

**ANNUAL FINANCIAL REPORT
OF
CUMBERLAND COUNTY, TENNESSEE
CUMBERLAND COUNTY SCHOOL DEPARTMENT
AND
CUMBERLAND COUNTY RAILROAD AUTHORITY**

SINGLE AUDIT REPORT



FOR THE YEAR ENDED JUNE 30, 2005

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

ANNUAL FINANCIAL REPORT
CUMBERLAND COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2005

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This financial report is available at www.comptroller.state.tn.us

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Audit Highlights
Annual Financial Report
Cumberland County, Tennessee
For the Year Ended June 30, 2005

Scope

We have audited the financial statements of each major fund and the aggregate remaining fund information of Cumberland County as of and for the year ended June 30, 2005.

Results

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

Our audit resulted in four findings and recommendations, which we have reviewed with Cumberland County management. Detailed findings and recommendations are included in the Single Audit Report.

Findings

The following are summaries of the audit findings:

CUMBERLAND COUNTY

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

FINANCE DEPARTMENT

- ◆ Inventory records were not maintained for assets owned by the general county government.

OFFICE OF REGISTER

- ◆ Bank statements were not reconciled with the accounting records.

OTHER FINDING

- ◆ Duties were not segregated adequately in the Finance Department, and the Offices of County Clerk, Register, and Sheriff.

INTRODUCTORY SECTION

Cumberland County Officials

June 30, 2005

Officials:

Brock Hill, County Mayor
Wendell Houston, Highway Superintendent
Carolyn Turner, Trustee
Ralph Barnwell, Assessor of Property
Brenda Hyder, County Clerk
Larry Sherrill, Circuit and General Sessions Courts Clerk
Sue Tollett, Clerk and Master
Judy Graham Swallows, Register
Butch Burgess, Sheriff
Nathan Brock, Finance Director

Board of County Commissioners:

Brock Hill, Chairman	Ralph Jenkins
Jeff Brown	Carmin Lynch
Clyde Cramer	Randy Lynn Pryor
David Gibson	David Randolph
Michael Harvel	Harry Sabine
Thom Hassler	Charles Seiber
Dennis Hinch	Pete Stubbs
Nancy Hyder	Creed Lynn Tollett
Jim Inman	Sharon York
R. Donathan Ivey	

Finance Committee:

Brock Hill, Chairman
Clyde Cramer
Thom Hassler
Wendell Houston
R. Donathan Ivey
Dr. Patricia Ragsdale
Pete Stubbs

FINANCIAL SECTION



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

INDEPENDENT AUDITOR'S REPORT

January 25, 2006

Cumberland County Mayor and
Board of County Commissioners
Cumberland County, Tennessee

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of Cumberland County, Tennessee, as of and for the year ended June 30, 2005, as shown on pages 15 through 48, 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 Cumberland County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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, business-type 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, business-type activities, and discretely presented component units are not reasonably determinable.

As described in Note I, Cumberland 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 Cumberland County, Tennessee, as of June 30, 2005, or the changes in its financial position or 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 Cumberland County, Tennessee, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee.

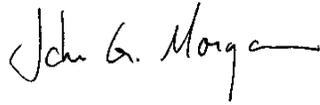
In accordance with Government Auditing Standards, we have also issued our report dated January 25, 2006, on our consideration of Cumberland County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements 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.

As described in Note IV.B., Cumberland County has implemented Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures which modifies the county's disclosures for custodial credit risk and adds disclosures about other types of risk.

The budgetary comparison information on pages 51 through 57 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 Cumberland 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, miscellaneous schedules, and statistical tables 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 and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

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/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

Cumberland County, Tennessee
 Balance Sheet
 Governmental Funds
 June 30, 2005

	Major Funds			Nonmajor	Total
	General	Highway/ Public Works	General Debt Service	Other Govern- mental Funds	
<u>ASSETS</u>					
Cash	\$ 200	\$ 0	\$ 0	\$ 71,434	\$ 71,634
Equity in Pooled Cash and Investments	2,467,957	309,598	15,513,955	721,844	19,013,354
Accounts Receivable	274,821	0	0	12,324	287,145
Due from Other Governments	325,905	403,122	301,573	33,822	1,064,422
Due from Other Funds	75,177	0	0	0	75,177
Property Taxes Receivable	7,065,508	0	3,579,858	0	10,645,366
Allowance for Uncollectible Property Taxes	(282,155)	0	(142,959)	0	(425,114)
Total Assets	<u>\$ 9,927,413</u>	<u>\$ 712,720</u>	<u>\$ 19,252,427</u>	<u>\$ 839,424</u>	<u>\$ 30,731,984</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 328,471	\$ 0	\$ 0	\$ 45,863	\$ 374,334
Due to Other Funds	0	0	0	75,177	75,177
Due to State of Tennessee	6,639	0	0	0	6,639
Matured Bonds Payable	0	0	30,000	0	30,000
Matured Interest on Bonds	0	0	8,058	0	8,058
Current Liabilities Payable from Restricted Assets:					
Customer Deposits Payable	1,815	0	0	0	1,815
Deferred Revenue - Current Property Taxes	6,679,957	0	3,384,512	0	10,064,469
Deferred Revenue - Delinquent Property Taxes	103,396	0	52,387	0	155,783
Other Deferred Revenues	47,090	184,929	159,472	18,822	410,313
Total Liabilities	<u>\$ 7,167,368</u>	<u>\$ 184,929</u>	<u>\$ 3,634,429</u>	<u>\$ 139,862</u>	<u>\$ 11,126,588</u>
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 64,061	\$ 0	\$ 0	\$ 0	\$ 64,061
Reserved for Computer System - Register	97,139	0	0	0	97,139
Reserved for Automation Purposes - General Sessions Court	21,351	0	0	0	21,351
Reserved for Automation Purposes - Sheriff	16,728	0	0	0	16,728
Unreserved, Reported In:					
General Fund	2,560,766	0	0	0	2,560,766
Special Revenue Funds	0	527,791	0	699,562	1,227,353
Debt Service Funds	0	0	15,617,998	0	15,617,998
Total Fund Balances	<u>\$ 2,760,045</u>	<u>\$ 527,791</u>	<u>\$ 15,617,998</u>	<u>\$ 699,562</u>	<u>\$ 19,605,396</u>
Total Liabilities and Fund Balances	<u>\$ 9,927,413</u>	<u>\$ 712,720</u>	<u>\$ 19,252,427</u>	<u>\$ 839,424</u>	<u>\$ 30,731,984</u>

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

Exhibit B

Cumberland County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

	Major Funds				Nonmajor	Total
	General	Highway/ Public Works	General Debt Service	Education Capital Projects	Other Govern- mental Funds	
<u>Revenues</u>						
Local Taxes	\$ 8,731,564	\$ 122,895	\$ 5,070,880	\$ 0	\$ 88,618	\$ 14,013,957
Licenses and Permits	176,706	0	0	0	0	176,706
Fines, Forfeitures, and Penalties	246,423	0	0	0	37,327	283,750
Charges for Current Services	2,043,298	0	0	0	51	2,043,349
Other Local Revenues	628,283	11,286	0	0	183,983	823,552
Fees Received from County Officials	2,239,809	0	0	0	0	2,239,809
State of Tennessee	1,542,941	2,413,981	0	0	28,878	3,985,800
Federal Government	577,079	129,529	0	0	0	706,608
Other Governments and Citizens Groups	477,876	0	0	0	0	477,876
Total Revenues	\$ 16,663,979	\$ 2,677,691	\$ 5,070,880	\$ 0	\$ 338,857	\$ 24,751,407
<u>Expenditures</u>						
Current:						
General Government	\$ 1,898,292	\$ 0	\$ 0	\$ 0	\$ 96,860	\$ 1,995,152
Finance	1,398,290	0	0	0	39	1,398,329
Administration of Justice	1,114,214	0	0	0	0	1,114,214
Public Safety	6,418,075	0	0	0	37,436	6,455,511
Public Health and Welfare	2,793,415	0	0	0	941,780	3,735,195
Social, Cultural, and Recreational Services	520,871	0	0	0	0	520,871
Agricultural and Natural Resources	107,263	0	0	0	0	107,263
Other Operations	857,851	0	0	0	687,046	1,544,897
Highways	0	2,515,763	0	0	49,608	2,565,371
Debt Service:						
Debt Service Principal	0	111,111	1,863,000	0	0	1,974,111
Debt Service Interest	0	20,278	1,180,676	0	0	1,200,954
Other Debt Service	0	0	133,495	132,536	0	266,031
Capital Projects - Donated	0	0	0	9,933,732	0	9,933,732
Total Expenditures	\$ 15,108,271	\$ 2,647,152	\$ 3,177,171	\$ 10,066,268	\$ 1,812,769	\$ 32,811,631
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,555,708	\$ 30,539	\$ 1,893,709	\$ (10,066,268)	\$ (1,473,912)	\$ (8,060,224)
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 650,000	\$ 650,000
Refunding Debt Issued	0	0	3,085,000	0	0	3,085,000

(Continued)

Exhibit B

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

	Major Funds				Nonmajor	Total
	General	Highway/ Public Works	General Debt Service	Education Capital Projects	Other Govern- mental Funds	
<u>Other Financing Sources (Uses) (Cont.)</u>						
Premiums on Debt Issued	\$ 0	\$ 0	\$ 97,155	\$ 0	\$ 0	\$ 97,155
Other Loans Issued	0	0	0	10,066,268	0	10,066,268
Transfers In	0	0	3,252	0	795,000	798,252
Transfers Out	(795,000)	0	0	0	(3,252)	(798,252)
Payments to Refunded Debt Escrow Agent	0	0	(3,134,054)	0	0	(3,134,054)
Total Other Financing Sources (Uses)	<u>\$ (795,000)</u>	<u>\$ 0</u>	<u>\$ 51,353</u>	<u>\$ 10,066,268</u>	<u>\$ 1,441,748</u>	<u>\$ 10,764,369</u>
Net Change in Fund Balances	\$ 760,708	\$ 30,539	\$ 1,945,062	\$ 0	\$ (32,164)	\$ 2,704,145
Fund Balance, July 1, 2004	1,999,337	497,252	13,672,936	0	731,726	16,901,251
Fund Balance, June 30, 2005	<u>\$ 2,760,045</u>	<u>\$ 527,791</u>	<u>\$ 15,617,998</u>	<u>\$ 0</u>	<u>\$ 699,562</u>	<u>\$ 19,605,396</u>

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

Cumberland County, Tennessee
Statement of Net Assets
Proprietary Fund
June 30, 2005

	Business-type Activities
	<u>Major Fund</u>
	Solid Waste <u>Disposal Fund</u>
<u>ASSETS</u>	
Current Assets:	
Cash	\$ 200
Equity in Pooled Cash and Investments	578,049
Accounts Receivable	16,751
Due From Other Funds	1,093
Due From Component Units	1,508
Total Current Assets	<u>\$ 597,601</u>
Noncurrent Assets:	
Capital Assets (Net of Accumulated Depreciation):	
Land	\$ 46,840
Landfill Facilities and Development	1,006,619
Buildings and Improvements	5,706
Machinery and Equipment	17,770
Construction in Progress	647,680
Other Capital Assets	13,941
Total Noncurrent Assets	<u>\$ 1,738,556</u>
Total Assets	<u>\$ 2,336,157</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	\$ 93,134
Contracts Payable	97,271
Retainage Payable	50,092
Total Current Liabilities	<u>\$ 240,497</u>
Noncurrent Liabilities:	
Accrued Liability for Landfill Closure/Postclosure Care Costs	<u>\$ 2,655,247</u>
Total Noncurrent Liabilities	<u>\$ 2,655,247</u>
Total Liabilities	<u>\$ 2,895,744</u>
<u>NET ASSETS</u>	
Invested in Capital Assets	\$ 1,738,556
Unrestricted	<u>(2,298,143)</u>
Total Net Assets	<u>\$ (559,587)</u>

The accompanying notes are an integral part of this statement.

Exhibit C-2

Cumberland County, Tennessee
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2005

	Business-type Activities
	<u>Major Fund</u>
	<u>Solid Waste Disposal Fund</u>
<hr/>	
<u>Operating Revenues</u>	
Charges for Current Services	\$ 859,071
Total Operating Revenues	<u>\$ 859,071</u>
<u>Operating Expenses</u>	
Public Health and Welfare	\$ 1,026,580
Depreciation	258,624
Other Charges	4,244
Employee Benefits	12,999
Total Operating Expenses	<u>\$ 1,302,447</u>
Operating Loss	<u>\$ (443,376)</u>
<u>Nonoperating Revenues</u>	
Solid Waste Grants	\$ 31,681
Contributions	650,000
Total Nonoperating Revenue	<u>\$ 681,681</u>
Change in Net Assets	\$ 238,305
Net Assets, July 1, 2004	<u>(797,892)</u>
Net Assets, June 30, 2005	<u>\$ (559,587)</u>

The accompanying notes are an integral part of this statement.

Cumberland County, Tennessee
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2005

	Business-type Activities
	<u>Major Fund</u>
	Solid Waste <u>Disposal Fund</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Receipts from Customers and Users	\$ 855,064
Payments to Suppliers	(84,101)
Payments to Employees	(208,534)
Other Payments	(363,409)
Net Cash Provided By (Used In) Operating Activities	<u>\$ 199,020</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>	
Grants Received	\$ 31,681
Contributions	650,000
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>\$ 681,681</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Purchase of Capital Asset	\$ (500,317)
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>\$ (500,317)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 380,384
Cash and Cash Equivalents, July 1, 2004	<u>197,865</u>
Cash and Cash Equivalents, June 30, 2005	<u><u>\$ 578,249</u></u>
<u>Reconciliation of Operating Income to Net Provided</u>	
Operating Income (Loss)	\$ (443,376)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:	
Depreciation	258,624
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(4,007)
Increase (Decrease) in Accounts Payable	89,724
Increase (Decrease) in Accrued Liability for Landfill Closure Cost	<u>298,055</u>
Net Cash Provided by Operating Activities	<u><u>\$ 199,020</u></u>

The accompanying notes are an integral part of this statement.

Exhibit D

Cumberland County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2005

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 966,454
Equity in Pooled Cash and Investments	59,017
Due from Other Governments	<u>1,174,816</u>
Total Assets	<u>\$ 2,200,287</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 59,017
Due to Litigants, Heirs, and Others	966,454
Due to Other Taxing Units	<u>1,174,816</u>
Total Liabilities	<u>\$ 2,200,287</u>

The accompanying notes are an integral part of this statement.

CUMBERLAND COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cumberland 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.

Cumberland County has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities, business-type activities, and discretely presented component units. The two government-wide financial statements, the statement of net assets and the statement of activities, should be included in the basic financial statements to conform with the provisions of GASB Statement 34 and accounting principles generally accepted in the United States of America. Cumberland 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 Cumberland County's auditor to issue an adverse opinion on the county's financial statements.

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

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

A. Reporting Entity

Cumberland County is a public municipal corporation governed by an elected 18-member board. As required by GAAP, these financial statements present Cumberland County (the primary government).

Blended Component Units – There are no legally separate component units of Cumberland 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 Cumberland 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 Cumberland County School Department operates the public school system in the county, and the voters of Cumberland 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 Cumberland County Railroad Authority was created pursuant to Section 7-56-201, Tennessee Code Annotated. The authority is governed by a two-member board. The county mayor is the first member, and the second member is appointed by the Cumberland County Commission. The purpose of the authority is to acquire, operate, maintain, and dispose of railroad facilities, properties, and equipment for the benefit of public transportation in Cumberland County. The authority is funded primarily from state grants.

The Cumberland County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Cumberland County, and the Cumberland 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 Cumberland County School Department, the Cumberland County Railroad Authority, and the Cumberland County Emergency Communications District issue separate financial statements from those of the county. The School Department's and Railroad Authority's financial statements are published as separate reports, but under the same cover as the county's financial statements. The Cumberland County Emergency Communications District's financial statements are published as a separate report. Complete financial statements of the Cumberland County Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

Cumberland County Emergency Communications District
42 South Bend Drive
Crossville, TN 38555

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

Fund financial statements of Cumberland County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Cumberland County only reports one proprietary fund, an enterprise fund.

Separate financial statements are provided for governmental funds, the proprietary fund, and fiduciary funds. Major individual governmental funds and the enterprise fund 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. Cumberland County considers grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the General Debt Service Fund for payments to be made early in the following year.

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. Property taxes collected within 30 days after year-end are considered to be immaterial for reporting purposes. Applicable business taxes, litigation taxes, state-shared excise taxes, fines, forfeitures, and penalties are not susceptible to accrual since they are not measurable (reasonably estimable). All other revenue items are considered to be measurable and available only when the county receives cash.

Proprietary fund and fiduciary 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.

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Cumberland County reports the following major governmental funds:

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

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

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

Education Capital Projects Fund – This fund accounts for other loans issued by Cumberland County which are subsequently contributed to the discretely presented Cumberland County School Department for building construction and renovations.

Cumberland County reports the following major enterprise fund:

Solid Waste Disposal Fund – This fund accounts for transactions of the county-owned landfill.

Additionally, Cumberland 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 Cumberland County, and grant funds collected and passed through to governmental agencies. 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. Cumberland County has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. The county has one proprietary fund, an enterprise fund used to account for transactions at the county’s landfill. Operating revenues and expenses generally result from providing services in connection with the

fund's principal ongoing operations. The principal operating revenues of the county's enterprise fund are charges for services. Operating expenses for the enterprise fund include landfill operations and maintenance costs.

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 cash on hand and cash on deposit with the county trustee.

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 Cumberland County, Cumberland County School Department, and Cumberland County Railroad Authority funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the county's General Fund. Cumberland County, the Cumberland County School Department, and the Cumberland County Railroad Authority 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

Outstanding balances between funds are reported as due to/from other funds.

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 shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 2.1 percent of total taxes levied.

Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. This date is January 1 and is referred to as the lien date. However, revenues from property taxes are recognized in the period for which the taxes are levied, which is the ensuing fiscal year. Since the receivable is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated allowance for uncollectible taxes, is reported as 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 after year-end are considered to be immaterial for reporting purposes. The allowance for uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

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

Retainage payable in the proprietary fund represents amounts withheld from payments made to contractors on construction projects to ensure contract performance. These amounts are held by the county trustee as Equity in Pooled Cash and Investments.

3. Capital Assets

Governmental funds do not capitalize the cost of capital outlays; these funds report capital outlays as expenditures upon acquisition. Cumberland 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, Cumberland County does not present government-wide statements.

Capital assets are reported in the statement of net assets of the proprietary fund. Cumberland County defines capital assets as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of more than two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of the enterprise funds is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the proprietary fund are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	20
Machinery and Equipment	3-15
Other Capital Assets	20

4. Compensated Absences

Cumberland County permits employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to governmental employees upon separation of service or upon request annually if certain circumstances apply. The cost of vacation benefits is recognized when payments are made to employees. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Vested or accumulated vacation leave is required to be accrued when incurred in proprietary funds using the accrual basis of accounting. However, these amounts would be immaterial to the financial statements of Cumberland County. 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, including bonds payable, is recognized as a liability and expenditure in the governmental fund financial statements. Liabilities and expenditures for other long-term obligations, including compensated absences, claims and judgments, special termination benefits, and landfill closure and postclosure care costs are recognized to the extent that the liabilities have matured (come due for payment) each period.

Long-term debt and other long-term obligations are reported as liabilities in the proprietary fund financial statements.

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

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 specific purpose.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Net Assets Deficit

The Solid Waste Disposal Fund (enterprise fund) had an unrestricted net assets deficit of \$2,298,143 and a total net assets deficit of \$559,587 at June 30, 2005. This deficit primarily resulted from the recognition of a liability (\$2,655,247) in the financial statements of the Solid Waste Disposal Fund for costs associated with closing the county's landfill and monitoring the landfill for 30 years after its closure. Generally accepted accounting principles and state statutes require that such costs be reflected in the financial statements.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Cumberland County, the Cumberland County School Department, and the Cumberland County Railroad Authority participate in an internal cash and investment pool through the Office of Trustee. The Cumberland County School Department and Cumberland County Railroad Authority meet the criteria for discretely presented component units of Cumberland County. Since Cumberland County is presenting fund financial statements only, the financial information for the Cumberland County School Department and the Cumberland County Railroad Authority 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 the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Cash and investments reflected in the fund financial statements represent 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. Cumberland County had no pooled or nonpooled investments at June 30, 2005.

B. Capital Assets

Capital assets activity of the proprietary fund for the year ended June 30, 2005, was as follows:

Business-type Activities:

	Balance 7-1-04	Increases	Balance 6-30-05
Capital Assets Not Depreciated:			
Land	\$ 46,840	\$ 0	\$ 46,840
Construction in Progress	0	647,680	647,680
Total Capital Assets Not Depreciated	\$ 46,840	\$ 647,680	\$ 694,520
Capital Assets Depreciated:			
Landfill Facilities and Development	\$ 2,875,957	\$ 0	\$ 2,875,957
Buildings and Improvements	13,825	0	13,825
Machinery and Equipment	225,704	0	225,704
Other Capital Assets	33,800	0	33,800
Total Capital Assets Depreciated	\$ 3,149,286	\$ 0	\$ 3,149,286

Business-type Activities: (Cont.)

	Balance 7-1-04	Increases	Balance 6-30-05
Less Accumulated Depreciation For:			
Landfill Facilities and Development	\$ 1,619,028	\$ 250,310	\$ 1,869,338
Buildings and Improvements	7,428	691	8,119
Machinery and Equipment	202,001	5,933	207,934
Other Capital Assets	18,169	1,690	19,859
Total Accumulated Depreciation	<u>\$ 1,846,626</u>	<u>\$ 258,624</u>	<u>\$ 2,105,250</u>
Total Capital Assets Depreciated, Net	<u>\$ 1,302,660</u>	<u>\$ (258,624)</u>	<u>\$ 1,044,036</u>
Business-type Activities Capital Assets, Net	<u><u>\$ 1,349,500</u></u>	<u><u>\$ 389,056</u></u>	<u><u>\$ 1,738,556</u></u>

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2005, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 75,177

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, 2005, consisted of the following amounts:

Transfers Out	Transfers In	
	Nonmajor Govern- mental Funds	General Debt Service Fund
General Fund	\$ 795,000	\$ 0
Nonmajor governmental funds	0	3,252
Total	<u>\$ 795,000</u>	<u>\$ 3,252</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. Long-term Debt

Since Cumberland 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 Cumberland County is not presenting government-wide financial statements.

