

SUMNER COUNTY, TENNESSEE

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

JUNE 30, 2005

SUMNER COUNTY, TENNESSEE

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SUMNER COUNTY, TENNESSEE
LETTER OF INTRODUCTION

The Sumner County, Tennessee is pleased to present its comprehensive annual financial report for the year ended June 30, 2005.

The various management of the County has the total responsibility as to the completeness and reasonable assurance of this report. It is management's belief that this report presents fairly, in all material respects, the financial position, results of operations and cash flows of Sumner County, Tennessee in accordance with accounting principles generally accepted in the United States of America (GAAP). All of the financial disclosures deemed necessary and required, have been included for further analysis and understanding.

A system of internal control is established and maintained to ensure that the assets of the County are safeguarded, the books and records reflect only authorized transactions, and that accurate financial data is compiled. The system of internal controls is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance is based on recognition that the cost of a control should not exceed the benefit likely to be received, and the valuation of costs and benefits requires estimates and judgments. Management believes its system of internal accounting control maintains an appropriate cost/benefit relationship. Management also believes that its policies and procedures provide guidance and reasonable assurance that the County's operations are conducted according to management's intentions and to a high standard of business ethics.

As required by the Governmental Accounting Standards Board (GASB), this report includes all operating departments, agencies, and funds of the primary government which are not separate legal operating entities, and all operating component units which are separate legal operating entities.

The unqualified opinion of our independent external auditors, Crosslin, Vaden & Associates, P.C., on the June 30, 2005 financial statements is included in this report.

SUMNER COUNTY, TENNESSEE
 ROSTER OF COUNTY OFFICIALS, DEPARTMENTAL MANAGERS,
 COUNTY BOARD OF COMMISSIONERS AND COUNTY BOARD OF EDUCATION
 JUNE 30, 2005

COUNTY OFFICIALS AND
 DEPARTMENTAL MANAGERS

NAME

County Executive	R.J. Hank Thompson
Law Director	Leah Dennen
Finance Director	Dennis W. Petty
Assessor of Property	John Isbell
Trustee	Betty Gregory
County Clerk	Bill Kemp
General Sessions Judge I	James Hunter
General Sessions Judge II	Barry Brown
Circuit Court Clerk	Mahailiah Hughes
Sheriff	J.D. Vandercook
Register of Deeds	Pam Whitaker
Clerk and Master	Brenda Page
District Attorney	Ray Whitley
Emergency Services Director	Dennis Wallace
Agriculture Extension Agent	Stephen Herb Lester
Registrar of Voters	Wayne Pruett
Risk Director	Tony Southern
Planning Director	Mike Moulton
Health Director	Mary Howard Hayes
Veterans Officer	Louis Oliver, Jr.
Highway Superintendent	Scotty Parker
School Director	Benny Bills

COUNTY BOARD OF COMMISSIONERS

William Black	Merrol Hyde
Joe L. Blankenship	Rod Lilly
Steve Botts	Art McClellan
Darren M. Carver	Roland Mumford
Nancy Krider Corley	Kenny Pierpaoli
William Craig	David Satterfield
David Cummings	Jo Skidmore
Paul Freels	Matt Slone
Harold Gilbert	John Smart
Ricky Goats	Bobby Leon Thompson
Ragan Hall	Steve White
Benjamin Harris	
Anthony Holt	

COUNTY BOARD OF EDUCATION

Benny Bills, Chairman
 Nancy Roth
 Will A. Duncan
 Randall Stamps
 Ken Becker
 Ronnie Stubblefield
 Mary Bradley

Independent Auditors' Report

To the Board of County Commissioners
and the County Executive
Sumner County, Tennessee

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Sumner County, Tennessee (the "County"), as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Sumner County Regional Airport Authority, Sumner County Emergency Communications District, The Resource Authority in Sumner County, Tennessee, and the Sumner County Schools' Activity Funds (a fund of the Sumner County School Department), which represent 5 percent and 7 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Sumner County Regional Airport Authority, the Sumner County Emergency Communications District, the Resource Authority in Sumner County, Tennessee, and the Sumner County Schools' Activity Funds, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. 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 and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, 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 accounting principals generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2005 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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 operating or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis (MD&A) on pages 5 through 15 and the required supplementary information on pages 78 through 82 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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 County's basic financial statements. The combining and individual financial statements of nonmajor governmental funds, proprietary funds, fiduciary funds and the Sumner County School Department on pages 83 through 98 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal and state awards on pages 154 through 157 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The accompanying miscellaneous schedules on pages 99 through 131 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual financial statements, schedule of expenditures of federal and state awards, and miscellaneous schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly presented in all material respects in relation to the basic financial statements taken as a whole.

