools are paraphrased 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 07.01      **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 No. 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 No. 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.

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**FINDING 07.02      POLK COUNTY AND THE POLK COUNTY SCHOOL DEPARTMENT HAVE NOT COMPLETED THE STEPS SET FORTH IN THE IMPLEMENTATION PLAN FOR GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NO. 34 FILED WITH THE COMPTROLLER OF THE TREASURY**  
(Material Noncompliance Under Government Auditing Standards)

As noted in finding 07.01, Polk County and the Polk County School Department have not taken the necessary steps to present their financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34. To encourage local governments to comply with GASB Statement No. 34, the Tennessee General Assembly passed legislation (Sections 9-3-401 through 9-3-405, Tennessee Code Annotated), requiring local governments that were not in compliance with GASB Statement No. 34 to file an implementation plan with the Comptroller of the Treasury showing the steps and the timeline the local government would follow to implement the standard no later than June 30, 2008. An examination of the plan Polk County filed with the Comptroller's Office shows the county has failed to perform the steps in accordance with the timeline set forth in their plan. If Polk County and the Polk County School Department do not comply with GASB Statement No. 34 by June 30, 2008, the statutes further provide that the state may withhold certain state funds from the county.

**RECOMMENDATION**

Polk County and the Polk County School Department should take the necessary steps to ensure compliance with GASB Statement No. 34 by June 30, 2008.

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**OFFICE OF COUNTY EXECUTIVE**

**FINDING 07.03      DEFICIENCIES WERE NOTED IN A PROPOSED LIBRARY CONSTRUCTION PROJECT**  
(A., B., and E. – Noncompliance Under Government Auditing Standards; C. and D. Internal Control – Significant Deficiency Under Government Auditing Standards)

On July 12, 2006, Polk County issued a \$50,000 capital outlay note to provide funds to aid in financing the cost of library construction projects, and on July 14, 2006, the General Debt Service Fund paid-off this note. The note proceeds were contributed to the Friends of the Library, a nonprofit organization which has been formed to raise money for future construction of county libraries. As of the date of this report, construction of a library building has not begun.

We noted the following deficiencies concerning the library project:

- A. Prior to disbursing the funds, a notice specifying the intended amount and purpose of the appropriation was not published in a newspaper of general circulation as required by Section 5-9-109, Tennessee Code Annotated (TCA).
- B. The nonprofit organization that received the county funds had not filed a financial report with the county. Section 5-9-109, TCA, provides for all nonprofit organizations receiving county funds to file a financial report with the county. This statute further provides for these financial reports to be filed with the county clerk.
- C. By providing county funds to the nonprofit organization and allowing the nonprofit to control the construction of a building to house the county library, the nonprofit may not follow county purchasing laws and regulations.
- D. Since county funds were borrowed and contributed July 12, 2006, and construction of the building has not begun as of the date of this report (January 23, 2008) questions arise as to the timing and planning of this project.
- E. The office did not file a Report on Debt Obligation with the state director of Local Finance for the \$50,000 capital outlay note. Section 9-21-151, TCA, 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

A notice of the county's intent to make an appropriation to a nonprofit organization should be published prior to the disbursement of funds specifying the intended amount and purpose of the appropriation, and county officials should require the nonprofit organization receiving county funds to file financial reports with the county clerk as required by state statute. Also, county officials should consider requesting that the Friends of the Library return to the county the \$50,000. Funds for the construction of the library should then be expended by the county in compliance with county purchasing laws and regulations. All debt obligations should be reported to the state director of Local Finance as required by state statutes.

#### MANAGEMENT'S RESPONSE – CURRENT COUNTY EXECUTIVE MIKE STINNETT

These events transpired prior to September 1, 2006, when I took office.

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## **OFFICE OF HIGHWAY SUPERINTENDENT**

### **FINDING 07.04      **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.

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### **FINDING 07.05      **THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES** (Internal Control – Significant Deficiency Under Government Auditing Standards)**

Our examination of purchasing procedures revealed the following deficiencies:

- A. Purchase orders were not issued in some required instances. Purchase orders are necessary to control who has purchasing authority for the county and to document purchasing commitments.
- B. In some instances, invoices were paid without documentation that goods had been received and/or services had been rendered. This practice weakens controls over the purchasing process. We extended our audit procedures and determined that these goods were received and services rendered.
- C. In some instances, the office paid invoices without canceling or marking them paid. This weakness could result in the office paying invoices more than once.

RECOMMENDATION

The office should improve purchasing procedures by issuing purchase orders for all applicable county purchases and by obtaining documentation that goods have been received and/or services rendered before invoices are paid. Also, all invoices should be cancelled when paid.

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FINDING 07.06      **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.

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OFFICE OF DIRECTOR OF SCHOOLS

FINDING 07.07      **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</u>	<u>Overspent</u>
Other Student Services	\$	4,950
Regular Instruction Program		3,801
Director of Schools		2,136
Maintenance of Plant		11,273

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 posted incorrectly 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.