General Obligation Bonds, Notes, and Other Loans

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

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to seven years for bonds, up to four years for notes, and up to 35 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds, other loans, and notes included in long-term debt as of June 30, 2005, will be retired from the General Debt Service Fund or Highway/Public Works Funds.

General obligation bonds, capital outlay notes, and other loans outstanding as of June 30, 2005, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-05
General Obligation Bonds -			
Refunding	3.55 to 4.2 %	\$ 11,905,000	\$ 3,600,000
Capital Outlay Notes	2.66 to 4.6	2,375,667	1,911,556
Other Loans	Variable	11,066,268	9,781,268
Other Loans - Synthetic			
Fixed by Swap	5.72	24,150,166	24,150,166

Cumberland County has entered into various loan agreements with the Sevier County Public Building Authority and the Blount County Public Building Authority (PBAs) to finance various capital projects for the discretely presented Cumberland County School Department. Under the loan agreements, the PBAs issued revenue bonds and made the proceeds available for loan to Cumberland County. In addition to repaying the loans, the county pays various other fees (trustee, debt remarketing, etc.) in connection with these loans. The following table summarizes loan agreements outstanding at June 30, 2005:

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-05	Interest Type	Interest Rates as of 6-30-05	Approximate Fee Rates as of 6-30-05
Sevier County PBA:					
Series III-B-4	\$ 6,000,000	\$ 4,715,000	Variable	2.3 %	0.515%
Series IV-F-2	7,500,000	7,500,000	Synthetic Fixed by Swap	3.83	0.445
Series IV-H-2	6,650,166	6,650,166	Synthetic Fixed by Swap	4.06	0.45
Series A-7-A	5,000,000	5,000,000	Variable	2.26	0.46
Series VI-C-2	10,000,000	10,000,000	Synthetic Fixed by Swap	3.238	0.45
Blount County PBA:					
Series VI-C-2	66,268	66,268	Variable	2.26	0.45

The annual requirements to amortize all general obligation bonds, notes, and other loans outstanding as of June 30, 2005, including interest payments and other loan fees, are presented in the following table:

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2006	\$ 1,275,000	\$ 132,588	\$ 626,611	\$ 57,142
2007	750,000	93,000	959,945	37,820
2008	775,000	63,000	162,500	13,195
2009	800,000	32,000	162,500	6,598
Total	\$ 3,600,000	\$ 320,588	\$ 1,911,556	\$ 114,755

Year Ending June 30	Other Loan (\$6,000,000)			
	Principal	Interest	Other Fees	Total
2006	\$ 260,000	\$ 108,445	\$ 24,282	\$ 392,727
2007	270,000	102,465	22,943	395,408
2008	285,000	96,255	21,553	402,808
2009	305,000	89,700	20,085	414,785
2010	320,000	82,685	18,514	421,199
2011-2015	1,880,000	294,975	66,049	2,241,024
2016-2018	1,395,000	65,320	14,626	1,474,946
Total	\$ 4,715,000	\$ 839,845	\$ 188,052	\$ 5,742,897

Year Ending June 30	Other Loan (\$7,500,000)			
	Principal	Interest	Other Fees	Total
2006	\$ 0	\$ 169,500	\$ 33,375	\$ 202,875
2007	0	169,500	33,375	202,875
2008	0	169,500	33,375	202,875
2009	0	169,500	33,375	202,875
2010	450,000	169,500	33,375	652,875
2011-2015	2,615,000	684,215	134,723	3,433,938
2016-2020	4,435,000	344,650	67,863	4,847,513
Total	\$ 7,500,000	\$ 1,876,365	\$ 369,461	\$ 9,745,826

Year Ending June 30	Other Loan (\$6,650,166)			
	Principal	Interest	Other Fees	Total
2006	\$ 0	\$ 150,290	\$ 29,926	\$ 180,216
2007	0	150,290	29,926	180,216
2008	0	150,290	29,926	180,216
2009	0	150,290	29,926	180,216
2010	0	150,290	29,926	180,216
2011-2015	0	751,450	149,630	901,080
2016-2020	0	751,450	149,630	901,080
2021-2025	4,365,000	579,923	115,471	5,060,394
2026-2027	2,285,166	78,189	15,570	2,378,925
Total	\$ 6,650,166	\$ 2,912,462	\$ 579,931	\$ 10,142,559

Year Ending June 30	Other Loan (\$5,000,000)			
	Principal	Interest	Other Fees	Total
2006	\$ 0	\$ 113,000	\$ 23,000	\$ 136,000
2007	0	113,000	23,000	136,000
2008	0	113,000	23,000	136,000
2009	0	113,000	23,000	136,000
2010	0	113,000	23,000	136,000
2011-2015	0	565,000	115,000	680,000
2016-2020	0	565,000	115,000	680,000
2021-2025	0	565,000	115,000	680,000
2026-2030	3,645,000	485,561	98,831	4,229,392
2031	1,355,000	30,623	6,233	1,391,856
Total	\$ 5,000,000	\$ 2,776,184	\$ 565,064	\$ 8,341,248

Year Ending June 30	Other Loan (\$10,000,000)			
	Principal	Interest	Other Fees	Total
2006	\$ 0	\$ 226,000	\$ 45,000	\$ 271,000
2007	0	226,000	45,000	271,000
2008	0	226,000	45,000	271,000
2009	0	226,000	45,000	271,000
2010	0	226,000	45,000	271,000
2011-2015	0	1,130,000	225,000	1,355,000
2016-2020	0	1,130,000	225,000	1,355,000
2021-2025	0	1,130,000	225,000	1,355,000
2026-2030	0	1,130,000	225,000	1,355,000
2031-2035	4,525,000	983,100	195,750	5,703,850
2036-2039	5,475,000	316,965	63,112	5,855,077
Total	\$ 10,000,000	\$ 6,950,065	\$ 1,383,862	\$ 18,333,927

Year Ending June 30	Other Loan (\$10,000,000)			
	Principal	Interest	Other Fees	Total
2006	\$ 0	\$ 226,000	\$ 45,000	\$ 271,000
2007	0	226,000	45,000	271,000
2008	0	226,000	45,000	271,000
2009	0	226,000	45,000	271,000
2010	0	226,000	45,000	271,000
2011-2015	0	1,130,000	225,000	1,355,000
2016-2020	0	1,130,000	225,000	1,355,000
2021-2022	66,268	452,000	90,000	608,268
Total	\$ 66,268	\$ 3,842,000	\$ 765,000	\$ 4,673,268

There is \$15,617,998 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita amounted to \$77, based on the 2000 federal census. Total debt per capita, including bonds, other loans, and notes, amounted to \$843, based on the 2000 federal census.

Under its loan agreement, the Public Building Authority of Sevier County, Tennessee, at the request of the county, has entered into an interest rate swap agreement for all of the outstanding Local Government Improvement Bonds, Series IV-F-2.

Objective of the interest rate swap. In order to protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the county requested the authority, on its behalf, to enter into an interest rate swap in connection with its \$7.5 million Series IV-F-2 variable-rate bonds. The intention of the swap was to effectively change the county's variable interest rate on the bonds to a synthetic fixed rate.

Terms. Under the swap, the authority pays the counterparty a fixed payment of 3.9 percent and receives a variable payment computed as 70 percent of the one-month London Interbank Offered Rate (LIBOR). The swap has a notional amount of \$7.5 million and the associated variable-rate bond has a \$7.5 million principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the Series IV-F-2 bonds. The bonds' variable-rates have historically approximated the Bond Market Association Municipal Index (BMA). The bonds and the related swap agreement mature on June 1, 2020. As of June 30, 2005, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest rate swap:		
Fixed payment to counterparty	Fixed	3.9 %
Variable payment from counterparty	70% of LIBOR	<u>-2.33</u>
Net interest rate swap payments		1.57 %
Variable-rate bond payments		<u>2.26</u>
Synthetic interest rate on bonds		<u><u>3.83 %</u></u>

Fair value. As of June 30, 2005, the swap had a negative fair value of \$584,270. The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the rates on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates and then discounts those cash flows at their present value, using the zero coupon method.

Credit risk. As of June 30, 2005, the county was not exposed to credit risk because the swap had a negative fair value. However, if interest rates change and the fair value of the swap becomes positive, the county would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was unrated at the time of the swap. In order to mitigate the potential for credit risk, the authority, on behalf of the county, received a Financial Guarantee Insurance Policy for the swap agreement from Ambac Assurance Corporation, which was rated AAA by Standard and Poor's and

Fitch and Aaa by Moody's Investor Service as of June 30, 2005. If Ambac's credit rating is downgraded, the counterparty is required to post collateral with a third-party custodian.

Basis risk. As noted above, the swap exposes the county to basis risk if BMA increases to above 70 percent of LIBOR, thus increasing the synthetic rate on the bonds. If a change occurs that results in the BMA to be below 70 percent of LIBOR, then the synthetic rate on the bonds will decrease. The effect of this difference in basis points is indicated by the difference between the rate paid to the counterparty of 3.9 percent and the synthetic rate of 3.83 percent as of June 30, 2005. Also, as of June 30, 2005, the BMA rate was 2.26 percent whereas 70 percent of LIBOR was 2.33 percent.

Termination risk. The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an "additional termination provision." The authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the authority would be liable to the counterparty for a payment equal to the swap's fair value. Likewise, if the swap has a positive fair value at termination, the counterparty would be liable to the authority for a payment equal to the swap's fair value.

Swap payments and associated debt. As of June 30, 2005, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Variable Rate Bonds		Net Interest Rate Swap		Total
	Principal	Interest	Payment		
2006	\$ 0	\$ 169,500	\$ 117,750	\$	287,250
2007	0	169,500	117,750		287,250
2008	0	169,500	117,750		287,250
2009	0	169,500	117,750		287,250
2010	450,000	169,500	117,750		737,250
2011-2015	2,615,000	684,215	475,318		3,774,533
2016-2020	4,435,000	344,650	239,425		5,019,075
	<u>\$ 7,500,000</u>	<u>\$ 1,876,365</u>	<u>\$ 1,303,493</u>	<u>\$</u>	<u>10,679,858</u>

Under its loan agreement, the Public Building Authority of Sevier County, Tennessee, at the request of the county, has entered into an interest rate swap agreement for all of the outstanding Local Government Improvement Bonds, Series IV-H-2.

Objective of the interest rate swap. In order to protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the county requested the authority, on its behalf, to enter into an interest rate swap in connection with its \$6,650,166 Series IV-H-2 variable-rate bonds. The intention of the swap was to effectively change the county's variable interest rate on the bonds to a synthetic fixed rate.

Terms. Under the swap, the authority pays the counterparty a fixed payment of 4.13 percent and receives a variable payment computed as 70 percent of the one-month London Interbank Offered Rate (LIBOR). The swap has a notional amount of \$6,650,166, and the associated variable-rate bond has a \$6,650,166 principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the Series IV-H-2 bonds. The bonds' variable-rates have historically approximated the Bond Market Association Municipal Index (BMA). The bonds and the related swap agreement mature on June 1, 2027. As of June 30, 2005, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest rate swap:		
Fixed payment to counterparty	Fixed	4.13 %
Variable payment from counterparty	70% of LIBOR	<u>-2.33</u>
Net interest rate swap payments		1.80 %
Variable-rate bond payments		<u>2.26</u>
Synthetic interest rate on bonds		<u><u>4.06 %</u></u>

Fair value. As of June 30, 2005, the swap had a negative fair value of \$865,351. The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the rates on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates, and then discounts those cash flows at their present value, using the zero coupon method.

Credit risk. As of June 30, 2005, the county was not exposed to credit risk because the swap had a negative fair value. However, if interest rates change and the fair value of the swap becomes positive, the county would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was unrated at the time of the swap. In order to mitigate the potential for credit risk, the authority, on behalf of the county, received a Financial Guarantee Insurance Policy for the swap agreement from Ambac Assurance Corporation, which was rated AAA by Standard and Poor's and Fitch and Aaa by Moody's Investor Service as of June 30, 2005. If Ambac's credit rating is downgraded, the counterparty is required to post collateral with a third-party custodian.

Basis risk. As noted above, the swap exposes the county to basis risk if BMA increases to above 70 percent of LIBOR, thus increasing the synthetic rate on the bonds. If a change occurs that results in the BMA to be below 70 percent of LIBOR, then the synthetic rate on the bonds will decrease. The effect of this difference in basis points is indicated by the difference between the rate paid to the counterparty of 4.13 percent and the synthetic rate of 4.06 percent as of June 30, 2005. Also, as of June 30, 2005, the BMA rate was 2.26 percent whereas 70 percent of LIBOR was 2.33 percent.

Termination risk. The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an “additional termination provision.” The authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the authority would be liable to the counterparty for a payment equal to the swap’s fair value. Likewise, if the swap has a positive fair value at termination, the counterparty would be liable to the authority for a payment equal to the swap’s fair value.

Swap payments and associated debt. As of June 30, 2005, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Variable Rate Bonds		Net Interest Rate Swap		Total
	Principal	Interest	Payment		
2006	\$ 0	\$ 150,290	\$ 119,700	\$	269,990
2007	0	150,290	119,700		269,990
2008	0	150,290	119,700		269,990
2009	0	150,290	119,700		269,990
2010	0	150,290	119,700		269,990
2011-2015	0	751,450	598,500		1,349,950
2016-2020	0	751,450	598,500		1,349,950
2021-2025	4,365,000	579,923	503,010		5,447,933
2026-2027	2,285,166	78,189	21,150		2,384,505
	<u>\$ 6,650,166</u>	<u>\$ 2,912,462</u>	<u>\$ 2,319,660</u>	<u>\$</u>	<u>11,882,288</u>

Under its loan agreement, the Public Building Authority of Sevier County, Tennessee, at the request of the county, has entered into an interest rate swap agreement for all of the outstanding Local Government Improvement Bonds, Series VI-C-2.

Objective of the interest rate swap. In order to protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the county requested the authority, on its behalf, to enter into an interest rate swap in connection with its \$10 million Series VI-C-2 variable-rate bonds. The intention of the swap was to effectively change the county's variable interest rate on the bonds to a synthetic fixed rate.

Terms. Under the swap, the authority pays the counterparty a fixed payment of 3.293 percent and receives a variable payment computed as 59 percent of the one-month London Interbank Offered Rate (LIBOR) plus 35 basis points. The swap has a notional amount of \$10 million, and the associated variable-rate bond has a \$10 million principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the Series VI-C-2 bonds. The bonds' variable-rates have historically approximated the Bond Market Association Municipal Index (BMA). The bonds and the related swap agreement mature on June 1, 2039. As of June 30, 2005, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest rate swap:		
Fixed payment to counterparty	Fixed	3.293 %
Variable payment from counterparty	59% of LIBOR + 35 basis points	-2.315
Net interest rate swap payments		<u>0.978 %</u>
Variable-rate bond payments		<u>2.260</u>
Synthetic interest rate on bonds		<u><u>3.238 %</u></u>

Fair value. As of June 30, 2005, the swap had a negative fair value of \$452,586. The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the rates on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates, and then discounts those cash flows at their present value.

Credit risk. As of June 30, 2005, the county was not exposed to credit risk because the swap had a negative fair value. However, if interest rates change and the fair value of the swap becomes positive, the county would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was unrated at the time of the swap. In order to mitigate the potential for credit risk, the authority, on behalf of the county, received a Financial Guarantee Insurance Policy for the swap agreement from Ambac Assurance Corporation, which was rated AAA by Standard and Poor's and Fitch and Aaa by Moody's Investor Service as of June 30, 2005. If Ambac's credit rating is downgraded, the counterparty is required to post collateral with a third-party custodian.

Basis risk. As noted above, the swap exposes the county to basis risk if BMA increases to above 59 percent of LIBOR plus the 35 basis points, thus increasing the synthetic rate on the bonds. If a change occurs that results in the BMA to be below 59 percent of LIBOR plus the 35 basis points, then the synthetic rate on the bonds will decrease. The effect of this difference in basis points is indicated by the difference between the rate paid to the counterparty of 3.293 percent and the synthetic rate of 3.238 percent as of June 30, 2005. Also, as of June 30, 2005, the BMA rate was 2.26 percent whereas 59 percent of LIBOR plus 35 basis points was 2.315 percent.

Termination risk. The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an “additional termination provision.” The authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the authority would be liable to the counterparty for a payment equal to the swap’s fair value. Likewise, if the swap has a positive fair value at termination, the counterparty would be liable to the authority for a payment equal to the swap’s fair value.

Swap payments and associated debt. As of June 30, 2005, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Variable Rate Bonds		Net Interest Rate Swap Payment		Total
	Principal	Interest			
2006	\$ 0	\$ 226,000	\$ 97,800	\$ 323,800	
2007	0	226,000	97,800	323,800	
2008	0	226,000	97,800	323,800	
2009	0	226,000	97,800	323,800	
2010	0	226,000	97,800	323,800	
2011-2015	0	1,130,000	489,000	1,619,000	
2016-2020	0	1,130,000	489,000	1,619,000	
2021-2025	0	1,130,000	489,000	1,619,000	
2026-2030	0	1,130,000	489,000	1,619,000	
2031-2035	4,525,000	983,100	381,176	5,889,276	
2036-2039	5,475,000	316,965	181,419	5,973,384	
	<u>\$ 10,000,000</u>	<u>\$ 6,950,065</u>	<u>\$ 3,007,595</u>	<u>\$ 19,957,660</u>	

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2005, was as follows:

Governmental Activities:

	<u>Bonds</u>	<u>Notes</u>	<u>Other Loans</u>
Balance, July 1, 2004	\$ 4,865,000	\$ 1,725,667	\$ 24,110,166
Additions	3,085,000	650,000	10,066,268
Deductions	<u>(4,350,000)</u>	<u>(464,111)</u>	<u>(245,000)</u>
Balance, June 30, 2005	<u>\$ 3,600,000</u>	<u>\$ 1,911,556</u>	<u>\$ 33,931,434</u>
Balance Due Within One Year	<u>\$ 1,275,000</u>	<u>\$ 626,611</u>	<u>\$ 260,000</u>

Advance or Current Refunding

On March 31, 2005, Cumberland County advance refunded a general obligation bond issue with a separate general obligation bond issue. The county issued \$3,085,000 of general obligation refunding bonds to provide resources to purchase U.S. government securities that were placed in an irrevocable trust to generate resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered defeased, and the liability has been removed from the county's long-term debt. As a result of the advance refunding, total debt service payments over the next five years will be reduced by \$58,334, and an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$53,729 was obtained.

Cumberland County Solid Waste Disposal Fund (Enterprise Fund)

Long-term liability activity for the Solid Waste Disposal Fund (enterprise fund) for the year ended June 30, 2005, was as follows:

	<u>Closure/ Postclosure Care Costs</u>
Business-type Activities:	
Balance, July 1, 2004	\$ 2,357,192
Additions	303,055
Deductions	<u>(5,000)</u>
Balance, June 30, 2005	<u>\$ 2,655,247</u>
Balance Due Within One Year	<u>\$ 12,700</u>

Total debt per capita of the enterprise fund for closure/postclosure care costs amounted to \$57, based on the 2000 federal census.

IV. OTHER INFORMATION

A. Risk Management

The county is exposed to various risks related to general liability, property, casualty, and workers' compensation losses. Cumberland County is a member of the Local Government Property and Casualty Fund (LGPCF) and the Local Government Workers' Compensation Fund (LGWCF), which are public entity risk pools established by the Tennessee County Services Association, an association of member counties. The county pays annual premiums to the LGPCF and LGWCF for general liability, property, casualty, and workers' compensation insurance coverage. The creation of the LGPCF and LGWCF provides for the pools to be self-sustaining through member premiums. The LGPCF reinsures through commercial insurance companies for claims exceeding \$100,000 for each insured event.

The county is a member of the Local Government Group Insurance (LGGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local governments and quasi-governmental entities that were established for the primary purpose of providing services for or on behalf of state and local governments. In accordance with Section 8-27-207, Tennessee Code Annotated, all local governments and quasi-governmental entities described above are eligible to participate. The LGGIF is included in the Comprehensive Annual Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. The state statute provides for the LGGIF to be self-sustaining through member premiums.

B. Accounting Change

During the year, Cumberland County adopted the provisions of Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures. These provisions modified the county's previous custodial risk disclosures for deposits and investments and related collateral. These provisions also added disclosures about other types of risk, including credit risk, interest rate risk, foreign currency risk, and concentrations of credit risk. Governments are also required to provide brief disclosures about their deposit and investment policies that are related to any of the risks required to be disclosed.

C. Subsequent Events

During the period July 1, 2005, to January 25, 2006, Cumberland County received loan proceeds of \$9,933,732 under a previously approved \$10,000,000 loan agreement with the Public Building Authority of Sevier County.

On December 28, 2005, the county entered into an \$8,200,000 loan agreement with the Public Building Authority of Blount County for school construction

and renovation (\$6,800,000) and an addition to the jail (\$1,400,000). As of the date of this report, the county has drawn \$2,000,000 of this amount.

D. Contingent Liabilities

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

E. Landfill Closure/Postclosure Care Costs

State and federal laws and regulations require the county to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. These closure and postclosure care costs generally are paid near or after the date that the landfill stops accepting waste. The Solid Waste Disposal Fund reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$2,655,247 reported as landfill closure and postclosure care liability at June 30, 2005, represents the cumulative amount reported to date based on the use of 100 percent of the capacity of the old landfill (\$316,325), which was closed during the 1999-2000 year; 56 percent of the estimated capacity of the new Class I landfill (\$791,357); and 100 percent of the capacity of the Class III/IV landfill (\$1,547,564). The new Class I landfill will recognize the remaining estimated cost of closure care of \$621,780 as the remaining estimated capacity is filled. The county expects to close the new Class I landfill in May 2009. These amounts are based on what it would cost to perform all closure and postclosure care in 2005. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

F. Retirement Commitments

Plan Description

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

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

Funding Policy

Cumberland 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, 2005, was 6.98 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Cumberland County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2005, Cumberland County's annual pension cost of \$932,548 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2003, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Cumberland 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, 2003, was 12 years.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-05	\$932,548	100%	\$0
6-30-04	743,038	100	0
6-30-03	711,887	100	0

Required Supplementary Information

Schedule of Funding Progress for Cumberland County

(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)
6-30-03	\$19,399	\$21,840	\$2,441	88.82%	\$12,116	20.15%
6-30-01	16,286	19,020	2,734	85.63	10,585	25.83
6-30-99	13,187	15,507	2,320	85.04	9,184	25.26

G. Office of Central Accounting and Budgeting

Cumberland County operates under the provisions of the County Financial Management System of 1981. This act provides for a central system of accounting, budgeting, and purchasing for all county departments. The act provides for the creation of a Finance Department operated under the direction of the finance director.