The information identified in the table of contents as the introductory and statistical sections is presented for purposes of additional analysis and is not a required part of the basic financial statements of the County. Such additional information 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.

Crosslin, Vaclen & Associates, P.C.

Nashville, Tennessee
November 28, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Sumner County, Tennessee's financial performance provides an overview of the County's financial activities for the fiscal year ended June 30, 2005 as compared to fiscal year 2004. We encourage readers to consider the information presented here in conjunction with other additional information in the financial report of Sumner County, Tennessee.

Financial Highlights

- In FY 2005, the net assets of the County (primary government) increased \$1,893,364.
- The total net deficit of the County is \$(2,584,189). Of the total, \$52,735,629 of net assets are invested in capital assets, net of related debt and the remaining relates to an unrestricted deficit of \$55,319,818. The unrestricted deficit is primarily the result of debt issued by the primary government for Sumner County School Department (component unit) construction.
- The County's total outstanding debt increased by \$2,500,000 and totals \$129,000,000. The County's debt has been incurred primarily for the construction of school buildings and a jail facility.
- The General Fund of the County had total expenditures (\$30,119,936) which exceeded total revenues (\$26,561,750). The General Fund also had net transfers-in of \$6,590,467 from other governmental funds.
- The General Fund's fund balance increased by \$3,032,281 from \$17,013,753 to \$20,046,034.
- The total net assets of the County's most significant component unit, the Sumner County School Department, are \$185,902,090. Of the total net assets, \$174,510,690 is invested in capital assets and the remaining \$11,391,400 is unrestricted.
- In FY 2005, the net assets of the Sumner County School Department increased \$12,158,040, primarily as a result of the contribution of \$20,615,067 in construction by the County.

Overview of the Financial Statements

Sumner County, Tennessee's basic financial statements are comprised of: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements, and 4) required supplementary information. This report also contains other supplementary information and statistical data in addition to the basic financial statements and notes.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of Sumner County, Tennessee's finances, in a manner similar to a private-sector business. The government-wide statements help answer the question, "Is Sumner County, Tennessee, as a whole, better off or worse off as a result of FY 2005's activities?"

The statement of net assets presents information on all of Sumner County, Tennessee's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Sumner County, Tennessee is improving or deteriorating.

The statement of activities presents information showing how the County's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of Sumner County, Tennessee that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of Sumner County, Tennessee include general administration, finance, administration of justice, public safety, public health and welfare, social, cultural, and recreational services, agricultural and natural resources, other general government, insurance claims, and highways.

The government-wide financial statements include not only Sumner County, Tennessee itself (known as the primary government), but also the legally separate component units, Sumner County School Department, The Sumner County Resource Authority, Sumner County Regional Airport Authority, and the Sumner County Emergency Communications District. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Sumner County, Tennessee, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Sumner County, Tennessee can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. These funds are reported under a method called modified accrual accounting that measures cash and all financial assets that can be readily converted to cash.

Sumner County, Tennessee maintains a total of 8 individual governmental funds:

- General Fund (1)
- Special Revenue Funds (4)
 - Drug Control Fund
 - Constitutional Officers – Fees Fund
 - Judicial District Drug Fund
 - District Attorney General Fund
- Debt Service Fund (1)
- Capital Projects Fund (1)
- Highway/Public Works Fund (1)

General fund information is presented separately in two basic financial reports: (1) the governmental fund balance sheet and (2) the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund. The General Fund, Debt Service Fund, Capital Projects Fund and the Highway/Public Works Fund are the County's major governmental funds. Data from the other governmental funds are combined into a single, aggregated presentation for non-major governmental funds. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. Sumner County, Tennessee adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. Sumner County, Tennessee maintains one type of proprietary fund, which are the internal service funds. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. Sumner County, Tennessee uses Internal Service Funds to account for its insurance costs. Because this service benefits governmental funds, their activity has been included within governmental activities in the government-wide financial statements.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support Sumner County, Tennessee's own programs.