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**FINDING 07.08**      **CENTRAL CAFETERIA FUND TRANSACTIONS WERE NOT CHANNLED 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**

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

**MANAGEMENT’S RESPONSE – DIRECTOR OF SCHOOLS**

As of July 1, 2007, these cafeteria funds are being channeled through the Trustee’s Office.

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**FINDING 07.09      THE OFFICE DID NOT FILE A REPORT ON DEBT OBLIGATION WITH THE STATE DIRECTOR OF LOCAL FINANCE**  
(Noncompliance Under Government Auditing Standards)

The office did not file a Report on Debt Obligation with the state director of Local Finance for a lease-purchase agreement totaling \$27,270 for computers. 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.

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**FINDING 07.10      THE OFFICE HAD DEFICIENCIES IN COMPUTER SYSTEM BACKUP PROCEDURES**  
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The following weaknesses regarding computer system backup procedures in the Polk County Director of Schools Office were identified:

- A. System backups were not performed on a routine basis. Inadequate backup procedures could result in the loss of data in the event of a hardware or software failure. Without current system backups, the cost of re-creating data could be substantial.
- B. Daily backups were not stored in a secure location. Unsecured access to system backups exposes the data to environmental hazards, as well as to possible sabotage.

**RECOMMENDATION**

Management should implement daily system backup procedures. A backup labeled for each day of the week should be maintained. Management should store these backups in a secure, fireproof location.

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**OFFICES OF COUNTY CLERK AND SHERIFF**

**FINDING 07.11**      **COLLECTIONS WERE NOT DEPOSITED WITHIN THREE DAYS OF RECEIPT**  
(Noncompliance Under Government Auditing Standards)

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

**RECOMMENDATION**

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

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**OFFICES OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK**

**FINDING 07.12**      **THE OFFICE HAD DEFICIENCIES IN COMPUTER SYSTEM BACKUP PROCEDURES**  
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The following weaknesses regarding computer system backup procedures in the Polk County Circuit and General Sessions Courts Clerk’s Office were identified:

- A. System backups were not performed on a routine basis. Inadequate backup procedures could result in the loss of data in the event of a hardware or software failure. Without current system backups, the cost of re-creating data could be substantial.
  
- B. Weekly and fiscal year-end backups were not performed. These backups would ensure the restoration of system data if problems occurred.

**RECOMMENDATION**

Management should implement daily system backup procedures. A backup labeled for each day of the week should be maintained. Management should store these backups in a secure, fireproof location. In addition to daily system backups, a weekly system backup should be performed, and two copies of this backup should be maintained. These backups should be rotated off-site on a weekly basis. A complete systems backup should also be performed at fiscal year-end. These year-end backups should be stored off-site and retained indefinitely. Some possibilities for an off-site storage location would be another county office building with a fireproof vault or a safe deposit box at a local bank.

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**FINDING 07.13      CONTROLS OVER ACCESS TO COMPUTER RESOURCES WERE INADEQUATE**  
(Internal Control – Significant Deficiency Under Government Auditing Standards)

Access to computer resources within the Polk County Circuit and General Sessions Office was not sufficiently restricted. A computer terminal located on the counter, which was used by the public to access case information, allowed full access to the application software. Unrestricted access to computer resources exposes the office to unauthorized data manipulation.

**RECOMMENDATION**

Access to computer resources should be restricted to those individuals whose documented job responsibilities authorize such access. Therefore, management should contact the software vendor and ask that an inquiry-only login be made available to the public.

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**OTHER FINDINGS AND RECOMMENDATIONS**

**FINDING 07.14      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.

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**FINDING 07.15      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 – Significant Deficiency Under Government Auditing Standards)

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 MIKE STINNETT**

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	07.16		Circular A-133, Section 500(d)(1)	Noncompliance - See Finding 07.08 - Central Cafeteria Fund transactions were not channeled through the Trustee's Office	\$ 0
		10.553			
		10.555			

**POLK COUNTY, TENNESSEE, AND THE  
POLK COUNTY SCHOOL DEPARTMENT  
AUDITEE REPORTING RESPONSIBILITIES  
For the Year Ended June 30, 2007**

There were audit findings relative to federal awards presented in the prior and current years' Schedules of Findings and Questioned Costs.

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

**FINDINGS 07.08 and 07.16**

Contact person: James Jones, Director of Schools

Corrective action planned: As of July 1, 2007, these cafeteria funds are being channeled through the Trustee's Office.

Anticipated completion date: July 1, 2007

**County Executive – Summary Schedule of Prior Year's Findings**

**FINDINGS 06.15 and 06.17**

Although the County Executive's Office as a whole lacks sufficient segregation of duties, additional controls are in place over the expenditures of federal funds and reporting to federal agencies that we feel mitigate the lack of segregation of duties as it pertains to federal awards.

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

**FINDINGS 06.10 and 06.16**

As of July 1, 2007, these cafeteria funds are being channeled through the Trustee's Office.

**FINDINGS 06.15 and 06.17**

Although the School Department as a whole lacks sufficient segregation of duties, additional controls are in place over the expenditures of federal funds and reporting to federal agencies that we feel mitigate the lack of segregation of duties as it pertains to federal awards.