H. Purchasing Law

Purchasing procedures for Cumberland County are governed by the County Financial Management Act of 1981, Sections 5-21-101 through 5-21-129, Tennessee Code Annotated. This act requires the finance director to make purchases for all county funds and provides for all purchases exceeding \$5,000 (\$10,000 for the Highway Department) to be made based on competitive bids solicited through newspaper advertisement.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit E-1

Cumberland County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Fund
For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 8,731,564	\$ 0	\$ 8,731,564	\$ 8,364,525	\$ 8,364,525	\$ 367,039
Licenses and Permits	176,706	0	176,706	133,000	133,000	43,706
Fines, Forfeitures and Penalties	246,423	0	246,423	248,100	248,100	(1,677)
Charges for Current Services	2,043,298	0	2,043,298	1,676,700	1,676,700	366,598
Other Local Revenues	628,283	0	628,283	421,965	422,465	205,818
Fees Received from County Officials	2,239,809	0	2,239,809	2,194,800	2,194,800	45,009
State of Tennessee	1,542,941	0	1,542,941	1,772,412	1,657,366	(114,425)
Federal Government	577,079	0	577,079	121,938	1,022,285	(445,206)
Other Governments and Citizens Groups	477,876	0	477,876	473,262	473,262	4,614
Total Revenues	<u>\$ 16,663,979</u>	<u>\$ 0</u>	<u>\$ 16,663,979</u>	<u>\$ 15,406,702</u>	<u>\$ 16,192,503</u>	<u>\$ 471,476</u>
<u>Expenditures</u>						
<u>General Government</u>						
County Commission	\$ 156,754	\$ 0	\$ 156,754	\$ 76,240	\$ 166,690	\$ 9,936
Board of Equalization	2,800	0	2,800	2,800	2,800	0
Beer Board	1,703	0	1,703	3,500	3,750	2,047
County Mayor/County Executive	144,190	5,860	150,050	133,630	161,695	11,645
County Attorney	66,237	0	66,237	36,000	65,000	(1,237)
Election Commission	224,081	0	224,081	207,115	244,555	20,474
Register of Deeds	250,030	0	250,030	237,649	294,399	44,369
County Buildings	781,381	16,034	797,415	776,110	841,410	43,995
Other General Administration	271,116	0	271,116	232,726	274,941	3,825
<u>Finance</u>						
Accounting and Budgeting	318,592	0	318,592	290,402	365,802	47,210
Property Assessor's Office	415,531	0	415,531	359,988	434,638	19,107
Reappraisal Program	115,254	0	115,254	93,160	120,375	5,121
County Trustee's Office	224,554	0	224,554	177,962	228,862	4,308

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Finance (Cont.)</u>						
County Clerk's Office	\$ 324,359	\$ 0	\$ 324,359	\$ 267,695	\$ 349,295	\$ 24,936
<u>Administration of Justice</u>						
Circuit Court	436,845	0	436,845	350,711	453,061	16,216
General Sessions Court	168,964	0	168,964	142,241	171,616	2,652
Chancery Court	221,718	0	221,718	181,974	231,949	10,231
Juvenile Court	72,323	0	72,323	57,442	76,267	3,944
Judicial Commissioners	150,965	0	150,965	126,012	159,412	8,447
Probate Court	63,399	0	63,399	52,037	70,237	6,838
<u>Public Safety</u>						
Sheriff's Department	1,926,699	0	1,926,699	1,623,152	2,031,052	104,353
Drug Enforcement	16,147	0	16,147	47,991	47,991	31,844
Jail	2,312,655	0	2,312,655	2,046,098	2,446,698	134,043
Juvenile Services	96,861	0	96,861	105,510	122,810	25,949
Fire Prevention and Control	1,148,320	42,044	1,190,364	846,777	1,311,322	120,958
Civil Defense	171,884	123	172,007	205,788	293,328	121,321
Rescue Squad	8,500	0	8,500	8,500	8,500	0
Other Emergency Management	676,102	0	676,102	549,948	714,648	38,546
County Coroner/Medical Examiner	39,739	0	39,739	52,000	52,000	12,261
Other Public Safety	21,168	0	21,168	21,075	22,475	1,307
<u>Public Health and Welfare</u>						
Local Health Center	485,308	0	485,308	466,375	568,175	82,867
Rabies and Animal Control	82,965	0	82,965	76,506	87,556	4,591
Ambulance/Emergency Medical Services	2,089,402	0	2,089,402	1,970,521	2,364,571	275,169
Alcohol and Drug Programs	78,240	0	78,240	57,814	78,634	394
Appropriation to State	57,500	0	57,500	57,500	57,500	0

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Social, Cultural and Recreational Services</u>						
Senior Citizens Assistance	\$ 28,000	\$ 0	\$ 28,000	\$ 28,000	\$ 28,000	\$ 0
Libraries	315,449	0	315,449	277,819	328,519	13,070
Parks and Fair Boards	130,622	0	130,622	125,296	137,046	6,424
Other Social, Cultural and Recreational	46,800	0	46,800	46,800	46,800	0
<u>Agriculture & Natural Resources</u>						
Agriculture Extension Service	71,252	0	71,252	81,087	94,687	23,435
Soil Conservation	36,011	0	36,011	27,813	36,813	802
<u>Other Operations</u>						
Tourism	76,030	0	76,030	76,500	76,500	470
Other Economic and Community Development	33,994	0	33,994	0	500,000	466,006
Veterans' Services	4,800	0	4,800	4,800	4,800	0
Other Charges	373,235	0	373,235	410,000	442,000	68,765
Contributions to Other Agencies	25,000	0	25,000	25,000	25,000	0
Employee Benefits	286,677	0	286,677	3,139,132	561,327	274,650
Miscellaneous	58,115	0	58,115	60,500	60,500	2,385
<u>Capital Projects</u>						
Other General Government Projects	0	0	0	100,000	0	0
Total Expenditures	<u>\$ 15,108,271</u>	<u>\$ 64,061</u>	<u>\$ 15,172,332</u>	<u>\$ 16,343,696</u>	<u>\$ 17,266,006</u>	<u>\$ 2,093,674</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 1,555,708</u>	<u>\$ (64,061)</u>	<u>\$ 1,491,647</u>	<u>\$ (936,994)</u>	<u>\$ (1,073,503)</u>	<u>\$ 2,565,150</u>
<u>Other Financing Sources (Uses)</u>						
Transfers Out	\$ (795,000)	\$ 0	\$ (795,000)	\$ (795,000)	\$ (795,000)	\$ 0
Total Other Financing Sources (Uses)	<u>\$ (795,000)</u>	<u>\$ 0</u>	<u>\$ (795,000)</u>	<u>\$ (795,000)</u>	<u>\$ (795,000)</u>	<u>\$ 0</u>

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
Net Change in Fund Balance	\$ 760,708	\$ (64,061)	\$ 696,647	\$ (1,731,994)	\$ (1,868,503)	\$ 2,565,150
Fund Balance, July 1, 2004	1,999,337	0	1,999,337	1,960,068	1,960,068	39,269
Fund Balance, June 30, 2005	\$ 2,760,045	\$ (64,061)	\$ 2,695,984	\$ 228,074	\$ 91,565	\$ 2,604,419

Exhibit E-2

Cumberland County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 122,895	\$ 150,000	\$ 156,000	\$ (33,105)
Other Local Revenues	11,286	1,000	1,000	10,286
State of Tennessee	2,413,981	2,630,585	2,651,450	(237,469)
Federal Government	129,529	23,192	129,327	202
Total Revenues	<u>\$ 2,677,691</u>	<u>\$ 2,804,777</u>	<u>\$ 2,937,777</u>	<u>\$ (260,086)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 126,358	\$ 106,655	\$ 131,805	\$ 5,447
Highway and Bridge Maintenance	1,421,670	1,614,000	1,872,200	450,530
Operation and Maintenance of Equipment	302,526	272,500	343,700	41,174
Other Charges	96,329	118,700	118,700	22,371
Employee Benefits	76,837	353,000	99,450	22,613
Capital Outlay	492,043	653,000	693,000	200,957
<u>Debt Service Principal</u>				
Highways and Streets	111,111	111,111	111,111	0
<u>Debt Service Interest</u>				
Highways and Streets	20,278	21,000	21,000	722
Total Expenditures	<u>\$ 2,647,152</u>	<u>\$ 3,249,966</u>	<u>\$ 3,390,966</u>	<u>\$ 743,814</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 30,539</u>	<u>\$ (445,189)</u>	<u>\$ (453,189)</u>	<u>\$ 483,728</u>
Net Change in Fund Balance	\$ 30,539	\$ (445,189)	\$ (453,189)	\$ 483,728
Fund Balance, July 1, 2004	497,252	746,547	746,547	(249,295)
Fund Balance, June 30, 2005	<u>\$ 527,791</u>	<u>\$ 301,358</u>	<u>\$ 293,358</u>	<u>\$ 234,433</u>

CUMBERLAND COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2005

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, 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 statement.

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

Nonmajor Governmental Funds

Special Revenue Funds

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

Courthouse and Jail Maintenance Fund – The Courthouse and Jail Maintenance Fund is used to account for a special tax levied by private act on litigation.

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.

Exhibit F-1

Cumberland County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Solid Waste/ Sanitation	Drug Control	Constitu- tional Officers - Fees	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 71,434	\$ 71,434
Equity in Pooled Cash and Investments	273,908	335,203	112,733	0	721,844
Accounts Receivable	0	8,581	0	3,743	12,324
Due from Other Governments	0	18,822	15,000	0	33,822
Total Assets	<u>\$ 273,908</u>	<u>\$ 362,606</u>	<u>\$ 127,733</u>	<u>\$ 75,177</u>	<u>\$ 839,424</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 4,131	\$ 41,732	\$ 0	\$ 0	\$ 45,863
Due to Other Funds	0	0	0	75,177	75,177
Other Deferred Revenues	0	18,822	0	0	18,822
Total Liabilities	<u>\$ 4,131</u>	<u>\$ 60,554</u>	<u>\$ 0</u>	<u>\$ 75,177</u>	<u>\$ 139,862</u>
<u>Fund Balances</u>					
Unreserved	\$ 269,777	\$ 302,052	\$ 127,733	\$ 0	\$ 699,562
Total Fund Balances	<u>\$ 269,777</u>	<u>\$ 302,052</u>	<u>\$ 127,733</u>	<u>\$ 0</u>	<u>\$ 699,562</u>
Total Liabilities and Fund Balances	<u>\$ 273,908</u>	<u>\$ 362,606</u>	<u>\$ 127,733</u>	<u>\$ 75,177</u>	<u>\$ 839,424</u>

Exhibit F-2

Cumberland County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2005

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Solid Waste/ Sanitation	Drug Control	Constitu- tional Officers - Fees	
<u>Revenues</u>					
Local Taxes	\$ 88,618	\$ 0	\$ 0	\$ 0	\$ 88,618
Fines, Forfeitures, and Penalties	0	400	36,927	0	37,327
Charges for Current Services	0	0	0	51	51
Other Local Revenues	0	183,983	0	0	183,983
State of Tennessee	0	13,878	15,000	0	28,878
Total Revenues	<u>\$ 88,618</u>	<u>\$ 198,261</u>	<u>\$ 51,927</u>	<u>\$ 51</u>	<u>\$ 338,857</u>
<u>Expenditures</u>					
Current:					
General Government	\$ 96,848	\$ 0	\$ 0	\$ 12	\$ 96,860
Finance	0	0	0	39	39
Public Safety	0	0	37,436	0	37,436
Public Health and Welfare	0	941,780	0	0	941,780
Other Operations	899	685,877	270	0	687,046
Highways	0	49,608	0	0	49,608
Total Expenditures	<u>\$ 97,747</u>	<u>\$ 1,677,265</u>	<u>\$ 37,706</u>	<u>\$ 51</u>	<u>\$ 1,812,769</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (9,129)</u>	<u>\$ (1,479,004)</u>	<u>\$ 14,221</u>	<u>\$ 0</u>	<u>\$ (1,473,912)</u>
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 0	\$ 650,000	\$ 0	\$ 0	\$ 650,000
Transfers In	0	795,000	0	0	795,000
Transfers Out	0	(3,252)	0	0	(3,252)
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 1,441,748</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,441,748</u>
Net Change in Fund Balances	\$ (9,129)	\$ (37,256)	\$ 14,221	\$ 0	\$ (32,164)
Fund Balance, July 1, 2004	278,906	339,308	113,512	0	731,726
Fund Balance, June 30, 2005	<u>\$ 269,777</u>	<u>\$ 302,052</u>	<u>\$ 127,733</u>	<u>\$ 0</u>	<u>\$ 699,562</u>

Exhibit F-3

Cumberland County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Courthouse & Jail Maintenance Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 88,618	\$ 93,000	\$ 93,000	\$ (4,382)
Total Revenues	\$ 88,618	\$ 93,000	\$ 93,000	\$ (4,382)
<u>Expenditures</u>				
<u>General Government</u>				
County Buildings	\$ 96,848	\$ 90,000	\$ 100,000	\$ 3,152
<u>Other Operations</u>				
Other Charges	899	1,500	1,500	601
Total Expenditures	\$ 97,747	\$ 91,500	\$ 101,500	\$ 3,753
Excess (Deficiency) of Revenues Over Expenditures	\$ (9,129)	\$ 1,500	\$ (8,500)	\$ (629)
Net Change in Fund Balance	\$ (9,129)	\$ 1,500	\$ (8,500)	\$ (629)
Fund Balance, July 1, 2004	278,906	278,906	278,906	0
Fund Balance, June 30, 2005	\$ 269,777	\$ 280,406	\$ 270,406	\$ (629)

Exhibit F-4

Cumberland County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 400	\$ 1,000	\$ 1,000	\$ (600)
Other Local Revenues	183,983	150,000	150,000	33,983
State of Tennessee	13,878	39,249	39,249	(25,371)
Total Revenues	\$ 198,261	\$ 190,249	\$ 190,249	\$ 8,012
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Waste Pickup	\$ 228,948	\$ 204,810	\$ 248,560	\$ 19,612
Convenience Centers	520,983	475,076	546,576	25,593
Recycling Center	191,849	226,617	256,992	65,143
<u>Other Operations</u>				
Other Charges	651,704	14,000	656,800	5,096
Employee Benefits	34,173	203,171	49,946	15,773
<u>Highways</u>				
Litter and Trash Collection	49,608	42,200	57,000	7,392
Total Expenditures	\$ 1,677,265	\$ 1,165,874	\$ 1,815,874	\$ 138,609
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,479,004)	\$ (975,625)	\$ (1,625,625)	\$ 146,621
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 650,000	\$ 0	\$ 650,000	\$ 0
Transfers In	795,000	795,000	795,000	0
Transfers Out	(3,252)	0	(3,252)	0
Total Other Financing Sources (Uses)	\$ 1,441,748	\$ 795,000	\$ 1,441,748	\$ 0
Net Change in Fund Balance	\$ (37,256)	\$ (180,625)	\$ (183,877)	\$ 146,621
Fund Balance, July 1, 2004	339,308	339,306	339,306	2
Fund Balance, June 30, 2005	\$ 302,052	\$ 158,681	\$ 155,429	\$ 146,623

Exhibit F-5

Cumberland County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 36,927	\$ 19,000	\$ 19,000	\$ 17,927
State of Tennessee	15,000	0	15,000	0
Total Revenues	<u>\$ 51,927</u>	<u>\$ 19,000</u>	<u>\$ 34,000</u>	<u>\$ 17,927</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 17,418	\$ 23,900	\$ 30,400	\$ 12,982
Other Public Safety	20,018	5,000	25,000	4,982
<u>Other Operations</u>				
Other Charges	270	500	500	230
Total Expenditures	<u>\$ 37,706</u>	<u>\$ 29,400</u>	<u>\$ 55,900</u>	<u>\$ 18,194</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 14,221</u>	<u>\$ (10,400)</u>	<u>\$ (21,900)</u>	<u>\$ 36,121</u>
Net Change in Fund Balance	\$ 14,221	\$ (10,400)	\$ (21,900)	\$ 36,121
Fund Balance, July 1, 2004	<u>113,512</u>	<u>113,512</u>	<u>113,512</u>	<u>0</u>
Fund Balance, June 30, 2005	<u>\$ 127,733</u>	<u>\$ 103,112</u>	<u>\$ 91,612</u>	<u>\$ 36,121</u>

Major Governmental Fund

General Debt Service Fund

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

Exhibit G

Cumberland County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 5,070,880	\$ 4,737,029	\$ 4,737,029	\$ 333,851
Other Local Revenues	0	1,000	1,000	(1,000)
Total Revenues	<u>\$ 5,070,880</u>	<u>\$ 4,738,029</u>	<u>\$ 4,738,029</u>	<u>\$ 332,851</u>
<u>Expenditures</u>				
<u>Debt Service Principal</u>				
General Government	\$ 1,618,000	\$ 1,583,000	\$ 1,618,000	\$ 0
Education	245,000	245,000	245,000	0
<u>Debt Service Interest</u>				
General Government	166,569	208,828	208,828	42,259
Education	1,014,107	1,642,108	1,642,108	628,001
<u>Other Debt Service</u>				
General Government	85,394	85,000	85,000	(394)
Education	48,101	0	48,101	0
Total Expenditures	<u>\$ 3,177,171</u>	<u>\$ 3,763,936</u>	<u>\$ 3,847,037</u>	<u>\$ 669,866</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 1,893,709</u>	<u>\$ 974,093</u>	<u>\$ 890,992</u>	<u>\$ 1,002,717</u>
<u>Other Financing Sources (Uses)</u>				
Refunding Debt Issued	\$ 3,085,000	0	\$ 3,085,000	\$ 0
Premiums on Debt Issued	97,155	0	97,155	0
Transfers In	3,252	0	0	3,252
Payments to Refunded Debt Escrow Agent	(3,134,054)	0	(3,134,054)	0
Total Other Financing Sources (Uses)	<u>\$ 51,353</u>	<u>\$ 0</u>	<u>\$ 48,101</u>	<u>\$ 3,252</u>
Net Change in Fund Balance	\$ 1,945,062	\$ 974,093	\$ 939,093	\$ 1,005,969
Fund Balance, July 1, 2004	13,672,936	13,672,934	13,672,934	2
Fund Balance, June 30, 2005	<u>\$ 15,617,998</u>	<u>\$ 14,647,027</u>	<u>\$ 14,612,027</u>	<u>\$ 1,005,971</u>

Fiduciary Funds

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

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

Delinquent Tax Agency Fund – The Delinquent Tax Agency Fund is used to account for funds received from the resale of county properties previously acquired through Chancery Court tax sales.

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

Exhibit H-1

Cumberland County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2005

	<u>Agency Funds</u>			
	Constitu- tional Officers - Agency	Delinquent Tax Agency	Cities - Sales Tax	Total
<u>ASSETS</u>				
Cash	\$ 966,454	\$ 0	\$ 0	\$ 966,454
Equity in Pooled Cash and Investments	0	59,017	0	59,017
Due from Other Governments	0	0	1,174,816	1,174,816
Total Assets	<u>\$ 966,454</u>	<u>\$ 59,017</u>	<u>\$ 1,174,816</u>	<u>\$ 2,200,287</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 0	\$ 59,017	\$ 0	\$ 59,017
Due to Litigants, Heirs, and Others	966,454	0	0	966,454
Due to Other Taxing Units	0	0	1,174,816	1,174,816
Total Liabilities	<u>\$ 966,454</u>	<u>\$ 59,017</u>	<u>\$ 1,174,816</u>	<u>\$ 2,200,287</u>

Exhibit H-2

Cumberland County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2005

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 910,439	\$ 9,650,622	\$ 9,594,607	\$ 966,454
Accounts Receivable	108	0	108	0
Total Assets	<u>\$ 910,547</u>	<u>\$ 9,650,622</u>	<u>\$ 9,594,715</u>	<u>\$ 966,454</u>
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 910,547	\$ 9,650,622	\$ 9,594,715	\$ 966,454
Total Liabilities	<u>\$ 910,547</u>	<u>\$ 9,650,622</u>	<u>\$ 9,594,715</u>	<u>\$ 966,454</u>
<u>Delinquent Tax Agency Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 41,880	\$ 25,373	\$ 8,236	\$ 59,017
Total Assets	<u>\$ 41,880</u>	<u>\$ 25,373</u>	<u>\$ 8,236</u>	<u>\$ 59,017</u>
<u>Liabilities</u>				
Accounts Payable	\$ 41,880	\$ 25,373	\$ 8,236	\$ 59,017
Total Liabilities	<u>\$ 41,880</u>	<u>\$ 25,373</u>	<u>\$ 8,236</u>	<u>\$ 59,017</u>
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 6,337,600	\$ 6,337,600	\$ 0
Due From Other Governments	1,049,013	1,174,816	1,049,013	1,174,816
Total Assets	<u>\$ 1,049,013</u>	<u>\$ 7,512,416</u>	<u>\$ 7,386,613</u>	<u>\$ 1,174,816</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 1,049,013	\$ 7,512,416	\$ 7,386,613	\$ 1,174,816
Total Liabilities	<u>\$ 1,049,013</u>	<u>\$ 7,512,416</u>	<u>\$ 7,386,613</u>	<u>\$ 1,174,816</u>

(Continued)

Exhibit H-2

Cumberland County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds (Cont.)