Notes to the financial statements. The notes provide additional information that is essential to obtain a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found in the financial section of this report immediately following the financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that supplements the information provided in the financial statements and in the notes. Additional statistical information may be found following the financial statements and the notes.

Government-wide Financial Analysis

The total assets of the County for the fiscal year ending June 30, 2005 are \$164,890,865. Assets are divided into two major divisions. Current assets of the County totaled \$94,155,236 and noncurrent assets totaled \$70,735,629. The current assets are made up of two major sources. Cash, cash equivalents and investments totaled \$60,645,767 or 64.5% and property taxes receivable totaled \$29,979,833 or 31.9% of total current assets. Noncurrent assets of the County totaled \$70,735,629, which represents total gross capital assets of \$236,540,868 less accumulated depreciation of \$165,805,239. The largest component of gross capital assets is infrastructure which accounts for a total of \$187,445,528 or 79.3%.

Total liabilities of the County for the fiscal year ending June 30, 2005 are \$167,475,054. Liabilities are divided into two major divisions. Current liabilities totaled \$52,016,916. The current liabilities are primarily made up of accounts payable and accrued expenses totaling \$2,525,278 or 4.9% of the total, reserves for claims and judgements incurred and incurred but unreported totaling \$6,310,687 or 12.2%, deferred revenues of \$28,500,981 related primarily to unearned property taxes and the current portion of long term debt, that amount which the County intends to repay within the next 12 month period, totaling \$14,000,000. Non current liabilities totaled \$115,458,138. This amount consists of accrued annual leave totaling \$458,138 or .3% and outstanding long term debt, that amount which the County plans to repay that exceeds the next twelve months, totaling \$115,000,000 or 99.7%.

The County's (primary government) net deficit for the year ending June 30, 2005 was \$(2,584,189). The County's net deficit includes all of the outstanding debt issues as of June 30, 2005 which total \$129,000,000. The outstanding debt represents \$111,000,000 for school building projects and \$18,000,000 for the current jail building project. School building projects are reflected in the Sumner County School Department's (component unit) presentation as capital assets. The County has an unrestricted net asset deficit of \$55,319,818 as a result of the County, as the primary government, having the responsibility for the issuance and retirement of all debt, including the debt related to the construction of assets titled to the Sumner County School Department.

Table 1
Sumner County, Tennessee
Condensed Statement of Net Assets

Governmental Activities			
	2005	2004	% Change
<u>Assets</u>			
Current assets	\$ 94,155,236	\$ 92,644,394	1.63%
Non-current assets	70,735,629	67,456,210	4.86%
Total assets	164,890,865	160,100,604	2.99%
<u>Liabilities</u>			
Current liabilities	52,016,916	49,156,725	5.82%
Non-current liabilities	115,458,138	115,421,434	0.03%
Total liabilities	167,475,054	164,578,159	1.76%
<u>Net Assets</u>			
Invested in capital assets, net of related debt	52,735,629	47,956,209	9.97%
Unrestricted	(55,319,818)	(52,433,762)	5.50%
Total net assets (deficit)	\$ (2,584,189)	\$ (4,477,553)	-42.29%

For the fiscal year ended June 30, 2005, program revenues for the County were \$4,117,000, primarily from charges for services totaling \$3,680,098 or 89.4%. Gross general revenues for the County were \$71,675,661 prior to the County's contribution to the County Board of Education Capital Assets Building Program totaling \$20,615,067. This contribution represents capital outlay for school buildings from note proceeds which are not included as general revenues for the County. However, they are treated as reductions for general revenue presentation purposes for the County. The largest revenue source for the County is property taxes which totaled \$27,767,141 or 38.8% of the total reported gross general revenues.