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 910,439	\$ 9,650,622	\$ 9,594,607	\$ 966,454
Equity in Pooled Cash and Investments	41,880	6,362,973	6,345,836	59,017
Accounts Receivable	108	0	108	0
Due From Other Governments	1,049,013	1,174,816	1,049,013	1,174,816
Total Assets	<u>\$ 2,001,440</u>	<u>\$ 17,188,411</u>	<u>\$ 16,989,564</u>	<u>\$ 2,200,287</u>
<u>Liabilities</u>				
Accounts Payable	\$ 41,880	\$ 25,373	\$ 8,236	\$ 59,017
Due to Litigants, Heirs, and Others	910,547	9,650,622	9,594,715	966,454
Due to Other Taxing Units	1,049,013	7,512,416	7,386,613	1,174,816
Total Liabilities	<u>\$ 2,001,440</u>	<u>\$ 17,188,411</u>	<u>\$ 16,989,564</u>	<u>\$ 2,200,287</u>

MISCELLANEOUS SCHEDULES

Exhibit I-1

Cumberland County, Tennessee
Schedule of Changes in Long-term Notes, Other Loans, and Bonds
For the Year Ended June 30, 2005

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-04	Issued During Period	Paid and/or Matured During Period	Debt Refunded	Outstanding 6-30-05
NOTES PAYABLE									
<u>Payable through General Debt Service Fund</u>									
Fire, Sanitation, and Community Complex	\$ 1,059,000	2.66 %	12-29-03	12-29-06	\$ 1,059,000	\$ 0	\$ 353,000	\$ 0	\$ 706,000
Landfill Expansion	650,000	4.06	4-19-05	4-19-09	0	650,000	0	0	650,000
<u>Payable through Highway/Public Works Fund</u>									
Refunding Road Improvements	666,667	3	6-28-04	6-28-07	666,667	0	111,111	0	555,556
Total Notes Payable					<u>\$ 1,725,667</u>	<u>\$ 650,000</u>	<u>\$ 464,111</u>	<u>\$ 0</u>	<u>\$ 1,911,556</u>
OTHER LOANS PAYABLE									
<u>Public Building Authority Loan Agreement</u>									
<u>Payable through General Debt Service Fund</u>									
Stone Elementary - Series III-B-4	6,000,000	Variable	7-23-1998	6-1-18	\$ 4,960,000	\$ 0	\$ 245,000	\$ 0	\$ 4,715,000
School Renovations - Series IV-F-2	7,500,000	3.83	12-28-00	6-1-20	7,500,000	0	0	0	7,500,000
Brown Elementary School - Series IV-H-2	6,650,166	4.06	10-25-01	6-1-27	6,650,166	0	0	0	6,650,166
Homestead Elementary - Series A-7-A	5,000,000	Variable	10-24-02	6-1-31	5,000,000	0	0	0	5,000,000
School Construction & Renovations - Series VI-C-2	10,000,000	3.238	10-21-04	6-1-39	0	10,000,000	0	0	10,000,000
School Construction & Renovations - Series D-1-C	(1)	Variable	3-17-05	6-1-32	0	66,268	0	0	66,268
Total Other Loans Payable					<u>\$ 24,110,166</u>	<u>\$ 10,066,268</u>	<u>\$ 245,000</u>	<u>\$ 0</u>	<u>\$ 33,931,434</u>
BONDS PAYABLE									
<u>Payable through General Debt Service Fund</u>									
Refunding Bonds	5,735,000	3.55 to 3.85	11-18-1998	12-1-05	\$ 1,780,000	\$ 0	\$ 1,230,000	\$ 0	\$ 550,000
Refunding Bonds	3,085,000	4 to 4.2	1-4-1999	3-31-05	3,085,000	0	0	3,085,000	0
Refunding Bonds	3,085,000	4	3-31-05	6-1-09	0	3,085,000	35,000	0	3,050,000
Total Bonds Payable					<u>\$ 4,865,000</u>	<u>\$ 3,085,000</u>	<u>\$ 1,265,000</u>	<u>\$ 3,085,000</u>	<u>\$ 3,600,000</u>

(1) The county has drawn loan proceeds of \$66,268. Total amount available from a loan agreement with the Public Building Authority is \$10,000,000.

Exhibit I-2

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

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2006	\$ 1,275,000	\$ 132,588	\$ 1,407,588
2007	750,000	93,000	843,000
2008	775,000	63,000	838,000
2009	800,000	32,000	832,000
Total	<u>\$ 3,600,000</u>	<u>\$ 320,588</u>	<u>\$ 3,920,588</u>

Exhibit I-3

Cumberland County, Tennessee
Schedule of Transfers - All Funds
For the Year Ended June 30, 2005

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Solid Waste/Sanitation	Operations	\$ 795,000
Solid Waste/Sanitation	General Debt Service	To retire debt	<u>3,252</u>
Total Transfers			<u>\$ 798,252</u>

Exhibit I-4

Cumberland County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
For the Year Ended June 30, 2005

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 62,333	\$ 50,000	Travelers Casualty and Surety Company of America
Highway Superintendent	Section 8-24-102, <u>TCA</u>	59,363	100,000	"
Trustee	Section 8-24-102, <u>TCA</u>	53,969	1,384,520	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	53,969	10,000	"
Director of Finance	County Commission	55,588 (1)	50,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	53,969	50,000	"
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	53,969	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u> , and Chancery Court Judge	58,669 (2)	50,000	"
Register	Section 8-24-102, <u>TCA</u>	53,969	25,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	59,365	25,000	"
Employee Blanket Bond Coverage - All County Departments:				
	Employee Dishonesty		150,000	Local Government Insurance Pool

(1) Includes longevity pay of \$1,619.

(2) Includes special commissioner fees of \$4,700.

Exhibit I-5

Cumberland County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2005

	Special Revenue Funds						Debt Service Fund	Total
	General	Courthouse and Jail Maintenance	Solid Waste/ Sanitation	Drug Control	Constitutional Officers - Fees	Highway/ Public Works	General Debt Service	
<u>Local Taxes</u>								
<u>County Property Taxes</u>								
Current Property Tax	\$ 6,367,078	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,225,987	\$ 9,593,065
Trustee's Collections - Prior Year	154,677	0	0	0	0	0	90,048	244,725
Circuit/Clerk & Master Collections - Prior Years	81,592	0	0	0	0	0	46,501	128,093
Interest and Penalty	69,428	0	0	0	0	0	39,217	108,645
Payments in Lieu of Taxes - Local Utilities	4,266	0	0	0	0	0	0	4,266
Payments in Lieu of Taxes - Other	125,736	0	0	0	0	0	0	125,736
<u>County Local Option Taxes</u>								
Local Option Sales Tax	424,586	0	0	0	0	0	1,588,334	2,012,920
Hotel/Motel Tax	431,877	0	0	0	0	0	0	431,877
Litigation Tax - General	163,628	0	0	0	0	0	0	163,628
Litigation Tax - Special Purpose	0	88,618	0	0	0	0	0	88,618
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0	0	80,793	80,793
Business Tax	488,552	0	0	0	0	0	0	488,552
Mineral Severance Tax	179	0	0	0	0	122,895	0	123,074
<u>Statutory Local Taxes</u>								
Bank Excise Tax	110,732	0	0	0	0	0	0	110,732
Wholesale Beer Tax	297,583	0	0	0	0	0	0	297,583
Interstate Telecommunications Tax	6,031	0	0	0	0	0	0	6,031
Other Statutory Local Taxes	5,619	0	0	0	0	0	0	5,619
Total Local Taxes	\$ 8,731,564	\$ 88,618	\$ 0	\$ 0	\$ 0	\$ 122,895	\$ 5,070,880	\$ 14,013,957
<u>Licenses and Permits</u>								
<u>Licenses</u>								
Cable TV Franchise	\$ 173,381	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 173,381
<u>Permits</u>								
Beer Permits	3,325	0	0	0	0	0	0	3,325
Total Licenses and Permits	\$ 176,706	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 176,706
<u>Fines, Forfeitures, and Penalties</u>								
<u>Circuit Court</u>								
Fines	\$ 7,712	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,712
Officers Costs	4,793	0	0	0	0	0	0	4,793

(Continued)

Exhibit I-5

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

	Special Revenue Funds						Debt Service Fund	Total
	General	Courthouse and Jail Maintenance	Solid Waste/Sanitation	Drug Control	Constitutional Officers - Fees	Highway/Public Works	General Debt Service	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>								
<u>Circuit Court (Cont.)</u>								
Jail Fees	\$ 5,149	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	5,149
DUI Treatment Fines	3,330	0	0	0	0	0	0	3,330
Data Entry Fee - Circuit Court	796	0	0	0	0	0	0	796
<u>General Sessions Court</u>								
Fines	65,580	0	400	0	0	0	0	65,980
Officers Costs	68,045	0	0	0	0	0	0	68,045
Jail Fees	28,434	0	0	0	0	0	0	28,434
DUI Treatment Fines	10,836	0	0	0	0	0	0	10,836
Data Entry Fee - General Sessions Court	14,626	0	0	0	0	0	0	14,626
<u>Juvenile Court</u>								
Fines	2,908	0	0	0	0	0	0	2,908
Jail Fees	6,530	0	0	0	0	0	0	6,530
<u>Chancery Court</u>								
Officers Costs	24,076	0	0	0	0	0	0	24,076
Data Entry Fee - Chancery Court	3,608	0	0	0	0	0	0	3,608
<u>Other Courts - In-county</u>								
Drug Control Fines	0	0	0	28,600	0	0	0	28,600
<u>Other Fines, Forfeitures, and Penalties</u>								
Proceeds from Confiscated Property	0	0	0	8,327	0	0	0	8,327
Total Fines, Forfeitures, and Penalties	\$ 246,423	\$ 0	\$ 400	\$ 36,927	\$ 0	\$ 0	\$ 0	283,750
<u>Charges for Current Services</u>								
<u>General Service Charges</u>								
Patient Charges	\$ 1,963,806	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	1,963,806
<u>Fees</u>								
Copy Fees	2,408	0	0	0	0	0	0	2,408
Telephone Commissions	25,208	0	0	0	0	0	0	25,208
Vending Machine Collections	2,463	0	0	0	0	0	0	2,463
Constitutional Officers' Fees and Commissions	0	0	0	0	51	0	0	51
Data Processing Fee - Register	39,845	0	0	0	0	0	0	39,845
Data Processing Fee - Sheriff	5,814	0	0	0	0	0	0	5,814
Sexual Offender Registration Fee	3,754	0	0	0	0	0	0	3,754
Total Charges for Current Services	\$ 2,043,298	\$ 0	\$ 0	\$ 0	\$ 51	\$ 0	\$ 0	2,043,349

Exhibit I-5

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

	Special Revenue Funds						Debt Service Fund	Total
	General	Courthouse and Jail Maintenance	Solid Waste/ Sanitation	Drug Control	Constitutional Officers - Fees	Highway/ Public Works	General Debt Service	
<u>Other Local Revenues</u>								
<u>Recurring Items</u>								
Investment Income	\$ 510,939	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 510,939
Lease/Rentals	26,079	0	0	0	0	0	0	26,079
Commissary Sales	8,706	0	0	0	0	0	0	8,706
Sale of Recycled Materials	0	0	183,983	0	0	0	0	183,983
Miscellaneous Refunds	28,195	0	0	0	0	0	0	28,195
<u>Nonrecurring Items</u>								
Insurance Recovery	1,140	0	0	0	0	11,286	0	12,426
Sale of Equipment	7,559	0	0	0	0	0	0	7,559
Sale of Property	40,650	0	0	0	0	0	0	40,650
Contributions & Gifts	5,015	0	0	0	0	0	0	5,015
Total Other Local Revenues	\$ 628,283	\$ 0	\$ 183,983	\$ 0	\$ 0	\$ 11,286	\$ 0	\$ 823,552
<u>Fees Received from County Officials</u>								
<u>Fees In Lieu of Salary</u>								
County Clerk	\$ 407,947	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 407,947
Circuit Court Clerk	98,433	0	0	0	0	0	0	98,433
General Sessions Court Clerk	384,945	0	0	0	0	0	0	384,945
Clerk and Master	296,426	0	0	0	0	0	0	296,426
Register	454,150	0	0	0	0	0	0	454,150
Sheriff	14,737	0	0	0	0	0	0	14,737
Trustee	583,171	0	0	0	0	0	0	583,171
Total Fees Received from County Officials	\$ 2,239,809	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,239,809
<u>State of Tennessee</u>								
<u>General Government Grants</u>								
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,000
<u>Public Safety Grants</u>								
Law Enforcement Training Programs	21,553	0	0	0	0	0	0	21,553
Other Public Safety Grants	0	0	0	15,000	0	0	0	15,000
<u>Health and Welfare Grants</u>								
Health Department Programs	430,390	0	0	0	0	0	0	430,390

(Continued)

Exhibit I-5

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

	Special Revenue Funds						Debt Service Fund	Total
	General	Courthouse and Jail Maintenance	Solid Waste/ Sanitation	Drug Control	Constitutional Officers - Fees	Highway/ Public Works	General Debt Service	
<u>State of Tennessee (Cont.)</u>								
<u>Public Works Grants</u>								
State Aid Program	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	241,630	\$ 0	\$ 241,630
Litter Program	0	0	13,878	0	0	0	0	13,878
<u>Other State Revenues</u>								
Income Tax	178,816	0	0	0	0	0	0	178,816
Beer Tax	16,778	0	0	0	0	0	0	16,778
Alcoholic Beverage Tax	56,791	0	0	0	0	0	0	56,791
Mixed Drink Tax	26,854	0	0	0	0	0	0	26,854
State Revenue Sharing - T.V.A.	571,733	0	0	0	0	0	0	571,733
Contracted Prisoner Boarding	175,648	0	0	0	0	0	0	175,648
Gasoline and Motor Fuel Tax	0	0	0	0	0	2,113,837	0	2,113,837
Petroleum Special Tax	0	0	0	0	0	37,649	0	37,649
Reappraisal Program Reimbursement	38,998	0	0	0	0	0	0	38,998
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	16,380
Other State Grants	0	0	0	0	0	20,865	0	20,865
Total State of Tennessee	\$ 1,542,941	\$ 0	\$ 13,878	\$ 15,000	\$ 0	\$ 2,413,981	\$ 0	\$ 3,985,800
<u>Federal Government</u>								
<u>Federal Through State</u>								
Community Development	\$ 33,994	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 33,994
Civil Defense Reimbursement	51,669	0	0	0	0	0	0	51,669
Disaster Relief	53,929	0	0	0	0	129,529	0	183,458
Homeland Security Grants	351,471	0	0	0	0	0	0	351,471
Other Federal through State	55,045	0	0	0	0	0	0	55,045
<u>Direct Federal Revenue</u>								
Public Safety Partnership and Community Policing - COPS	30,971	0	0	0	0	0	0	30,971
Total Federal Government	\$ 577,079	\$ 0	\$ 0	\$ 0	\$ 0	\$ 129,529	\$ 0	\$ 706,608
<u>Other Governments and Citizens Groups</u>								
<u>Other Governments</u>								
Contracted Services	\$ 477,876	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 477,876
Total Other Governments and Citizens Groups	\$ 477,876	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 477,876
Total	\$ 16,663,979	\$ 88,618	\$ 198,261	\$ 51,927	\$ 51	\$ 2,677,691	\$ 5,070,880	\$ 24,751,407

Exhibit I-6

Cumberland County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2005

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	27,125	
Social Security		2,075	
State Retirement		1,305	
Employee and Dependent Insurance		71,810	
Life Insurance		211	
Dental Insurance		3,711	
Audit Services		11,850	
Contracts with Government Agencies		21,040	
Contributions		10,000	
Dues and Memberships		4,976	
Travel		2,367	
Other Charges		284	
Total County Commission			\$ 156,754

Board of Equalization

Board and Committee Members Fees	\$	2,800	
Total Board of Equalization			2,800

Beer Board

Board and Committee Members Fees	\$	1,560	
Social Security		107	
State Retirement		36	
Total Beer Board			1,703

County Mayor/County Executive

County Official/Administrative Officer	\$	62,333	
Secretary(s)		37,844	
Longevity Pay		701	
Overtime Pay		668	
Social Security		7,040	
State Retirement		6,391	
Employee and Dependent Insurance		12,770	
Life Insurance		137	
Dental Insurance		628	
Communication		6,000	
Dues and Memberships		2,416	
Maintenance & Repair Services- Office Equipment		646	
Printing, Stationery, and Forms		555	
Travel		3,978	
Other Contracted Services		140	

(Continued)

Exhibit I-6

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

General Fund (Cont.)

General Government (Cont.)

County Mayor/County Executive (Cont.)

Office Supplies	\$	1,192	
Premiums on Corporate Surety Bonds		88	
Other Charges		234	
Office Equipment		429	
Total County Mayor/County Executive			\$ 144,190

County Attorney

County Official/Administrative Officer	\$	66,237	
Total County Attorney			66,237

Election Commission

County Official/Administrative Officer	\$	43,175	
Clerical Personnel		67,562	
Longevity Pay		1,389	
Election Commission		8,000	
Election Workers		32,500	
In-Service Training		3,094	
Social Security		8,526	
State Retirement		7,200	
Employee and Dependent Insurance		19,037	
Life Insurance		187	
Dental Insurance		941	
Communication		4,142	
Dues and Memberships		250	
Legal Notices, Recording, and Court Costs		2,361	
Maintenance & Repair Services- Equipment		2,436	
Printing, Stationery, and Forms		6,792	
Rentals		700	
Travel		1,969	
Other Contracted Services		11,500	
Office Supplies		1,473	
Other Charges		847	
Total Election Commission			224,081

Register of Deeds

County Official/Administrative Officer	\$	53,969	
Deputy(ies)		91,909	
Part-time Personnel		18,746	
Longevity Pay		1,924	
Social Security		11,974	

(Continued)

Exhibit I-6

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

General Fund (Cont.)

General Government (Cont.)

Register of Deeds (Cont.)

State Retirement	\$	11,514	
Employee and Dependent Insurance		28,608	
Life Insurance		261	
Dental Insurance		1,412	
Communication		2,606	
Dues and Memberships		500	
Maintenance Agreements		18,258	
Printing, Stationery, and Forms		7,367	
Office Supplies		917	
Premiums on Corporate Surety Bonds		65	
Total Register of Deeds			\$ 250,030

County Buildings

Supervisor/Director	\$	32,136	
Custodial Personnel		129,062	
Longevity Pay		2,018	
Overtime Pay		1,389	
Social Security		12,908	
State Retirement		10,204	
Employee and Dependent Insurance		37,397	
Life Insurance		304	
Dental Insurance		1,863	
Maintenance & Repair Services- Buildings		41,935	
Disposal Fees		425,000	
Office Supplies		545	
Uniforms		1,484	
Utilities		66,558	
Building Improvements		18,578	
Total County Buildings			781,381

Other General Administration

Supervisor/Director	\$	27,852	
Mechanic(s)		21,424	
Longevity Pay		687	
Overtime Pay		891	
Social Security		3,982	
State Retirement		2,898	
Employee and Dependent Insurance		8,763	
Life Insurance		137	
Dental Insurance		451	

(Continued)

Exhibit I-6

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

General Fund (Cont.)

General Government (Cont.)

Other General Administration (Cont.)

Communication	\$	513	
Gasoline		193,636	
Uniforms		1,050	
Utilities		4,148	
Other Supplies and Materials		4,190	
Maintenance Equipment		494	
Total Other General Administration			\$ 271,116

Finance

Accounting and Budgeting

County Official/Administrative Officer	\$	53,969	
Accountants/Bookkeepers		164,698	
Longevity Pay		6,336	
Social Security		17,147	
State Retirement		15,897	
Employee and Dependent Insurance		33,333	
Life Insurance		297	
Dental Insurance		1,647	
Communication		3,711	
Legal Notices, Recording, and Court Costs		2,494	
Maintenance Agreements		6,373	
Printing, Stationery, and Forms		8,717	
Travel		523	
Office Supplies		3,390	
Periodicals		60	
Total Accounting and Budgeting			318,592

Property Assessor's Office

County Official/Administrative Officer	\$	53,969	
Assistant(s)		158,216	
Longevity Pay		3,671	
In-Service Training		582	
Social Security		16,397	
State Retirement		14,539	
Employee and Dependent Insurance		36,623	
Life Insurance		292	
Dental Insurance		1,824	
Communication		1,103	
Data Processing Services		34,069	
Dues and Memberships		1,280	

(Continued)

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Maintenance Agreements	\$	569	
Travel		6,272	
Other Contracted Services		83,920	
Office Supplies		1,069	
Premiums on Corporate Surety Bonds		100	
Other Charges		59	
Office Equipment		977	
Total Property Assessor's Office			\$ 415,531

Reappraisal Program

Clerical Personnel	\$	67,920	
Longevity Pay		1,585	
In-Service Training		172	
Social Security		5,317	
State Retirement		4,852	
Employee and Dependent Insurance		14,331	
Life Insurance		111	
Dental Insurance		706	
Data Processing Services		12,024	
Postal Charges		2,075	
Travel		5,500	
Office Supplies		479	
Office Equipment		182	
Total Reappraisal Program			115,254

County Trustee's Office

County Official/Administrative Officer	\$	53,969	
Deputy(ies)		91,363	
Part-time Personnel		10,109	
Longevity Pay		3,313	
Social Security		11,350	
State Retirement		10,375	
Employee and Dependent Insurance		23,894	
Life Insurance		224	
Dental Insurance		1,079	
Communication		1,852	
Dues and Memberships		546	
Maintenance & Repair Services- Office Equipment		3,600	
Printing, Stationery and Forms		4,147	
Travel		546	

(Continued)

Exhibit I-6

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office (Cont.)

Office Supplies	\$	1,500	
Premiums on Corporate Surety Bonds		4,990	
Other Charges		697	
Office Equipment		1,000	
Total County Trustee's Office			\$ 224,554

County Clerk's Office

County Official/Administrative Officer	\$	53,969	
Deputy(ies)		157,821	
Part-time Personnel		2,871	
Longevity Pay		2,846	
Overtime Pay		592	
Social Security		15,820	
State Retirement		14,609	
Employee and Dependent Insurance		44,513	
Life Insurance		383	
Dental Insurance		2,196	
Communication		1,760	
Dues and Memberships		486	
Maintenance & Repair Services- Office Equipment		14,056	
Printing, Stationery, and Forms		2,500	
Office Supplies		3,109	
Premiums on Corporate Surety Bonds		105	
Other Charges		1,898	
Office Equipment		4,825	
Total County Clerk's Office			324,359

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	53,969	
Deputy(ies)		222,444	
Guards		7,500	
Part-time Personnel		4,761	
Longevity Pay		4,271	
Board and Committee Members Fees		1,080	
Jury and Witness Fees		19,060	
Social Security		22,263	
State Retirement		19,592	
Employee and Dependent Insurance		52,388	
Life Insurance		436	

(Continued)

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

Dental Insurance	\$	2,589	
Communication		4,569	
Dues and Memberships		350	
Maintenance & Repair Services- Office Equipment		9,500	
Printing, Stationery, and Forms		3,941	
Travel		107	
Office Supplies		3,712	
Premiums on Corporate Surety Bonds		1,083	
Other Charges		96	
Data Processing Equipment		3,134	
Total Circuit Court			\$ 436,845

General Sessions Court

Judge(s)	\$	108,036	
Secretary(s)		26,131	
Longevity Pay		653	
Social Security		8,993	
State Retirement		9,411	
Employee and Dependent Insurance		9,519	
Life Insurance		113	
Dental Insurance		471	
Communication		1,266	
Consultants		260	
Dues and Memberships		1,112	
Travel		1,800	
Office Supplies		427	
Periodicals		750	
Other Charges		22	
Total General Sessions Court			168,964

Chancery Court

County Official/Administrative Officer	\$	53,969	
Deputy(ies)		98,330	
Longevity Pay		2,517	
Social Security		11,308	
State Retirement		10,482	
Employee and Dependent Insurance		23,796	
Life Insurance		224	
Dental Insurance		1,177	
Communication		1,640	

(Continued)

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court (Cont.)

Dues and Memberships	\$	781	
Maintenance & Repair Services- Office Equipment		6,537	
Printing, Stationery, and Forms		5,909	
Office Supplies		2,500	
Premiums on Corporate Surety Bonds		375	
Other Charges		331	
Office Equipment		1,842	
Total Chancery Court			\$ 221,718

Juvenile Court

Youth Service Officer(s)	\$	50,928	
Longevity Pay		960	
In-Service Training		175	
Social Security		3,969	
State Retirement		3,622	
Employee and Dependent Insurance		9,536	
Life Insurance		113	
Dental Insurance		471	
Communication		724	
Travel		1,000	
Office Supplies		542	
Office Equipment		283	
Total Juvenile Court			72,323

Judicial Commissioners

County Official/Administrative Officer	\$	86,578	
Supervisor/Director		28,286	
Longevity Pay		1,365	
In-Service Training		373	
Social Security		8,884	
State Retirement		4,362	
Employee and Dependent Insurance		17,160	
Life Insurance		129	
Dental Insurance		902	
Communication		488	
Printing, Stationery, and Forms		1,198	
Travel		432	
Office Supplies		308	
Premiums on Corporate Surety Bonds		500	
Total Judicial Commissioners			150,965

(Continued)

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

General Fund (Cont.)

Administration of Justice (Cont.)

Probate Court

Secretary(s)	\$	45,394	
Longevity Pay		1,233	
Social Security		3,508	
State Retirement		3,200	
Employee and Dependent Insurance		9,519	
Life Insurance		74	
Dental Insurance		471	
Total Probate Court			\$ 63,399

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	59,365	
Deputy(ies)		1,079,948	
Secretary(s)		82,463	
Longevity Pay		20,805	
In-Service Training		11,199	
Social Security		93,453	
State Retirement		83,728	
Employee and Dependent Insurance		193,868	
Life Insurance		1,577	
Dental Insurance		9,648	
Communication		14,744	
Dues and Memberships		1,280	
Evaluation and Testing		3,278	
Maintenance & Repair Services- Equipment		7,080	
Maintenance & Repair Services- Vehicles		37,858	
Printing, Stationery and Forms		2,846	
Travel		12,345	
Drug Treatment		905	
Other Contracted Services		10,732	
Office Supplies		5,930	
Uniforms		11,978	
Premiums on Corporate Surety Bonds		165	
Other Charges		1,965	
Communication Equipment		4,266	
Law Enforcement Equipment		35,349	
Motor Vehicles		110,258	
Office Equipment		7,364	
Other Equipment		5,183	
Other Capital Outlay		17,119	
Total Sheriff's Department			1,926,699

(Continued)

Exhibit I-6

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

General Fund (Cont.)

Public Safety (Cont.)

Drug Enforcement

Law Enforcement Equipment	\$ 16,147	
Total Drug Enforcement		\$ 16,147

Jail

Medical Personnel	\$ 45,000	
Bus Drivers	32,575	
Guards	957,204	
Clerical Personnel	92,775	
Cafeteria Personnel	100,820	
Part-time Personnel	35,117	
Longevity Pay	21,378	
In-Service Training	2,069	
Social Security	93,430	
State Retirement	75,922	
Employee and Dependent Insurance	195,717	
Life Insurance	1,520	
Dental Insurance	9,883	
Evaluation and Testing	226	
Medical and Dental Services	253,533	
Travel	1,650	
Food Supplies	144,821	
Office Supplies	8,000	
Uniforms	7,626	
Utilities	110,211	
Other Supplies and Materials	56,974	
Building Improvements	17,617	
Food Service Equipment	32,542	
Law Enforcement Equipment	10,513	
Office Equipment	5,532	
Total Jail		2,312,655

Juvenile Services

Guards	\$ 52,373
Part-time Personnel	21,000
Longevity Pay	375
Social Security	6,240
State Retirement	3,493
Employee and Dependent Insurance	6,452
Life Insurance	59
Dental Insurance	353

(Continued)

Exhibit I-6

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

General Fund (Cont.)

Public Safety (Cont.)

Juvenile Services (Cont.)

Communication	\$	853	
Office Supplies		501	
Utilities		1,582	
Office Equipment		3,580	
Total Juvenile Services			\$ 96,861

Fire Prevention and Control

Supervisor/Director	\$	40,063	
Salary Supplements		2,880	
Part-time Personnel		13,141	
Longevity Pay		7,958	
Overtime Pay		38,960	
Other Salaries & Wages		254,799	
In-Service Training		9,682	
Social Security		26,264	
State Retirement		23,141	
Employee and Dependent Insurance		47,211	
Life Insurance		405	
Dental Insurance		2,334	
Communication		2,629	
Contracts with Government Agencies		2,000	
Evaluation and Testing		3,000	
Maintenance & Repair Services- Buildings		17,097	
Maintenance & Repair Services- Equipment		12,854	
Maintenance & Repair Services- Vehicles		24,500	
Travel		2,113	
Office Supplies		1,800	
Uniforms		2,785	
Utilities		40,702	
Other Supplies and Materials		1,930	
Communication Equipment		14,500	
Other Equipment		395,094	
Other Capital Outlay		160,478	
Total Fire Prevention and Control			1,148,320

Civil Defense

Assistant(s)	\$	22,500
Supervisor/Director		36,878
Longevity Pay		1,741
Social Security		4,837

(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

Civil Defense (Cont.)

State Retirement	\$	4,859	
Employee and Dependent Insurance		9,519	
Life Insurance		113	
Dental Insurance		471	
Communication		2,609	
Consultants		1,618	
Travel		269	
Other Charges		1,200	
Office Equipment		545	
Other Equipment		2,200	
Other Capital Outlay		82,525	
Total Civil Defense			\$ 171,884

Rescue Squad

Contracts with Private Agencies	\$	8,500	
Total Rescue Squad			8,500

Other Emergency Management

Supervisor/Director	\$	34,814	
Dispatchers/Radio Operators		443,180	
Part-time Personnel		16,068	
Longevity Pay		6,612	
Overtime Pay		7,500	
In-Service Training		4,508	
Social Security		38,819	
State Retirement		32,342	
Employee and Dependent Insurance		79,442	
Life Insurance		688	
Dental Insurance		4,177	
Office Supplies		3,431	
Office Equipment		4,521	
Total Other Emergency Management			676,102

County Coroner/Medical Examiner

Other Per Diem & Fees	\$	39,739	
Total County Coroner/Medical Examiner			39,739

Other Public Safety

Deputy(ies)	\$	10,775	
In-Service Training		4,160	

(Continued)

Exhibit I-6

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

General Fund (Cont.)

Public Safety (Cont.)

Other Public Safety (Cont.)

Social Security	\$	1,251	
Law Enforcement Equipment		4,982	
Total Other Public Safety			\$ 21,168

Public Health and Welfare

Local Health Center

Maintenance Personnel	\$	21,324	
Longevity Pay		2,511	
Other Salaries & Wages		261,524	
Social Security		21,496	
State Retirement		17,375	
Employee and Dependent Insurance		55,408	
Life Insurance		423	
Dental Insurance		2,745	
Communication		24,177	
Maintenance & Repair Services- Buildings		1,979	
Postal Charges		6,932	
Travel		12,599	
Other Contracted Services		4,329	
Drugs and Medical Supplies		9,992	
Office Supplies		9,359	
Utilities		15,893	
Other Supplies and Materials		9,000	
Other Charges		1,038	
Building Improvements		4,762	
Office Equipment		2,442	
Total Local Health Center			485,308

Rabies and Animal Control

Deputy(ies)	\$	34,375	
Longevity Pay		579	
Other Salaries & Wages		5,158	
Social Security		3,135	
State Retirement		1,949	
Employee and Dependent Insurance		4,759	
Life Insurance		37	
Dental Insurance		235	
Communication		1	
Contracts with Private Agencies		30,000	
Office Supplies		71	

(Continued)

Exhibit I-6

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Rabies and Animal Control (Cont.)

Uniforms	\$	500	
Other Supplies and Materials		2,166	
Total Rabies and Animal Control			\$ 82,965

Ambulance/Emergency Medical Services

Supervisor/Director	\$	47,368	
Medical Personnel		699,418	
Secretary(s)		37,989	
Part-time Personnel		49,955	
Longevity Pay		18,917	
Overtime Pay		450,210	
In-Service Training		12,700	
Social Security		97,629	
State Retirement		84,330	
Employee and Dependent Insurance		179,749	
Life Insurance		1,423	
Dental Insurance		8,883	
Communication		7,576	
Consultants		2,400	
Debt Collection Services		7,993	
Maintenance & Repair Services- Buildings		4,054	
Maintenance & Repair Services- Office Equipment		718	
Maintenance & Repair Services- Vehicles		17,827	
Travel		347	
Other Contracted Services		4,594	
Drugs and Medical Supplies		66,000	
Office Supplies		6,791	
Uniforms		11,179	
Utilities		9,028	
Other Supplies and Materials		11,621	
Other Charges		1,250	
Motor Vehicles		117,900	
Office Equipment		797	
Other Equipment		130,756	
Total Ambulance/Emergency Medical Services			2,089,402

Alcohol and Drug Programs

Assistant(s)	\$	27,215
Supervisor/Director		30,598
Longevity Pay		1,445

(Continued)

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Alcohol and Drug Programs (Cont.)

Social Security	\$	4,632	
State Retirement		4,247	
Employee and Dependent Insurance		9,519	
Life Insurance		113	
Dental Insurance		471	
Total Alcohol and Drug Programs			\$ 78,240

Appropriation to State

Contributions	\$	57,500	
Total Appropriation to State			57,500

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Contracts with Private Agencies	\$	28,000	
Total Senior Citizens Assistance			28,000

Libraries

Supervisor/Director	\$	28,000	
Deputy(ies)		23,500	
Secretary(s)		13,192	
Clerical Personnel		13,076	
Part-time Personnel		45,844	
Longevity Pay		2,668	
In-Service Training		5,105	
Social Security		9,640	
State Retirement		6,544	
Employee and Dependent Insurance		23,814	
Life Insurance		224	
Dental Insurance		1,177	
Communication		7,106	
Contracts with Government Agencies		1,788	
Maintenance & Repair Services- Buildings		2,794	
Maintenance & Repair Services- Office Equipment		4,344	
Postal Charges		1,600	
Printing, Stationery, and Forms		1,463	
Other Contracted Services		10,473	
Library Books/Media		64,996	
Periodicals		4,500	
Utilities		14,592	
Other Supplies and Materials		9,939	

(Continued)

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Libraries (Cont.)

Building Improvements	\$	3,078	
Office Equipment		15,992	
Total Libraries			\$ 315,449

Parks and Fair Boards

Supervisor/Director	\$	20,979	
Custodial Personnel		36,164	
Longevity Pay		524	
Social Security		4,312	
State Retirement		1,556	
Employee and Dependent Insurance		5,174	
Life Insurance		79	
Dental Insurance		255	
Maintenance & Repair Services- Buildings		323	
Uniforms		779	
Utilities		38,094	
Other Supplies and Materials		22,383	
Total Parks and Fair Boards			130,622

Other Social, Cultural, and Recreational

Contracts with Private Agencies	\$	46,800	
Total Other Social, Cultural, and Recreational			46,800

Agriculture & Natural Resources

Agriculture Extension Service

Salary Supplements	\$	64,149	
Social Security		1,198	
State Retirement		1,767	
Communication		2,738	
Office Supplies		1,400	
Total Agriculture Extension Service			71,252

Soil Conservation

Secretary(s)	\$	21,542	
Longevity Pay		431	
Social Security		1,681	
State Retirement		1,534	
Employee and Dependent Insurance		4,777	
Life Insurance		37	
Dental Insurance		235	

(Continued)

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

General Fund (Cont.)

Agriculture & Natural Resources (Cont.)

Soil Conservation (Cont.)

Dues and Memberships	\$	1,370	
Legal Notices, Recording, and Court Costs		625	
Travel		2,815	
Office Supplies		600	
Office Equipment		364	
Total Soil Conservation			\$ 36,011

Other Operations

Tourism

Contracts with Private Agencies	\$	31,500	
Contributions		44,530	
Total Tourism			76,030

Other Economic and Community Development

Building Construction	\$	33,994	
Total Other Economic and Community Development			33,994

Veterans' Services

Contracts with Government Agencies	\$	4,800	
Total Veterans' Services			4,800

Other Charges

Liability Insurance	\$	154,603	
Trustee's Commission		183,420	
Other Charges		35,212	
Total Other Charges			373,235

Contributions to Other Agencies

Contributions	\$	25,000	
Total Contributions to Other Agencies			25,000

Employee Benefits

Longevity Pay	\$	24,888	
Social Security		3,793	
State Retirement		5,945	
Unemployment Compensation		26,830	
Medical and Dental Services		565	
Workers' Compensation Insurance		224,656	
Total Employee Benefits			286,677

(Continued)

Exhibit I-6

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

<u>General Fund (Cont.)</u>		
<u>Other Operations (Cont.)</u>		
<u>Miscellaneous</u>		
Postal Charges	\$ 57,716	
Other Charges	399	
Total Miscellaneous	<u>58,115</u>	\$ 58,115
Total General Fund		\$ 15,108,271
<u>Courthouse & Jail Maintenance Fund</u>		
<u>General Government</u>		
<u>County Buildings</u>		
Maintenance & Repair Services- Buildings	\$ 96,848	
Total County Buildings	<u>96,848</u>	\$ 96,848
<u>Other Operations</u>		
<u>Other Charges</u>		
Trustee's Commission	\$ 899	
Total Other Charges	<u>899</u>	899
Total Courthouse & Jail Maintenance Fund		97,747
<u>Solid Waste/Sanitation Fund</u>		
<u>Public Health and Welfare</u>		
<u>Waste Pickup</u>		
Laborers	\$ 112,394	
Longevity Pay	2,063	
Overtime Pay	1,083	
Social Security	8,797	
State Retirement	7,186	
Employee and Dependent Insurance	23,812	
Life Insurance	165	
Dental Insurance	1,177	
Diesel Fuel	30,020	
Uniforms	1,176	
Other Supplies and Materials	41,075	
Total Waste Pickup	<u>228,948</u>	\$ 228,948
<u>Convenience Centers</u>		
Guards	\$ 95,331	
Part-time Personnel	258,464	
Longevity Pay	2,335	
Overtime Pay	1,385	

(Continued)

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Convenience Centers (Cont.)

Social Security	\$	27,291	
State Retirement		7,105	
Employee and Dependent Insurance		31,784	
Life Insurance		199	
Dental Insurance		1,588	
Operating Lease Payments		5,500	
Uniforms		7,484	
Utilities		26,347	
Other Supplies and Materials		13,472	
Site Development		12,309	
Other Equipment		30,389	
Total Convenience Centers			\$ 520,983

Recycling Center

Laborers	\$	89,094	
Longevity Pay		2,027	
Overtime Pay		743	
Social Security		7,028	
State Retirement		5,207	
Employee and Dependent Insurance		14,693	
Life Insurance		111	
Dental Insurance		726	
Diesel Fuel		2,612	
Office Supplies		2,991	
Uniforms		2,098	
Utilities		6,905	
Other Supplies and Materials		15,513	
Building Improvements		1,351	
Motor Vehicles		40,750	
Total Recycling Center			191,849

Other Operations

Other Charges

Contributions	\$	650,000	
Trustee's Commission		1,704	
Total Other Charges			651,704

Employee Benefits

Unemployment Compensation	\$	3,753	
Workers' Compensation Insurance		30,420	
Total Employee Benefits			34,173

(Continued)

Exhibit I-6

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

Solid Waste/Sanitation Fund (Cont.)

Highways

Litter and Trash Collection

Deputy(ies)	\$	31,600	
Longevity Pay		531	
Social Security		2,144	
State Retirement		1,835	
Employee and Dependent Insurance		9,519	
Life Insurance		74	
Dental Insurance		471	
Communication		3	
Travel		184	
Office Supplies		498	
Uniforms		300	
Other Supplies and Materials		2,449	
Total Litter and Trash Collection			\$ 49,608

Total Solid Waste/Sanitation Fund \$ 1,677,265

Drug Control Fund

Public Safety

Drug Enforcement

In-Service Training	\$	1,388	
Communication		515	
Other Supplies and Materials		3,217	
Law Enforcement Equipment		12,298	
Total Drug Enforcement			\$ 17,418

Other Public Safety

Law Enforcement Equipment	\$	20,018	
Total Other Public Safety			20,018

Other Operations

Other Charges

Trustee's Commission	\$	270	
Total Other Charges			270

Total Drug Control Fund 37,706

Constitutional Officers - Fees Fund

General Government

Register of Deeds

Constitutional Officers' Operating Expenses	\$	12	
Total Register of Deeds			\$ 12

(Continued)

Exhibit I-6

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

Constitutional Officers - Fees Fund (Cont.)

Finance

County Clerk's Office

Constitutional Officers' Operating Expenses	\$ 39	
Total County Clerk's Office		\$ 39

Total Constitutional Officers - Fees Fund \$ 51

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 59,363	
Assistant(s)	33,951	
Longevity Pay	766	
Social Security	7,176	
State Retirement	6,632	
Employee and Dependent Insurance	9,519	
Life Insurance	113	
Dental Insurance	471	
Dues and Memberships	3,436	
Maintenance & Repair Services- Office Equipment	303	
Travel	2,393	
Office Supplies	1,476	
Other Charges	759	
Total Administration		\$ 126,358

Highway and Bridge Maintenance

Equipment Operators - Heavy	\$ 284,230
Truck Drivers	116,157
Laborers	45,952
Longevity Pay	11,483
Overtime Pay	27,411
Social Security	34,692
State Retirement	31,911
Employee and Dependent Insurance	88,025
Life Insurance	642
Dental Insurance	4,373
Other Contracted Services	220,626
Asphalt - Cold Mix	7,448
Asphalt - Hot Mix	83,020
Asphalt - Liquid	172,129
Crushed Stone	255,553
Pipe - Metal	33,884

(Continued)

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Road Signs	\$	3,973	
Other Supplies and Materials		161	
Total Highway and Bridge Maintenance			\$ 1,421,670

Operation and Maintenance of Equipment

Mechanic(s)	\$	98,609	
Longevity Pay		4,377	
Overtime Pay		659	
Social Security		10,933	
State Retirement		9,984	
Employee and Dependent Insurance		28,707	
Life Insurance		198	
Dental Insurance		1,412	
Laundry Service		1,255	
Diesel Fuel		61,543	
Equipment and Machinery Parts		45,454	
Gasoline		25,337	
Lubricants		6,023	
Tires and Tubes		8,035	
Total Operation and Maintenance of Equipment			302,526

Other Charges

Communication	\$	6,078	
Electricity		4,981	
Natural Gas		4,393	
Water and Sewer		2,388	
Premiums on Corporate Surety Bonds		175	
Trustee's Commission		22,733	
Vehicle and Equipment Insurance		49,777	
Other Charges		5,804	
Total Other Charges			96,329

Employee Benefits

Unemployment Compensation	\$	4,577	
Other Fringe Benefits		12,260	
Workers' Compensation Insurance		60,000	
Total Employee Benefits			76,837

Capital Outlay

Bridge Construction	\$	10,502	
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(Continued)

Exhibit I-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Capital Outlay (Cont.)