Table 2
Governmental Activities
Change in Net Assets

For Fiscal Year Ended June 30,	2005	2004	% Change
Revenues			
Program Revenues:			
Charges for Services	\$ 3,680,098	\$ 3,103,190	18.59%
Operating Grants and Contributions	436,902	351,253	24.38%
Total Program Revenues	4,117,000	3,454,443	19.18%
General Revenues:			
Taxes	37,238,679	35,434,982	5.09%
State of Tennessee	5,358,025	4,686,815	14.32%
Licenses and Permits	3,576,691	2,752,240	29.96%
Fines and Forfeitures	1,369,840	1,176,903	16.39%
Fees for Services	13,003,548	10,931,425	18.96%
Fees and Commissions	6,525,938	6,357,717	2.65%
Other Local Revenues	2,906,426	12,122,083	-76.02%
Federal Government	1,077,177	533,437	101.93%
Other Government and Citizens Groups	469,378	622,003	-24.54%
Interest Income	149,959	70,842	111.68%
Miscellaneous	-	138,554	-100.00%
General Government Contribution of Capital Assets to Component Unit	(20,615,067)	(22,347,776)	-7.75%
Total General Revenues	51,060,594	52,479,225	-2.70%
Total Revenues	55,177,594	55,933,668	-1.35%
Expenses			
General Administration	5,040,068	3,729,124	35.15%
Finance	2,054,224	2,008,733	2.26%
Administration of Justice	2,608,486	2,561,555	1.83%
Public Safety	8,127,963	6,394,187	27.11%
Public Health and Welfare	4,770,785	4,607,598	3.54%
Social, Cultural, and Recreation Services	1,062,031	914,472	16.14%
Agricultural and Natural Resources	267,503	248,609	7.60%
Other General Government	8,140,258	7,716,094	5.50%
Insurance Claims	12,306,263	10,589,908	16.21%
Highways	3,898,465	5,547,333	-29.72%
Interest and Other Charges	5,008,184	3,755,699	33.35%
Total Expenses	53,284,230	48,073,312	10.84%
Change in Net Assets	1,893,364	7,860,356	-75.91%
Beginning Net Assets	(4,477,553)	(12,337,909)	-63.71%
Ending Net Assets	\$ (2,584,189)	\$ (4,477,553)	-42.29%

Financial Analysis of the Government's Funds

Sumner County, Tennessee uses fund accounting to ensure and demonstrate compliance with legal requirements.

Governmental funds. The focus of Sumner County, Tennessee's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such fund information is useful in assessing Sumner County, Tennessee's financing requirements. In particular, the unreserved general fund balance may serve as a useful measure of a government's net resources available for spending and available for contingencies at the end of the fiscal year.

Table 3
Sumner County, Tennessee
Governmental Funds Balance Sheet

	2005	2004	% Change
<u>Assets</u>			
Cash	\$ 44,373,559	\$ 44,854,720	-1.07%
Investments	8,398,749	8,421,205	-0.27%
Accounts Receivable	1,627,178	1,164,713	39.71%
Notes Receivable	386,280	438,280	-11.86%
Due from Other Funds	200,706	190,538	5.34%
Due From Other Governments	1,582,466	1,798,243	-12.00%
Taxes Receivable	29,979,833	28,624,448	4.74%
Allowance for Uncollectible Taxes	(86,155)	(70,750)	21.77%
Total assets	86,462,616	85,421,397	1.22%
<u>Liabilities</u>			
Accounts Payable	1,788,050	3,091,882	-42.17%
Accrued Payroll and Expenses	737,228	589,335	25.09%
Due to Other Taxing Units/Governments	679,970	562,979	20.78%
Due to Other Funds	200,706	190,538	5.34%
Deferred Revenue	29,893,680	28,553,698	4.69%
Total liabilities	33,299,634	32,988,432	0.94%
<u>Fund Balances</u>			
Reserved/Designated	6,599,697	25,034,225	-73.64%
Unreserved	46,563,285	27,398,740	69.95%
Total fund balances	\$ 53,162,982	\$ 52,432,965	1.39%

Table 4
Governmental Fund Balance Classifications

Fund Balance Designation	FY2005			FY 2004		
	General	Other Funds	Total Funds	General	Other Funds	Total Funds
Reserved/Designated for:						
Other Funds	\$ -	\$ 73,120	\$ 73,120	\$ -	\$ 66,036	\$ 66,036
General Fund	1,168,641	-	1,168,641	1,323,273	-	1,323,273
Debt service fund	-	228,097	228,097	-	258,097	258,097
Capital projects funds	-	5,129,839	5,129,839	-	23,386,819	23,386,819
Reserve of fund balance	1,168,641	5,431,056	6,599,697	1,323,273	23,710,952	25,034,225
Unreserved						
General fund	18,877,393	-	18,877,393	15,690,480	-	15,690,480
Capital projects funds	-	62,869	62,869	-	(12,467,027)	(12,467,027)
Debt service fund	-	24,136,423	24,136,423	-	20,612,575	20,612,575
Highway/Public Works	-	2,477,746	2,477,746	-	2,689,086	2,689,086
Other Funds	-	1,008,854	1,008,854	-	873,626	873,626
Unreserved fund balance	18,877,393	27,685,892	46,563,285	15,690,480	11,708,260	27,398,740
Total fund balance	\$ 20,046,034	\$ 33,116,948	\$ 53,162,982	\$ 17,013,753	\$ 35,419,212	\$ 52,432,965