Communication Equipment	\$	622	
State Aid Projects		280,919	
Other Equipment		200,000	
Total Capital Outlay		<u> </u>	\$ 492,043

Debt Service Principal

Highways and Streets

Principal on Notes	\$	111,111	
Total Highways and Streets		<u> </u>	111,111

Debt Service Interest

Highways and Streets

Interest on Notes	\$	20,278	
Total Highways and Streets		<u> </u>	20,278

Total Highway/Public Works Fund \$ 2,647,152

General Debt Service Fund

Debt Service Principal

General Government

Principal on Bonds	\$	1,265,000	
Principal on Notes		353,000	
Total General Government		<u> </u>	\$ 1,618,000

Education

Principal on Other Loans	\$	245,000	
Total Education		<u> </u>	245,000

Debt Service Interest

General Government

Interest on Bonds	\$	142,781	
Interest on Notes		23,788	
Total General Government		<u> </u>	166,569

Education

Interest on Other Loans	\$	1,014,107	
Total Education		<u> </u>	1,014,107

(Continued)

Exhibit I-6

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

<u>General Debt Service Fund (Cont.)</u>			
<u>Other Debt Service</u>			
<u>General Government</u>			
Financial Advisory Services	\$	1,304	
Trustee's Commission		<u>84,090</u>	
Total General Government			\$ 85,394
<u>Education</u>			
Underwriter's Discount	\$	26,223	
Other Debt Issuance Charges		<u>21,878</u>	
Total Education			<u>48,101</u>
Total General Debt Service Fund			\$ 3,177,171
<u>Education Capital Projects Fund</u>			
<u>Other Debt Service</u>			
<u>Education</u>			
Other Debt Issuance Charges	\$	<u>132,536</u>	
Total Education			\$ 132,536
<u>Capital Projects - Donated</u>			
<u>Capital Projects Donated to School Department</u>			
Contributions	\$	<u>9,933,732</u>	
Total Capital Projects Donated to School Department			<u>9,933,732</u>
Total Education Capital Projects Fund			<u>10,066,268</u>
Total Governmental Funds - Primary Government			<u>\$ 32,811,631</u>

Cumberland County, Tennessee
Schedule of Detailed Revenues and Expenses
Proprietary Fund
For the Year Ended June 30, 2005

	Enterprise Fund Solid Waste Disposal Fund
<u>Operating Revenues</u>	
<u>Charges of Current Services</u>	
Tipping Fees	\$ 859,071
Total Operating Revenues	<u>\$ 859,071</u>
<u>Nonoperating Revenues</u>	
Solid Waste Grants	\$ 31,681
Contributions	650,000
Total Nonoperating Revenues	<u>\$ 681,681</u>
Total Revenues	<u>\$ 1,540,752</u>
<u>Operating Expenses</u>	
<u>Public Health and Welfare</u>	
<u>Landfill Operation and Maintenance</u>	
Supervisor/Director	\$ 38,060
Equipment Operators	107,853
Longevity Pay	2,242
Overtime Pay	992
Social Security	11,378
State Retirement	9,391
Employee and Dependent Insurance	23,419
Life Insurance	242
Dental Insurance	1,177
Travel	781
Contracts for Landfill Facilities	48,237
Diesel Fuel	33,243
Office Supplies	1,443
Uniforms	1,178
Utilities	5,924
Other Supplies and Materials	173,537
Depreciation	258,624
Landfill Closure/Postclosure Care Costs	298,055
Other Charges	269,428
Total Landfill Operation and Maintenance	<u>\$ 1,285,204</u>
<u>Other Operations</u>	
<u>Other Charges</u>	
Trustees' Commission	<u>\$ 4,244</u>
<u>Employee Benefits</u>	
Unemployment Compensation	\$ 500
Workers' Compensation Insurance	12,499
Total Employee Benefits	<u>\$ 12,999</u>
Total Expenses	<u>\$ 1,302,447</u>

Exhibit I-8

Cumberland County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balance - City Agency Fund
For the Year Ended June 30, 2005

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 6,337,600
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 6,274,224
Trustee's Commission	<u>63,376</u>
Total Cash Disbursements	<u>\$ 6,337,600</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0
Cash Balance, July 1, 2004	<u>0</u>
Cash Balance, June 30, 2005	<u><u>\$ 0</u></u>

STATISTICAL SECTION

Table 1

Cumberland County, Tennessee
Uncollected Taxes Filed in Chancery Court
June 30, 2005

<u>Year</u>	<u>Amount</u>
1996	\$ 21
1997	4,722
1998	10,294
1999	9,403
2000	32,693
2001	37,357
2002	64,167
2003	<u>103,167</u>
Total	<u>\$ 261,824</u>

Table 2

Cumberland County, Tennessee
Tax Rates and Assessments
Last Ten Years

Fund	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
General	\$ 0.58	\$ 0.68	\$ 0.56	\$ 0.61	\$ 0.61	\$ 0.65	\$ 0.68	\$ 0.59	\$ 0.59	\$ 0.75
General Purpose School	0.56	0.56	0.46	0.46	0.46	0.46	0.59	0.51	0.51	0.51
General Debt Service	0.73	0.63	0.53	0.47	0.47	0.44	0.41	0.34	0.34	0.38
Courthouse & Jail Maintenance	0.00	0.00	0.00	0.01	0.01	0.00	0.00	0.00	0.00	0.00
Total Tax Rate	\$ 1.87	\$ 1.87	\$ 1.55	\$ 1.55	\$ 1.55	\$ 1.55	\$ 1.68	\$ 1.44	\$ 1.44	\$ 1.64
<u>Assessed Valuations</u>										
Real and Personal	\$ 414,322,331	\$ 432,761,362	\$ 554,364,268	\$ 580,793,095	\$ 606,041,377	\$ 642,002,446	\$ 662,286,334	\$ 798,167,875	\$ 822,994,247	\$ 845,150,867
Public Utilities	28,477,451	31,301,126	31,315,880	31,998,216	29,505,692	30,668,310	34,063,503	38,115,448	38,020,550	37,226,292
Total Assessed Valuation	\$ 442,799,782	\$ 464,062,488	\$ 585,680,148	\$ 612,791,311	\$ 635,547,069	\$ 672,670,756	\$ 696,349,837	\$ 836,283,323	\$ 861,014,797	\$ 882,377,159

ANNUAL FINANCIAL REPORT
CUMBERLAND COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF CUMBERLAND COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2005

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

ARTHUR L. ALEXANDER
Director

CARL LOWE, CGFM
Audit Manager

ANITA SCARLETT, CPA
Auditor 4

GARY D. RAMSEY, CPA
TIM BRASHEARS
RODNEY MALIN, CGFM
KELLEY J. McNEAL, CPA, CGFM
State Auditors

This financial report is available at www.comptroller.state.tn.us

**CUMBERLAND COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF CUMBERLAND COUNTY, TENNESSEE
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Audit Highlights

Annual Financial Report
Cumberland County School Department
For the Year Ended June 30, 2005

Scope

We have audited the financial statements of each major fund and the aggregate remaining fund information of the Cumberland County School Department as of and for the year ended June 30, 2005.

Results

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

Our audit resulted in one finding and recommendation, which we have reviewed with Cumberland County School Department management. The detailed finding and recommendation is included in the Single Audit Report.

Finding

The following is a summary of the audit finding:

CUMBERLAND COUNTY SCHOOL DEPARTMENT

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

INTRODUCTORY SECTION

Cumberland County School Officials
June 30, 2005

Official:

Dr. Patricia Ragsdale, Director of Schools

Board of Education:

Allen Foster, Chairman
Gordon Davis
Orville Hale
Tom Netherton
Shirley Parris

Robert Safdie
Dan Schlafer
Mary Smith
Joyce Udell

Finance Committee:

Brock Hill, Chairman
Dr. Patricia Ragsdale
Wendell Houston
Clyde Cramer

Thom Hassler
R. Donathan Ivey
Pete Stubbs

FINANCIAL SECTION



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

INDEPENDENT AUDITOR'S REPORT

January 25, 2006

Cumberland County Director of Schools and
Board of Education
Cumberland 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 Cumberland County School Department, a component unit of Cumberland County, Tennessee, as of and for the year ended June 30, 2005, as shown on pages 15 through 27, which collectively comprise a portion of the Cumberland 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 Cumberland 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 Cumberland 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 county 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 Cumberland County School Department as of June 30, 2005, 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 the Cumberland County School Department as of June 30, 2005, 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 25, 2006, on our consideration of the Cumberland 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.

As described in Note IV.B., the Cumberland County School Department has implemented Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures which modifies the School Department's disclosures for custodial credit risk and adds disclosures about other types of risk.

The budgetary comparison information on pages 31 through 33 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 Cumberland County School Department's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds, and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds, and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

Cumberland County, Tennessee
Balance Sheet - Governmental Funds
Cumberland County School Department
June 30, 2005

	<u>Major Funds</u>		<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>Education</u>	<u>Other</u>	
	<u>Purpose</u>	<u>Capital</u>	<u>Govern-</u>	<u>ment-</u>
	<u>School</u>	<u>Projects</u>	<u>mental</u>	<u>Funds</u>
			<u>Funds</u>	<u>Funds</u>
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 100	\$ 100
Equity in Pooled Cash and Investments	6,760,141	1,808,801	1,402,073	9,971,015
Inventories	0	0	38,570	38,570
Due from Other Governments	1,352,376	0	303,009	1,655,385
Due from Primary Government	19,911	0	0	19,911
Property Taxes Receivable	4,804,545	0	0	4,804,545
Allowance for Uncollectible Property Taxes	(191,866)	0	0	(191,866)
Total Assets	\$ 12,745,107	\$ 1,808,801	\$ 1,743,752	\$ 16,297,660
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 311,561	\$ 0	\$ 0	\$ 311,561
Accrued Payroll	2,540	0	0	2,540
Contracts Payable	0	1,483,415	0	1,483,415
Retainage Payable	0	202,030	0	202,030
Due to Primary Government	1,508	0	0	1,508
Deferred Revenue - Current Property Taxes	4,542,370	0	0	4,542,370
Deferred Revenue - Delinquent Property Taxes	70,309	0	0	70,309
Other Deferred Revenues	670,622	0	0	670,622
Total Liabilities	\$ 5,598,910	\$ 1,685,445	\$ 0	\$ 7,284,355
<u>Fund Balances</u>				
Reserved for Encumbrances	\$ 87,375	\$ 15,769,705	\$ 0	\$ 15,857,080
Reserved for Inventory	0	0	38,570	38,570
Reserved for Career Ladder - Extended Contract	50,715	0	0	50,715
Reserved for Career Ladder Program	12,785	0	0	12,785
Reserved for Basic Education Program	2,294,169	0	0	2,294,169
Reserved for Title I Grants to Local Education Agencies	0	0	59,471	59,471
Reserved for Innovative Education Program Strategies	0	0	61,559	61,559
Reserved for Special Education - Grants to States	0	0	402,279	402,279
Other Federal Reserves	0	0	49,424	49,424
Unreserved, Reported In:				
General Fund	4,701,153	0	0	4,701,153
Special Revenue Funds	0	0	1,132,449	1,132,449
Capital Projects Fund (Deficit)	0	(15,646,349)	0	(15,646,349)
Total Fund Balances	\$ 7,146,197	\$ 123,356	\$ 1,743,752	\$ 9,013,305
Total Liabilities and Fund Balances	\$ 12,745,107	\$ 1,808,801	\$ 1,743,752	\$ 16,297,660

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

Exhibit B

Cumberland County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Cumberland County School Department
For the Year Ended June 30, 2005

	Major Funds		Nonmajor	Total
	General Purpose School	Education Capital Projects	Funds Other Govern- mental Funds	
<u>Revenues</u>				
Local Taxes	\$ 11,324,093	\$ 0	\$ 0	\$ 11,324,093
Charges for Current Services	129,538	0	1,095,449	1,224,987
Other Local Revenues	129,317	0	27,174	156,491
State of Tennessee	23,327,575	0	39,651	23,367,226
Federal Government	99,677	0	6,100,499	6,200,176
Other Governments and Citizens Groups	0	9,933,732	0	9,933,732
Total Revenues	<u>\$ 35,010,200</u>	<u>\$ 9,933,732</u>	<u>\$ 7,262,773</u>	<u>\$ 52,206,705</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 22,364,598	\$ 0	\$ 3,734,627	\$ 26,099,225
Support Services	10,586,622	0	563,851	11,150,473
Operation of Non-Instructional Services	151,936	0	2,789,736	2,941,672
Capital Outlay	404,177	0	0	404,177
Capital Projects	0	10,520,394	0	10,520,394
Total Expenditures	<u>\$ 33,507,333</u>	<u>\$ 10,520,394</u>	<u>\$ 7,088,214</u>	<u>\$ 51,115,941</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 1,502,867</u>	<u>\$ (586,662)</u>	<u>\$ 174,559</u>	<u>\$ 1,090,764</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 30,013	\$ 0	\$ 0	\$ 30,013
Transfers Out	0	0	(30,013)	(30,013)
Total Other Financing Sources (Uses)	<u>\$ 30,013</u>	<u>\$ 0</u>	<u>\$ (30,013)</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ 1,532,880	\$ (586,662)	\$ 144,546	\$ 1,090,764
Fund Balance, July 1, 2004	5,613,317	710,018	1,599,206	7,922,541
Fund Balance, June 30, 2005	<u>\$ 7,146,197</u>	<u>\$ 123,356</u>	<u>\$ 1,743,752</u>	<u>\$ 9,013,305</u>

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

**CUMBERLAND COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF CUMBERLAND COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2005**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Cumberland County School Department's financial statements are not presented in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments.

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

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

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

A. Reporting Entity

The School Department operates the public school system in the county, and the voters of Cumberland County elect its nine-member board. The School Department is a component unit of Cumberland 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 Cumberland 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. Funds are organized into three major categories: governmental, proprietary, and fiduciary. However, the School Department has no proprietary or fiduciary funds to report. An emphasis is placed on major funds within the governmental category.

Separate financial statements are provided for governmental 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.

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 grant 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.

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. Property taxes collected within 30 days after year-end are considered to be immaterial for reporting purposes. 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.

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.

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

Additionally, the School Department reports the following fund type:

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

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

1. **Deposits and Investments**

State statutes authorize counties, 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 Cumberland County, Cumberland County School Department, and Cumberland County Railroad Authority funds. 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 primary government's General Fund. Cumberland County, the Cumberland County School Department, and the Cumberland County Railroad Authority 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

Outstanding balances between funds are reported as due to/from other funds.

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 shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 2.1 percent of total taxes levied.

Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. This date is January 1 and is referred to as the lien date. However, revenues from property taxes are recognized in the period for which the taxes are levied, which is the ensuing fiscal year. Since the receivable is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated allowance for uncollectible taxes, is reported as 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 not material for financial reporting purposes and are thus not accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

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

Retainage payable represents amounts withheld from payments made to contractors on construction projects to ensure contract performance. These amounts are held by the county trustee as Equity in Pooled Cash and Investments.

3. Inventories

Inventories of the School Department consist of expendable supplies held for consumption and are recorded at cost, determined on the first-in, first-out method.

4. 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.

5. Compensated Absences

The School Department's general policy does not allow employees to accumulate earned but unused vacation benefits beyond year-end. The School Department does allow employees to accumulate an unlimited amount of unused sick leave; however, the granting of sick leave has no guaranteed payment attached, and therefore, is not required to be accrued or recorded.

6. Fund Equity

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Fund Deficit

The Education Capital Projects Fund had a deficit fund balance of \$15,646,349 as of June 30, 2005. This fund deficit resulted from the recognition of the unperformed portion of construction contracts totaling \$15,769,705 being reserved as encumbrances in the financial statements of this report. Funding for these future expenditures should be received from loan proceeds subsequent to year-end.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Cumberland County, the School Department, and the Railroad Authority participate in an internal cash and investment pool through the county's 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 on the balance sheet 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 at June 30, 2005.

B. Construction Commitments

At June 30, 2005, the Education Capital Projects Fund had uncompleted construction contracts of approximately \$15,769,705 for school construction and renovations. Funding for these future expenditures is expected to be received from other loans.

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2005, is as follows:

Due to/from primary government and component units:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Component unit:	Primary government:	
General Purpose School	General Fund	<u>\$ 19,911</u>

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.

The receivable in the General Purpose School Fund was in transit from the General Fund at June 30, 2005.

Interfund Transfers:

Interfund transfers for the year ended June 30, 2005, consisted of the following amounts:

<u>Transfers Out</u>	<u>Transfers In</u>
	General Purpose School Fund
Nonmajor governmental funds	<u>\$ 30,013</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.

IV. OTHER INFORMATION

A. Risk Management

The School Department's risks of loss relating to general liability, property, casualty, and workers' compensation are covered by their participation in the Tennessee School Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by the Tennessee School Boards Association, an association of member school districts. Annual premiums are paid to the pool for the risk coverage noted above. The creation of the TSB-RMT provides for it to be self-sustaining through member premiums.

The School Department provides health insurance coverage to its employees through the Local Government Group Insurance Fund (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 Financial Report of the State of Tennessee, but the state does not retain any risk for losses by the fund. The state statute provides for the LGGIF to be self-sustaining through member premiums.

B. Accounting Change

During the year, the School Department adopted the provisions of Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures. These provisions modified the School Department's previous custodial risk disclosures for deposits and investments and related collateral. These provisions also added disclosures about other types of risk, including credit risk, interest rate risk, foreign currency risk, and concentrations of credit risk. Governments are also required to provide brief disclosures about their deposit and investment policies that are related to any of the risks required to be disclosed.

C. Contingent Liabilities

There are several pending lawsuits in which the Cumberland County School Department is involved. The School Department's attorney estimates that the potential claims not covered by insurance resulting from such litigation would not materially affect the county's financial statements.

D. Retirement Commitments

Plan Description

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

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

Since the Cumberland County School Department participates in Cumberland County's plan, retirement information for the Cumberland 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 Cumberland County, Tennessee.

SCHOOL TEACHERS

Plan Description

The Cumberland County School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple employer defined benefit pension plan

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

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

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the Cumberland County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2005, was 5.5 percent of annual covered payroll. The employer contribution requirement for the Cumberland 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, 2005, 2004, and 2003, were \$1,009,710, \$579,909, and \$572,867, respectively, equal to the required contributions for each year.

E. Office of Central Accounting, Budgeting, and Purchasing

Cumberland County and the Cumberland County School Department operate under the provisions of the County Financial Management System of 1981. The act provides for a central system of accounting, budgeting, and purchasing for all county departments. The act provides for the creation of a Finance Department operated under the direction of the finance director.

F. Purchasing Law

Purchasing procedures for the School Department are governed by provisions of the County Financial Management Act of 1981, Section 5-21-119, Tennessee Code Annotated. Pursuant to provisions of this statute, the Financial Management Committee, together with the finance director, established purchasing procedures for Cumberland County. These procedures require a purchase order system and require purchases exceeding \$5,000 to be based on competitive bids.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit C

Cumberland County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Cumberland County School Department
General Purpose School Fund
For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 11,324,093	\$ 0	\$ 11,324,093	\$ 10,870,000	\$ 10,870,000	\$ 454,093
Charges for Current Services	129,538	0	129,538	74,000	93,604	35,934
Other Local Revenues	129,317	0	129,317	245,900	245,900	(116,583)
State of Tennessee	23,327,575	0	23,327,575	23,079,500	23,100,800	226,775
Federal Government	99,677	0	99,677	259,000	243,706	(144,029)
Total Revenues	\$ 35,010,200	\$ 0	\$ 35,010,200	\$ 34,528,400	\$ 34,554,010	\$ 456,190
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 18,902,722	\$ 3,000	\$ 18,905,722	\$ 19,435,457	\$ 19,435,457	\$ 529,735
Alternative Instruction Program	66,321	0	66,321	103,820	103,820	37,499
Special Education Program	2,284,624	0	2,284,624	2,435,300	2,450,159	165,535
Vocational Education Program	1,072,627	0	1,072,627	1,089,837	1,089,837	17,210
Adult Education Program	38,304	0	38,304	64,807	43,904	5,600
<u>Support Services</u>						
Attendance	64,017	0	64,017	62,305	62,305	(1,712)
Health Services	120,580	0	120,580	130,697	130,697	10,117
Other Student Support	653,755	0	653,755	661,892	661,892	8,137
Regular Instruction Program	1,010,900	0	1,010,900	1,084,736	1,084,736	73,836
Special Education Program	436,109	0	436,109	451,350	459,550	23,441
Vocational Education Program	44,337	0	44,337	45,251	45,251	914
Adult Programs	37,181	0	37,181	63,293	37,531	350
Board of Education	714,936	0	714,936	761,046	761,046	46,110
Director of Schools	377,395	0	377,395	396,272	396,272	18,877
Office of the Principal	1,791,065	0	1,791,065	1,795,354	1,795,354	4,289
Operation of Plant	2,808,105	0	2,808,105	2,891,224	2,891,224	83,119

(Continued)

Exhibit C

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Support Services (Cont.)</u>						
Maintenance of Plant	\$ 715,922	\$ 500	\$ 716,422	\$ 757,585	\$ 757,585	\$ 41,163
Transportation	1,810,700	0	1,810,700	1,902,169	1,902,169	91,469
Central and Other	1,620	0	1,620	5,000	5,000	3,380
<u>Operation of Non-Instructional Services</u>						
Community Services	151,936	0	151,936	127,461	175,012	23,076
<u>Capital Outlay</u>						
Regular Capital Outlay	404,177	83,875	488,052	760,000	760,000	271,948
Total Expenditures	<u>\$ 33,507,333</u>	<u>\$ 87,375</u>	<u>\$ 33,594,708</u>	<u>\$ 35,024,856</u>	<u>\$ 35,048,801</u>	<u>\$ 1,454,093</u>
Excess (Deficiency) of Revenues						
Over Expenditures	\$ 1,502,867	\$ (87,375)	\$ 1,415,492	\$ (496,456)	\$ (494,791)	\$ 1,910,283
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 30,013	\$ 0	\$ 30,013	\$ 4,000	\$ 4,000	\$ 26,013
Total Other Financing Sources (Uses)	<u>\$ 30,013</u>	<u>\$ 0</u>	<u>\$ 30,013</u>	<u>\$ 4,000</u>	<u>\$ 4,000</u>	<u>\$ 26,013</u>
Net Change in Fund Balance						
Fund Balance, July 1, 2004	\$ 1,532,880	\$ (87,375)	\$ 1,445,505	\$ (492,456)	\$ (490,791)	\$ 1,936,296
	<u>5,613,317</u>	<u>0</u>	<u>5,613,317</u>	<u>5,272,632</u>	<u>5,272,632</u>	<u>340,685</u>
Fund Balance, June 30, 2005						
	<u>\$ 7,146,197</u>	<u>\$ (87,375)</u>	<u>\$ 7,058,822</u>	<u>\$ 4,780,176</u>	<u>\$ 4,781,841</u>	<u>\$ 2,276,981</u>

**CUMBERLAND COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF CUMBERLAND COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2005**

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 Cumberland 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 Cumberland 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 statement.

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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

Central Cafeteria Fund – The Central Cafeteria Fund is used to account for the cafeteria operations in each of the schools.

Exhibit D-1

Cumberland County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Cumberland County School Department
June 30, 2005

	<u>Special Revenue Funds</u>		Total
	School Federal Projects	Central Cafeteria	Nonmajor Governmental Funds
<u>ASSETS</u>			
Cash	\$ 0	\$ 100	\$ 100
Equity in Pooled Cash and Investments	280,117	1,121,956	1,402,073
Inventories	0	38,570	38,570
Due from Other Governments	292,616	10,393	303,009
Total Assets	<u>\$ 572,733</u>	<u>\$ 1,171,019</u>	<u>\$ 1,743,752</u>
<u>FUND BALANCES</u>			
Reserved for Inventory	\$ 0	\$ 38,570	\$ 38,570
Reserved for Title I Grants to Local Education Agencies	59,471	0	59,471
Reserved for Innovative Education Program Strategies	61,559	0	61,559
Reserved for Special Education - Grants to States	402,279	0	402,279
Other Federal Reserves	49,424	0	49,424
Unreserved	0	1,132,449	1,132,449
Total Fund Balances	<u>\$ 572,733</u>	<u>\$ 1,171,019</u>	<u>\$ 1,743,752</u>

Cumberland County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Nonmajor Governmental Funds
Cumberland County School Department
For the Year Ended June 30, 2005

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 1,095,449	\$ 1,095,449
Other Local Revenues	0	27,174	27,174
State of Tennessee	0	39,651	39,651
Federal Government	4,391,134	1,709,365	6,100,499
Total Revenues	<u>\$ 4,391,134</u>	<u>\$ 2,871,639</u>	<u>\$ 7,262,773</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 3,734,627	\$ 0	\$ 3,734,627
Support Services	563,851	0	563,851
Operation of Non-Instructional Services	9,321	2,780,415	2,789,736
Total Expenditures	<u>\$ 4,307,799</u>	<u>\$ 2,780,415</u>	<u>\$ 7,088,214</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 83,335</u>	<u>\$ 91,224</u>	<u>\$ 174,559</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	\$ (30,013)	\$ 0	\$ (30,013)
Total Other Financing Sources (Uses)	<u>\$ (30,013)</u>	<u>\$ 0</u>	<u>\$ (30,013)</u>
Net Change in Fund Balances	\$ 53,322	\$ 91,224	\$ 144,546
Fund Balance, July 1, 2004	519,411	1,079,795	1,599,206
Fund Balance, June 30, 2005	<u>\$ 572,733</u>	<u>\$ 1,171,019</u>	<u>\$ 1,743,752</u>

Exhibit D-3

Cumberland County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Cumberland County School Department
School Federal Projects Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 4,391,134	\$ 4,896,934	\$ 4,846,895	\$ (455,761)
Total Revenues	\$ 4,391,134	\$ 4,896,934	\$ 4,846,895	\$ (455,761)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 2,416,431	\$ 2,930,473	\$ 2,938,643	\$ 522,212
Special Education Program	1,171,417	1,575,598	1,569,129	397,712
Vocational Education Program	146,779	145,476	146,779	0
<u>Support Services</u>				
Other Student Support	76,291	93,894	84,793	8,502
Regular Instruction Program	350,087	413,908	408,279	58,192
Special Education Program	57,627	58,322	60,822	3,195
Vocational Education Program	8,185	8,185	8,185	0
Operation of Plant	3,788	575	3,930	142
Transportation	67,873	98,970	67,873	0
<u>Operation of Non-Instructional Services</u>				
Food Service	9,321	22,170	9,321	0
Total Expenditures	\$ 4,307,799	\$ 5,347,571	\$ 5,297,754	\$ 989,955
Excess (Deficiency) of Revenues Over Expenditures	\$ 83,335	\$ (450,637)	\$ (450,859)	\$ 534,194
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 155,666	\$ 155,666	\$ (155,666)
Transfers Out	(30,013)	(189,120)	(188,898)	158,885
Total Other Financing Sources (Uses)	\$ (30,013)	\$ (33,454)	\$ (33,232)	\$ 3,219
Net Change in Fund Balance	\$ 53,322	\$ (484,091)	\$ (484,091)	\$ 537,413
Fund Balance, July 1, 2004	519,411	484,091	484,091	35,320
Fund Balance, June 30, 2005	\$ 572,733	\$ 0	\$ 0	\$ 572,733

Exhibit D-4

Cumberland County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Cumberland County School Department
Central Cafeteria Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 1,095,449	\$ 1,215,000	\$ 1,215,000	\$ (119,551)
Other Local Revenues	27,174	27,000	27,000	174
State of Tennessee	39,651	40,000	40,000	(349)
Federal Government	1,709,365	1,450,000	1,450,000	259,365
Total Revenues	<u>\$ 2,871,639</u>	<u>\$ 2,732,000</u>	<u>\$ 2,732,000</u>	<u>\$ 139,639</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 2,780,415	\$ 2,961,500	\$ 2,961,500	\$ 181,085
Total Expenditures	<u>\$ 2,780,415</u>	<u>\$ 2,961,500</u>	<u>\$ 2,961,500</u>	<u>\$ 181,085</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 91,224</u>	<u>\$ (229,500)</u>	<u>\$ (229,500)</u>	<u>\$ 320,724</u>
Net Change in Fund Balance	\$ 91,224	\$ (229,500)	\$ (229,500)	\$ 320,724
Fund Balance, July 1, 2004	<u>1,079,795</u>	<u>993,185</u>	<u>993,185</u>	<u>86,610</u>
Fund Balance, June 30, 2005	<u>\$ 1,171,019</u>	<u>\$ 763,685</u>	<u>\$ 763,685</u>	<u>\$ 407,334</u>

MISCELLANEOUS SCHEDULES

Exhibit E-1

Cumberland County, Tennessee
Schedule of Transfers - All Funds
Cumberland County School Department
For the Year Ended June 30, 2005

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
School Federal Projects	General Purpose School	Indirect costs	<u>\$ 30,013</u>
Total Transfers			<u><u>\$ 30,013</u></u>

Exhibit E-2

Cumberland County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Cumberland County School Department
For the Year Ended June 30, 2005

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Director of Schools	State Board of Education and Cumberland County Board of Education	\$ 92,000 (1)	\$ 100,000	Travelers Casualty and Surety Company of America
Employee Blanket Bond Coverage: School Department Employees			150,000	Tennessee School Boards Risk Management Trust

(1) Includes chief executive officer training supplement of \$1,000.

Exhibit E-3

Cumberland County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Cumberland County School Department
For the Year Ended June 30, 2005

	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Total
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 4,329,613	\$ 0	\$ 0	\$ 0	\$ 4,329,613
Trustee's Collections - Prior Year	135,072	0	0	0	135,072
Circuit/Clerk & Master Collections - Prior Years	100,115	0	0	0	100,115
Interest and Penalty	25,460	0	0	0	25,460
<u>County Local Option Taxes</u>					
Local Option Sales Tax	6,716,801	0	0	0	6,716,801
Business Tax	5,723	0	0	0	5,723
<u>Statutory Local Taxes</u>					
Coal Severance Tax	2,946	0	0	0	2,946
Interstate Telecommunications Tax	8,363	0	0	0	8,363
Total Local Taxes	\$ 11,324,093	\$ 0	\$ 0	\$ 0	\$ 11,324,093
<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Tuition - Other	\$ 43,853	\$ 0	\$ 0	\$ 0	\$ 43,853
Lunch Payments - Children	0	0	534,972	0	534,972
Lunch Payments - Adults	0	0	63,232	0	63,232
Income from Breakfast	0	0	73,731	0	73,731
A la carte Sales	0	0	420,311	0	420,311
Receipts from Individual Schools	85,685	0	0	0	85,685
<u>Other Charges for Services</u>					
Other Charges for Services	0	0	3,203	0	3,203
Total Charges for Current Services	\$ 129,538	\$ 0	\$ 1,095,449	\$ 0	\$ 1,224,987
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	\$ 7,231	\$ 0	\$ 7,231
Lease/Rentals	1,400	0	5,753	0	7,153
Retirees' Insurance Payments	2,711	0	0	0	2,711
Miscellaneous Refunds	31,167	0	14,190	0	45,357
<u>Nonrecurring Items</u>					
Insurance Recovery	1,692	0	0	0	1,692
Sale of Property	1,496	0	0	0	1,496
Resale of Materials - T&I House	90,450	0	0	0	90,450
Damages Recovered from Individuals	401	0	0	0	401
Total Other Local Revenues	\$ 129,317	\$ 0	\$ 27,174	\$ 0	\$ 156,491
<u>State of Tennessee</u>					
<u>State Education Funds</u>					
Basic Education Program	\$ 22,417,813	\$ 0	\$ 0	\$ 0	\$ 22,417,813
School Food Service	0	0	39,651	0	39,651
Driver Education	7,020	0	0	0	7,020
Other State Education Funds	331,860	0	0	0	331,860
Career Ladder Program	440,468	0	0	0	440,468
Career Ladder - Extended Contract	130,414	0	0	0	130,414
Total State of Tennessee	\$ 23,327,575	\$ 0	\$ 39,651	\$ 0	\$ 23,367,226

(Continued)

Exhibit E-3

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

	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Total
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	\$ 0	\$ 0	\$ 1,273,698	\$ 0	\$ 1,273,698
Breakfast	0	0	435,667	0	435,667
Adult Education State Grant Program	55,148	0	0	0	55,148
Vocational Education - Basic Grants to States	0	168,501	0	0	168,501
Title I Grants to Local Education Agencies	0	1,406,424	0	0	1,406,424
Innovative Education Program Strategies	0	239,626	0	0	239,626
Special Education - Grants to States	23,370	1,338,278	0	0	1,361,648
Special Education Preschool Grants	0	45,188	0	0	45,188
Eisenhower Professional Development State Grants	0	426,039	0	0	426,039
Other Federal through State	21,159	767,078	0	0	788,237
Total Federal Government	\$ 99,677	\$ 4,391,134	\$ 1,709,365	\$ 0	\$ 6,200,176
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 0	\$ 0	\$ 0	\$ 9,933,732	\$ 9,933,732
Total Other Governments and Citizens Groups	\$ 0	\$ 0	\$ 0	\$ 9,933,732	\$ 9,933,732
Total	\$ 35,010,200	\$ 4,391,134	\$ 2,871,639	\$ 9,933,732	\$ 52,206,705

Exhibit E-4

Cumberland County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Cumberland County School Department
For the Year Ended June 30, 2005

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 12,241,039	
Career Ladder Program	277,332	
Career Ladder Extended Contracts	45,500	
Educational Assistants	692,000	
Certified Substitute Teachers	205,000	
Social Security	1,001,477	
State Retirement	732,617	
Life Insurance	32,411	
Medical Insurance	2,636,480	
Dental Insurance	90,815	
Maintenance & Repair Services- Equipment	47,422	
Other Contracted Services	103,344	
Instructional Supplies and Materials	260,000	
Textbooks	325,002	
Other Supplies and Materials	7,991	
Fee Waivers	4,281	
Other Charges	38,140	
Regular Instruction Equipment	161,871	
Total Regular Instruction Program		\$ 18,902,722

Alternative Instruction Program

Teachers	\$ 47,887	
Social Security	3,649	
State Retirement	2,634	
Life Insurance	81	
Medical Insurance	9,379	
Dental Insurance	353	
Other Contracted Services	738	
Instructional Supplies and Materials	800	
Other Supplies and Materials	800	
Total Alternative Instruction Program		66,321

Special Education Program

Teachers	\$ 1,442,127
Career Ladder Program	34,000
Career Ladder Extended Contracts	8,000
Homebound Teachers	110,205
Educational Assistants	34,732
Other Salaries & Wages	43,420

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Certified Substitute Teachers	\$	2,000	
Social Security		125,098	
State Retirement		92,744	
Life Insurance		3,519	
Medical Insurance		336,436	
Dental Insurance		10,956	
Maintenance & Repair Services- Equipment		1,191	
Instructional Supplies and Materials		14,772	
Textbooks		3,541	
Other Supplies and Materials		7,889	
Other Charges		2,000	
Special Education Equipment		11,994	
Total Special Education Program			\$ 2,284,624

Vocational Education Program

Teachers	\$	672,960	
Career Ladder Program		21,000	
Career Ladder Extended Contracts		6,000	
Educational Assistants		10,890	
Certified Substitute Teachers		3,468	
Social Security		54,798	
State Retirement		39,850	
Life Insurance		1,411	
Medical Insurance		101,765	
Dental Insurance		4,295	
Maintenance & Repair Services- Equipment		4,513	
Other Contracted Services		37,640	
Instructional Supplies and Materials		42,739	
T&I Construction Materials		39,772	
Textbooks		5,413	
Other Supplies and Materials		2,705	
Other Charges		9,858	
Vocational Instruction Equipment		13,550	
Total Vocational Education Program			1,072,627

Adult Education Program

Teachers	\$	31,132
Social Security		2,422
State Retirement		781

(Continued)

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Adult Education Program (Cont.)

Life Insurance	\$	13	
Medical Insurance		2,142	
Dental Insurance		118	
Instructional Supplies and Materials		1,696	
Total Adult Education Program			\$ 38,304

Support Services

Attendance

Supervisor/Director	\$	50,810	
Career Ladder Program		1,000	
Social Security		3,963	
State Retirement		2,850	
Life Insurance		81	
Medical Insurance		4,542	
Dental Insurance		235	
Other Supplies and Materials		328	
Other Charges		208	
Total Attendance			64,017

Health Services

Medical Personnel	\$	81,219	
Social Security		5,959	
State Retirement		3,822	
Life Insurance		250	
Medical Insurance		20,174	
Dental Insurance		1,163	
Travel		3,000	
Other Contracted Services		2,020	
Drugs and Medical Supplies		815	
Other Supplies and Materials		1,983	
Health Equipment		175	
Total Health Services			120,580

Other Student Support

Career Ladder Program	\$	8,000	
Guidance Personnel		450,000	
Social Security		35,267	
State Retirement		26,375	
Life Insurance		1,014	

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Medical Insurance	\$	91,000	
Dental Insurance		3,177	
Evaluation and Testing		24,000	
Travel		1,000	
Other Supplies and Materials		66	
In Service/Staff Development		500	
Other Charges		13,356	
Total Other Student Support			\$ 653,755

Regular Instruction Program

Supervisor/Director	\$	144,296	
Career Ladder Program		19,000	
Career Ladder Extended Contracts		10,000	
Librarians		377,044	
Instructional Computer Personnel		169,097	
Secretary(s)		15,585	
Social Security		55,147	
State Retirement		43,160	
Life Insurance		1,288	
Medical Insurance		100,885	
Dental Insurance		4,589	
Consultants		1,967	
Travel		10,000	
Library Books/Media		37,809	
Other Supplies and Materials		1,033	
In Service/Staff Development		20,000	
Total Regular Instruction Program			1,010,900

Special Education Program

Supervisor/Director	\$	77,455	
Career Ladder Program		7,000	
Psychological Personnel		134,355	
Career Ladder Extended Contracts		4,000	
Secretary(s)		31,011	
Clerical Personnel		14,692	
Other Salaries & Wages		50,157	
Social Security		24,124	
State Retirement		18,428	
Life Insurance		451	

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Special Education Program (Cont.)

Medical Insurance	\$	44,505	
Dental Insurance		1,600	
Consultants		400	
Maintenance & Repair Services- Equipment		262	
Travel		17,067	
Other Supplies and Materials		6,337	
In Service/Staff Development		2,000	
Other Charges		780	
Other Equipment		1,485	
Total Special Education Program			\$ 436,109

Vocational Education Program

Clerical Personnel	\$	24,742	
Social Security		1,893	
State Retirement		1,727	
Life Insurance		46	
Medical Insurance		4,542	
Dental Insurance		235	
Travel		7,658	
Other Supplies and Materials		1,523	
In Service/Staff Development		1,500	
Other Charges		471	
Total Vocational Education Program			44,337

Adult Programs

Supervisor/Director	\$	26,966	
Career Ladder Program		500	
Social Security		1,927	
State Retirement		1,511	
Life Insurance		26	
Medical Insurance		2,400	
Dental Insurance		120	
Travel		742	
Instructional Supplies and Materials		989	
In Service/Staff Development		2,000	
Total Adult Programs			37,181

Board of Education

Board and Committee Members Fees	\$	28,800	
----------------------------------	----	--------	--

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education (Cont.)

Social Security	\$	2,203	
State Retirement		1,365	
Life Insurance		335	
Medical Insurance		104,270	
Dental Insurance		1,407	
Unemployment Compensation		24,023	
Audit Services		4,500	
Dues and Memberships		9,125	
Legal Services		27,722	
Travel		20,000	
Other Contracted Services		12,275	
Other Supplies and Materials		1,112	
Premiums on Corporate Surety Bonds		350	
Trustee's Commission		222,434	
Workers' Compensation Insurance		253,015	
Other Charges		2,000	
Total Board of Education			\$ 714,936

Director of Schools

County Official/Administrative Officer	\$	92,000	
Assistant(s)		61,424	
Career Ladder Program		292	
Secretary(s)		26,763	
Clerical Personnel		23,169	
Social Security		15,272	
State Retirement		12,849	
Life Insurance		263	
Medical Insurance		22,183	
Dental Insurance		1,177	
Communication		76,691	
Dues and Memberships		17,496	
Postal Charges		3,499	
Travel		1,712	
Other Contracted Services		10,616	
Office Supplies		6,415	
Other Charges		3,300	
Administration Equipment		2,274	
Total Director of Schools			377,395

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal

Principals	\$	638,984	
Career Ladder Program		19,000	
Career Ladder Extended Contracts		20,000	
Assistant Principals		217,131	
Secretary(s)		359,100	
Clerical Personnel		95,859	
Social Security		102,350	
State Retirement		80,912	
Life Insurance		2,588	
Medical Insurance		230,520	
Dental Insurance		10,472	
Communication		3,550	
In Service/Staff Development		3,000	
Other Charges		7,599	
Total Office of the Principal			\$ 1,791,065

Operation of Plant

Custodial Personnel	\$	828,163	
Social Security		63,495	
State Retirement		54,243	
Life Insurance		2,052	
Medical Insurance		203,389	
Dental Insurance		10,825	
Janitorial Services		15,903	
Other Contracted Services		53,000	
Custodial Supplies		97,622	
Electricity		966,001	
Natural Gas		218,500	
Water and Sewer		80,862	
Building and Contents Insurance		209,565	
Other Charges		55	
Plant Operation Equipment		4,430	
Total Operation of Plant			2,808,105

Maintenance of Plant

Supervisor/Director	\$	35,116	
Secretary(s)		17,363	
Maintenance Personnel		196,700	
Social Security		19,148	

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Maintenance of Plant (Cont.)

State Retirement	\$	17,430	
Life Insurance		456	
Medical Insurance		44,116	
Dental Insurance		2,353	
Maintenance & Repair Services- Buildings		191,233	
Other Contracted Services		126,952	
Equipment and Machinery Parts		9,791	
Other Supplies and Materials		42,000	
Other Charges		13,264	
Total Maintenance of Plant			\$ 715,922

Transportation

Supervisor/Director	\$	35,116	
Mechanic(s)		78,240	
Bus Drivers		730,000	
Clerical Personnel		18,043	
Attendants		8,300	
Other Salaries & Wages		22,750	
Social Security		68,273	
State Retirement		62,293	
Life Insurance		3,263	
Medical Insurance		315,551	
Dental Insurance		16,632	
Maintenance & Repair Services- Vehicles		588	
Other Contracted Services		6,026	
Equipment and Machinery Parts		3,814	
Gasoline		185,989	
Lubricants		6,727	
Office Supplies		376	
Tires and Tubes		12,874	
Vehicle Parts		46,171	
Gravel and Chert		461	
Other Supplies and Materials		5,000	
In Service/Staff Development		1,795	
Other Charges		678	
Transportation Equipment		181,740	
Total Transportation			1,810,700

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Central and Other

Other Charges	\$ 1,620	
Total Central and Other		\$ 1,620

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$ 12,870	
Social Workers	80,738	
Other Salaries & Wages	21,094	
Social Security	8,477	
State Retirement	4,751	
Life Insurance	136	
Medical Insurance	10,981	
Dental Insurance	576	
Travel	5,642	
Food Supplies	2,040	
Other Supplies and Materials	1,067	
Other Charges	3,564	
Total Community Services		151,936

Capital Outlay

Regular Capital Outlay

Engineering Services	\$ 26,214	
Building Improvements	310,057	
Other Capital Outlay	67,906	
Total Regular Capital Outlay		404,177

Total General Purpose School Fund \$ 33,507,333

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 851,512
Educational Assistants	444,993
Other Salaries & Wages	35,399
Certified Substitute Teachers	11,645
Social Security	100,421
State Retirement	75,704
Life Insurance	3,312
Medical Insurance	239,427

(Continued)

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Regular Instruction Program (Cont.)

Dental Insurance	\$	13,452	
Unemployment Compensation		5,885	
Other Fringe Benefits		4,429	
Maintenance & Repair Services- Equipment		19,215	
Travel		1,703	
Other Contracted Services		60,753	
Instructional Supplies and Materials		397,124	
Other Charges		5,200	
Regular Instruction Equipment		146,257	
Total Regular Instruction Program			\$ 2,416,431

Special Education Program

Teachers	\$	264,452	
Educational Assistants		457,366	
Other Salaries & Wages		56,447	
Social Security		58,562	
State Retirement		46,061	
Life Insurance		2,252	
Medical Insurance		212,616	
Dental Insurance		10,357	
Unemployment Compensation		6,457	
Contracts with Private Agencies		22,059	
Instructional Supplies and Materials		18,381	
Other Supplies and Materials		4,796	
Special Education Equipment		11,611	
Total Special Education Program			1,171,417

Vocational Education Program

Travel	\$	3,240	
Instructional Supplies and Materials		800	
Other Charges		2,739	
Vocational Instruction Equipment		140,000	
Total Vocational Education Program			146,779

Support Services

Other Student Support

Medical Personnel	\$	22,394	
Travel		9,800	
In Service/Staff Development		3,497	

(Continued)

Exhibit E-4

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Other Charges	\$ 40,600	
Total Other Student Support		\$ 76,291

Regular Instruction Program

Supervisor/Director	\$ 65,307	
Secretary(s)	28,582	
Other Salaries & Wages	19,375	
Social Security	7,185	
State Retirement	5,587	
Life Insurance	130	
Medical Insurance	9,440	
Dental Insurance	490	
Unemployment Compensation	210	
Other Fringe Benefits	397	
Maintenance & Repair Services- Equipment	1,163	
Travel	984	
Other Contracted Services	16,150	
Other Supplies and Materials	5,087	
In Service/Staff Development	182,025	
Other Charges	2,000	
Other Equipment	5,975	
Total Regular Instruction Program		350,087

Special Education Program

Secretary(s)	\$ 13,920	
Other Salaries & Wages	23,556	
Social Security	2,867	
State Retirement	2,616	
Life Insurance	67	
Medical Insurance	6,052	
Dental Insurance	400	
Unemployment Compensation	84	
Travel	504	
Other Supplies and Materials	9	
In Service/Staff Development	7,552	
Total Special Education Program		57,627

Vocational Education Program

Other Charges	\$ 8,185	
Total Vocational Education Program		8,185

(Continued)

Exhibit E-4

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Operation of Plant

Custodial Personnel	\$ 3,552	
Social Security	236	
Total Operation of Plant		\$ 3,788

Transportation

Other Charges	\$ 17,948	
Transportation Equipment	49,925	
Total Transportation		67,873

Operation of Non-Instructional Services

Food Service

Food Supplies	\$ 9,321	
Total Food Service		9,321

Total School Federal Projects Fund \$ 4,307,799

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$ 40,758
Accountants/Bookkeepers	33,930
Clerical Personnel	30,514
Cafeteria Personnel	729,075
Other Salaries & Wages	39,183
Social Security	66,703
State Retirement	39,012
Life Insurance	1,766
Medical Insurance	157,850
Dental Insurance	8,781
Unemployment Compensation	89
Maintenance & Repair Services- Equipment	15,235
Transportation - Other than Students	11,287
Travel	5,801
Other Contracted Services	32,916
Food Supplies	1,343,686
Office Supplies	4,760
Uniforms	1,555
Utilities	11,251
Other Supplies and Materials	98,424

(Continued)

Exhibit E-4

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

<u>Central Cafeteria Fund (Cont.)</u>		
<u>Operation of Non-Instructional Services (Cont.)</u>		
<u>Food Service (Cont.)</u>		
In Service/Staff Development	\$ 2,915	
Other Charges	15,503	
Food Service Equipment	89,421	
Total Food Service	<u> </u>	\$ 2,780,415
Total Central Cafeteria Fund		\$ 2,780,415
<u>Education Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>Education Capital Projects</u>		
Building Improvements	\$ 10,520,394	
Total Education Capital Projects	<u> </u>	\$ 10,520,394
Total Education Capital Projects Fund		<u>10,520,394</u>
Total Governmental Funds - Cumberland County School Department		<u>\$ 51,115,941</u>

ANNUAL FINANCIAL REPORT
CUMBERLAND COUNTY RAILROAD AUTHORITY
A COMPONENT UNIT OF CUMBERLAND COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2005

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

ARTHUR L. ALEXANDER
Director

CARL LOWE, CGFM
Audit Manager

ANITA SCARLETT, CPA
Auditor 4

GARY D. RAMSEY, CPA
State Auditor

This financial report is available at www.comptroller.state.tn.us

**CUMBERLAND COUNTY RAILROAD AUTHORITY
A COMPONENT UNIT OF CUMBERLAND COUNTY, TENNESSEE
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Audit Highlights
Annual Financial Report
Cumberland County Railroad Authority
For the Year Ended June 30, 2005

Scope

We have audited the basic financial statements of the Cumberland County Railroad Authority as of and for the year ended June 30, 2005.

Results

Our report on Cumberland County Railroad Authority's financial statements expresses an unqualified opinion and resulted in no findings and recommendations.

INTRODUCTORY SECTION

Cumberland County Railroad Authority Officials
June 30, 2005

Board of Directors

Brock Hill, Chairman
George Adcock

FINANCIAL SECTION



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

INDEPENDENT AUDITOR'S REPORT

January 25, 2006

Cumberland County Railroad Authority
Cumberland County, Tennessee

To the Board of Directors:

We have audited the accompanying financial statements of the governmental activities and the major fund of the Cumberland County Railroad Authority, a component unit of Cumberland County, Tennessee, as of and for the year ended June 30, 2005, as shown on pages 13 through 20, which collectively comprise the Cumberland County Railroad Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Cumberland County Railroad Authority's management. Our responsibility is to express an opinion 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Cumberland County Railroad Authority as of June 30, 2005, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

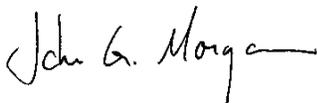
In accordance with Government Auditing Standards, we have also issued our report dated January 25, 2006, on our consideration of the Cumberland County Railroad Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

As described in Note V.A., the Cumberland County Railroad Authority has implemented Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures, which modifies the authority's disclosures for custodial credit risk and adds disclosures about other types of risk.

The management of the Cumberland County Railroad Authority did not prepare a management's discussion and analysis. The management's discussion and analysis section is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cumberland County Railroad Authority's basic financial statements. The introductory section and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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,



John G. Morgan
Comptroller of the Treasury

JGM/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

Cumberland County, Tennessee
Statement of Net Assets and Governmental Fund Balance Sheet
Cumberland County Railroad Authority
June 30, 2005

	General Fund	Adjustments	Statement of Net Assets
<u>ASSETS</u>			
Due from Other Governments	\$ 106,273	\$ 0	\$ 106,273
Total Assets	<u>\$ 106,273</u>	<u>\$ 0</u>	<u>\$ 106,273</u>
<u>LIABILITIES</u>			
Contracts Payable	\$ 106,273	\$	\$ 106,273
Total Liabilities	<u>\$ 106,273</u>	<u>\$</u>	<u>\$ 106,273</u>
<u>FUND BALANCE/NET ASSETS</u>			
Fund Balances:			
Reserved for Encumbrances	\$ 269,646	\$ (269,646)	\$ 0
Unreserved	(269,646)	269,646	0
Total Fund Balances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total Fund Balances	<u>\$ 0</u>		
Net Assets:			
Unrestricted		<u>\$ 0</u>	<u>\$ 0</u>
Total Net Assets		<u>\$ 0</u>	<u>\$ 0</u>

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

Exhibit B

Cumberland County, Tennessee
Statement of Activities and Governmental Fund Revenues, Expenditures,
and Changes in Fund Balance/Net Assets
Cumberland County Railroad Authority
For the Year Ended June 30, 2005

	General Fund	Adjustments	Statement of Activities
<hr/>			
Expenditures/Expenses:			
Other Operations:			
Other Economic and Community Development	\$ 435,344	\$ 0	\$ 435,344
	<hr/>		
Total Expenditures/Expenses	\$ 435,344	\$ 0	\$ 435,344
	<hr/>		
Program Revenues:			
Operating Grants and Contributions:			
General Government Grants	\$ 431,925	\$ 0	\$ 431,925
	<hr/>		
Net Program Expense			<u>\$ 3,419</u>
Excess of Revenues over Expenditures	\$ (3,419)	\$ 3,419	\$ 0
Change in Net Assets	0	(3,419)	(3,419)
Fund Balance/Net Assets:			
July 1, 2004	3,419	0	3,419
	<hr/>		
June 30, 2005	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

CUMBERLAND COUNTY RAILROAD AUTHORITY
A COMPONENT UNIT OF CUMBERLAND COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The following are the more significant accounting policies of the authority:

A. Reporting Entity

The authority was created pursuant to Section 7-56-201, Tennessee Code Annotated. The purpose of the authority is to acquire, operate, maintain, and dispose of railroad facilities, properties, and equipment for the benefit of public transportation in Cumberland County, Tennessee. The authority is a component unit of Cumberland County, Tennessee, the primary government. The authority is governed by a two-member board. The county mayor is the first member and the second member is appointed by the Cumberland County Commission. The authority is funded primarily from state grant revenues and is accounted for in a single governmental fund.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the authority.

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is

incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 authority 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 authority 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.

The authority reports the following governmental fund:

General Fund – This is the authority’s only operating fund. It accounts for all financial resources of the authority.

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

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

D. Assets and Net Assets or Equity

1. Deposits and Investments

State statutes authorize counties (Cumberland County, the authority’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 Cumberland County, Cumberland County School Department, and Cumberland County Railroad Authority funds. 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 primary government's General Fund. Cumberland County, the Cumberland County School Department, and the Cumberland County Railroad Authority 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. Payables

Contracts payable represents the amounts due on construction projects for work performed prior to June 30, 2005.

3. Net Assets and Fund Equity

In the government-wide financial statements, equity is classified as net assets and displayed in three components:

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

In the fund financial statements, the governmental fund reports reservations of fund balance for amounts that are not available appropriation or are legally restricted by outside parties for use for a specific purpose.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Cumberland County Railroad Authority did not have capital assets, debt, and accruals or deferrals to report; therefore, the only reconciling items from the governmental fund financial statements to the government-wide financial statements were reclassifications and are noted on the face of the basic financial statements.

III. STEWARDSHIP AND ACCOUNTABILITY

As previously noted, the authority was created pursuant to Section 7-56-201, Tennessee Code Annotated, to acquire, operate, maintain, and dispose of railroad facilities, properties, and equipment for the benefit of public transportation in Cumberland County, Tennessee. Funding for the railroad projects is from grants received from the State of Tennessee. The Cumberland County Finance Office maintains the books and records of the authority for an administrative fee of two percent of grant proceeds.

IV. DETAILED NOTES

A. Deposits and Investments

Cumberland County, the Cumberland County School Department, and the Cumberland County Railroad Authority participate in an internal cash and investment pool through the county's 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.

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 at June 30, 2005.

B. Construction Commitments

At June 30, 2005, the authority had uncompleted construction contracts of \$269,646 for railroad renovations. Funding for these future expenditures is expected to be received from grant proceeds.

V. OTHER INFORMATION

A. Accounting Change

During the year, the authority adopted the provisions of Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosure. These provisions modified the authority's previous custodial risk disclosures for deposits and investments and related collateral. These provisions also added disclosures about other types of risk, including credit risk, interest rate risk, foreign currency risk, and concentrations of credit risk. Governments are also required to provide brief disclosures about their deposit and investment policies that are related to any of the risks required to be disclosed.

B. Contingent Liabilities

Authority officials advised that there was no litigation pending against the authority at June 30, 2005.

C. Financial Policy

The authority has the general policy of requiring all bank account decisions and all disbursements to be individually approved at meetings of the Board of Directors.

MISCELLANEOUS SCHEDULES

Exhibit C-1

Cumberland County, Tennessee
Schedule of Detailed Revenues -
Governmental Fund Type
Cumberland County Railroad Authority
For the Year Ended June 30, 2005

	Industrial/ Economic Development
<u>State of Tennessee</u>	
<u>General Government Grants</u>	
Other General Government Grants	\$ 431,925
Total General Fund	<u>\$ 431,925</u>
 Total	 <u><u>\$ 431,925</u></u>

Exhibit C-2

Cumberland County, Tennessee
Schedule of Detailed Expenditures -
Governmental Fund Type
Cumberland County Railroad Authority
For the Year Ended June 30, 2005

General Fund

Other Operations

Other Economic and Community Development

Engineering Services	\$	107,777
Other Charges		6,423
Other Construction		321,144
Total Other Economic and Community Development	\$	<u>435,344</u>

Total General Fund \$ 435,344

Total Governmental Funds - Cumberland County Railroad Authority \$ 435,344

SINGLE AUDIT REPORT
CUMBERLAND COUNTY, TENNESSEE
CUMBERLAND COUNTY SCHOOL DEPARTMENT
AND
CUMBERLAND COUNTY RAILROAD AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2005

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

ARTHUR L. ALEXANDER
Director

CARL LOWE, CGFM
Audit Manager

ANITA SCARLETT, CPA
Auditor 4

GARY D. RAMSEY, CPA
TIM BRASHEARS
RODNEY MALIN, CGFM
KELLEY J. McNEAL, CPA, CGFM
State Auditors

This report is available at www.comptroller.state.tn.us

SINGLE AUDIT REPORT TABLE OF CONTENTS

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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 25, 2006

Cumberland County Mayor, Board of County Commissioners,
Director of Schools, Board of Education, and
Railroad Authority Board of Directors
Cumberland County, Tennessee

To the County Mayor, Board of County Commissioners, Director of Schools,
Board of Education, and Railroad Authority Board of Directors:

We have audited the financial statements of each major fund and the aggregate remaining fund information of Cumberland County, Tennessee, and the Cumberland County School Department, and we have audited the financial statements of the governmental activities and the major fund of the Cumberland County Railroad Authority, as of and for the year ended June 30, 2005, which collectively comprise a portion of Cumberland County's, the Cumberland County School Department's, and the Cumberland County Railroad Authority's basic financial statements and have issued our reports thereon dated January 25, 2006. Our reports on the financial statements of Cumberland County, Tennessee, and the Cumberland 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 report on the financial statements of the Cumberland County Railroad Authority expresses an unqualified opinion. 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 Cumberland County's, the Cumberland County School Department's, and the Cumberland County Railroad Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the

internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Cumberland County's, the Cumberland County School Department's, and the Cumberland County Railroad Authority's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 05.02, 05.03, and 05.04.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cumberland County's, the Cumberland County School Department's, and the Cumberland County Railroad Authority's 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 one instance of noncompliance that is required to be reported under Government Auditing Standards and is described in the accompanying Schedule of Findings and Questioned Costs as item 05.01.

We also noted certain other matters that we reported to the management of Cumberland County, the Cumberland County School Department, and the Cumberland County Railroad Authority in separate communications.

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

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/sb



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

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

January 25, 2006

Cumberland County Mayor, Board of County Commissioners,
Director of Schools, and Board of Education, and
Railroad Authority Board of Directors
Cumberland County, Tennessee

To the County Mayor, Board of County Commissioners, Director of Schools,
Board of Education, and Railroad Authority Board of Directors:

Compliance

We have audited the compliance of Cumberland County, the Cumberland County School Department, and the Cumberland County Railroad Authority 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, 2005. Cumberland County's, the Cumberland County School Department's, and the Cumberland County Railroad Authority'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 Cumberland County's, the Cumberland County School Department's, and the Cumberland County Railroad Authority's management. Our responsibility is to express an opinion on Cumberland County's, the Cumberland County School Department's, and the Cumberland County Railroad Authority'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 Cumberland County's, the Cumberland County School Department's, and the Cumberland County Railroad Authority'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 Cumberland County's, the Cumberland County School Department's, and the Cumberland County Railroad Authority's compliance with those requirements.

In our opinion, Cumberland County, the Cumberland County School Department, and the Cumberland County Railroad Authority 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, 2005.

Internal Control Over Compliance

The management of Cumberland County, the Cumberland County School Department, and the Cumberland County Railroad Authority 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 Cumberland County's, the Cumberland County School Department's, and the Cumberland County Railroad Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Federal Awards

We have audited the financial statements of each major fund and the aggregate remaining fund information of Cumberland County, Tennessee, and the Cumberland County School Department, and we have audited the financial statements of the governmental activities and the major fund of the Cumberland County Railroad Authority, as of and for the year ended June 30, 2005, and have issued our reports thereon dated January 25, 2006. Our reports on the financial statements of Cumberland County and the Cumberland 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 report on the financial statements of the Cumberland County Railroad Authority expresses an unqualified opinion. Our audit was performed for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Grants is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Very truly yours,

A handwritten signature in black ink that reads "John G. Morgan" with a long horizontal flourish extending to the right.

John G. Morgan
Comptroller of the Treasury

JGM/sb

Cumberland County, Tennessee, the Cumberland County School Department,
and the Cumberland County Railroad Authority
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2005

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Passed-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Agriculture:			
Food Donation	10.550	(2)	\$ 136,296
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	435,667
National School Lunch Program	10.555	N/A	1,273,698
Total U.S. Department of Agriculture			<u>\$ 1,845,661</u>
U.S. Department of Economic and Community Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants	14.228	GG-05-11634-00	\$ 33,994
U.S. Department of Justice:			
Direct Programs:			
Public Safety Partnership and Community Policing Grants	16.710	N/A	\$ 30,971
Passed-through State Office of Criminal Justice Programs:			
Edward Byrne Memorial State and Local Law Enforcement Assistance	16.580	Z-99-088463-00	15,045
Total U.S. Department of Justice			<u>\$ 46,016</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Adult Education - State Grant Program	84.002	Z-04-016658-00	\$ 15,699 (3)
Adult Education - State Grant Program	84.002	Z-05-022210-00	39,449 (3)
Title I Grant to Local Educational Agencies	84.010	N/A	1,529,513
Special Education - Grants to States	84.027	N/A	1,262,980
Vocational Education - Basic Grants to States	84.048	N/A	168,501
Safe and Drug Free Schools and Communities - State Grants	84.186	(2)	43,860
Twenty-First Century Community Learning Centers	84.287	Z-05-021719-00	340,936 (4)
Twenty-First Century Community Learning Centers	84.287	(2)	48,181 (4)
Innovative Education Program Strategies	84.298	N/A	63,067
Education Technology State Grants	84.318	(2)	45,938
Comprehensive School Reform Demonstration	84.332	(2)	100,000
Reading Excellence	84.338	Z-03-011041-00	170,531
Rural Education	84.358	N/A	204,896
English Language Acquisition Grants	84.365	N/A	22,967
Improving Teacher Quality State Grants	84.367	N/A	312,718
Passed-through State Department of Health:			
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	GG-04-10218-01	49,237
Total U.S. Department of Education			<u>\$ 4,418,473</u>

(Continued)

Cumberland County, Tennessee, the Cumberland County School Department,
and the Cumberland County Railroad Authority
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 Department of Health:			
State Rural Hospital Flexibility Program	93.241	GG-05-11699-00	\$ 40,000
Block Grants for Prevention and Treatment of Substance Abuse	93.959	Z-05-020791-00	21,159
Total U.S. Department of Health and Human Services			<u>\$ 61,159</u>
U.S. Department of Homeland Security:			
Direct Programs:			
Assistance to Firefighters Grant	97.044	N/A	\$ 274,072
Passed-through State Department of Military:			
State Domestic Preparedness Equipment Support Program	97.004	Z-03-014415-00	44,964 (5)
State Domestic Preparedness Equipment Support Program	97.004	Z-03-017739-00	40,000 (5)
State Domestic Preparedness Equipment Support Program	97.004	Z-04-022432-00	37,399 (5)
Public Assistance Grants	97.036	Z-03-015792-00	18,698 (6)
Public Assistance Grants	97.036	Z-03-017854-00	35,231 (6)
Public Assistance Grants	97.036	Z-05-024719-00	129,529 (6)
Emergency Management Performance Grant	97.042	Z-04-020290-00	6,705
Total U.S. Department of Homeland Security			<u>\$ 586,598</u>
Total Expenditures of Federal Awards			<u>\$ 6,991,901</u>
<u>State Grants</u>			
Adult Education - State Department of Education	N/A	(2)	\$ 14,660
Railroad Rehabilitation Grant - State Department of Transportation	N/A	(2)	435,344
Family Resource Center - State Department of Education	N/A	(2)	33,280
Fingerprint Machine Grant - State Department of Finance and Administration	N/A	(2)	15,000
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	38,998
Law Enforcement Training - State Department of Safety	N/A	(2)	21,553
Litter Program - State Department of Transportation	N/A	(2)	13,878
Public Assistance Grants - State Department of Military	N/A	(2)	20,865
Rural Local Health Services - State Department of Health	N/A	(2)	430,390
Safe Schools Act - State Department of Education	N/A	(2)	39,747
Waste Tire Storage and Disposal - State Department of Environment and Conservation	N/A	(2)	31,681
Youth Services Officer Grant - State Commission on Children and Youth	N/A	(2)	9,000
Total State Grants			<u>\$ 1,104,396</u>

CFDA = Catalog of Federal Domestic Assistance

N/A = Not Applicable

- (1) Presented in conformity with generally accepted accounting principles and prepared on the modified accrual basis of accounting.
- (2) Information not available.
- (3) Total Adult Education - State Grant Program (CFDA Number 84.002) from the U. S. Department of Education was \$55,148.
- (4) Total Twenty-First Century Community Learning Centers (CFDA Number 84.287) from the U. S. Department of Education was \$389,117.
- (5) Total State Domestic Preparedness Equipment Support Program (CFDA Number 97.004) from the U. S. Department of Homeland Security was \$122,363.
- (6) Total Public Assistance Grants (CFDA Number 97.036) from the U. S. Department of Homeland Security was \$183,458.

Cumberland County, Tennessee, the Cumberland County School Department,
and the Cumberland County Railroad Authority
Schedule of Audit Findings Not Corrected
June 30, 2005

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report of Cumberland County, Tennessee, and Cumberland County School Department for the year ended June 30, 2004, which have not been corrected.

**CUMBERLAND COUNTY AND THE CUMBERLAND COUNTY
SCHOOL DEPARTMENT**

Finding Number	Page Number	Subject
04.01	12	Government-wide financial statements were not presented in accordance with generally accepted accounting principles

FINANCE DEPARTMENT

Finding Number	Page Number	Subject
04.02	13	Inventory records were not maintained

OTHER FINDING AND RECOMMENDATION

Finding Number	Page Number	Subject
04.05	14	Duties were not segregated adequately in the Finance Department and the Offices of Register and Sheriff

**CUMBERLAND COUNTY, TENNESSEE
THE CUMBERLAND COUNTY SCHOOL DEPARTMENT AND
THE CUMBERLAND COUNTY RAILROAD AUTHORITY**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2005

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Adverse opinions were issued on the financial statements of Cumberland County, Tennessee, and the Cumberland County School Department. An unqualified opinion was issued on the financial statements of the Cumberland County Railroad Authority.
2. The audit of the financial statements of Cumberland County and the Cumberland County School Department disclosed reportable conditions in internal control. None of these conditions was considered to be a material weakness.
3. The audit disclosed one instance of noncompliance that is material to the financial statements of Cumberland County and the Cumberland County School Department.
4. The audit disclosed no reportable conditions in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings which are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555), Title 1 Grants to Local Educational Agencies (CFDA No. 84.010), and the Special Education - Grants to States (CFDA No. 84.027) were determined to be major programs.
8. A threshold of \$300,000 was used to distinguish between Type A and Type B federal programs.
9. Cumberland County, the Cumberland County School Department, and the Cumberland County Railroad Authority 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. Officials offered oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

CUMBERLAND COUNTY AND CUMBERLAND COUNTY SCHOOL DEPARTMENT

FINDING 05.01 **GOVERNMENT-WIDE FINANCIAL STATEMENTS WERE NOT PRESENTED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**

(Material Noncompliance Under Government Auditing Standards)

Cumberland County and the Cumberland County School Department did not identify and determine the historical value of their capital assets and the related depreciation amounts of these assets. Therefore, Cumberland County and the Cumberland 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, Cumberland County’s and the Cumberland County School Department’s financial statements are not presented in accordance with generally accepted accounting principles; thus, we have issued adverse opinions on their financial statements.

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

RECOMMENDATION

Cumberland County and the Cumberland 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.

FINANCE DEPARTMENT

**FINDING 05.02 INVENTORY RECORDS WERE NOT MAINTAINED
(Internal Control – Reportable Condition Under Government Auditing Standards)**

County officials did not maintain inventory records for assets owned by the general county government. Generally accepted accounting principles require accountability for all county-owned assets, such as equipment, furniture, and vehicles. The failure to maintain inventory records resulted in a loss of control over assets.

RECOMMENDATION

County officials should maintain inventory records for all county-owned assets.

OFFICE OF REGISTER

**FINDING 05.03 BANK STATEMENTS WERE NOT RECONCILED WITH THE ACCOUNTING RECORDS
(Internal Control – Reportable Condition Under Government Auditing Standards)**

Bank statements were not reconciled with the accounting records. The reconciliation of bank statements with accounting records is necessary to ensure that all receipts, deposits, and disbursements are recorded properly.

RECOMMENDATION

Bank statements should be reconciled with the accounting records monthly, and any errors noted should be corrected promptly.

OTHER FINDING AND RECOMMENDATION

FINDING 05.04 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE FINANCE DEPARTMENT, AND THE OFFICES OF COUNTY CLERK, REGISTER, AND SHERIFF**
(Internal Control – Reportable Condition Under Government Auditing Standards)

Duties were not segregated adequately among the officials and employees in the Finance Department and in the Offices of the County Clerk, Register, and Sheriff. Officials and employees responsible for maintaining the accounting records in these offices 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.

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

There were no findings and questioned costs for federal awards.

**CUMBERLAND COUNTY, TENNESSEE,
THE CUMBERLAND COUNTY SCHOOL DEPARTMENT,
AND THE CUMBERLAND COUNTY RAILROAD AUTHORITY
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2005**

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