Sumner County, Tennessee's combined governmental funds fund balances at June 30, 2005 were \$53.2 million compared to \$52.4 million at June 30, 2004. Approximately 88% of the \$53.2 million, or \$46.6 million, constitutes unreserved and undesignated fund balance that is available for spending at the government's discretion. Approximately 12% of fund balance is reserved or designated to indicate that it is not available for new spending because it has been committed for specifically designated purposes.

Table 5
Governmental Funds Statement of Revenue, Expenditures and Changes in Fund Balance

	FY 2005			FY 2004		
	General	Other Funds	Total Funds	General	Other Funds	Total Funds
Revenues						
Local Taxes	\$ 16,751,314	\$ 20,524,704	\$ 37,276,018	\$ 15,767,174	\$ 19,599,168	\$ 35,366,342
Licenses and Permits	565,946	3,010,745	3,576,691	423,854	2,328,386	2,752,240
Fines and Forfeitures	1,154,961	214,879	1,369,840	969,754	207,149	1,176,903
Charges for Current Services	3,680,098	-	3,680,098	3,103,190	-	3,103,190
Other Local Revenues	678,451	2,180,478	2,858,929	10,306,716	2,099,284	12,406,000
State of Tennessee	2,537,571	3,257,356	5,794,927	1,898,840	3,139,228	5,038,068
Federal Government	804,031	273,146	1,077,177	383,217	150,220	533,437
Other governments and Citizens Groups	389,378	80,000	469,378	368,654	253,349	622,003
Fees and Commissions	-	6,525,938	6,525,938	-	6,357,717	6,357,717
Total Revenues	26,561,750	36,067,246	62,628,996	33,221,399	34,134,501	67,355,900
Expenditures						
General Government	3,035,497	606,576	3,642,073	2,633,452	625,360	3,258,812
Finance	2,054,224	-	2,054,224	2,007,064	-	2,007,064
Public Safety	8,078,063	-	8,078,063	6,114,440	-	6,114,440
Administration and Justice	2,608,486	-	2,608,486	2,530,631	-	2,530,631
Public Health and Welfare	4,992,380	-	4,992,380	4,457,032	-	4,457,032
Social, Cultural and Recreational Services	1,026,420	-	1,026,420	880,130	-	880,130
Agricultural and Natural Resources	267,503	-	267,503	248,609	-	248,609
Other General Government	8,057,363	82,895	8,140,258	7,619,616	93,695	7,713,311
Highways	-	5,703,221	5,703,221	-	4,392,248	4,392,248
Debt Service	-	19,579,267	19,579,267	-	20,255,699	20,255,699
Capital Outlay	-	22,878,167	22,878,167	-	39,174,508	39,174,508
Total Expenditures	30,119,936	48,850,126	78,970,062	26,490,974	64,541,510	91,032,484
Excess of Expenditures over Revenues	(3,558,186)	(12,782,880)	(16,341,066)	6,730,425	(30,407,009)	(23,676,584)
Other Financing Sources/(Uses)						
Note Proceeds	-	17,071,083	17,071,083	-	34,500,000	34,500,000
Transfers in	6,592,190	812,488	7,404,678	6,448,864	1,433,413	7,882,277
Transfers out	(1,723)	(7,402,955)	(7,404,678)	(570,000)	(7,312,277)	(7,882,277)
Total Other Financing Sources/(Uses)	6,590,467	10,480,616	17,071,083	5,878,864	28,621,136	34,500,000
Net Change in Fund Balance	3,032,281	(2,302,264)	730,017	12,609,289	(1,785,873)	10,823,416
Beginning Fund Balance	17,013,753	35,419,212	52,432,965	4,404,464	37,205,085	41,609,549
Ending Fund Balance	\$ 20,046,034	\$ 33,116,948	\$ 53,162,982	\$ 17,013,753	\$ 35,419,212	\$ 52,432,965

The General Fund is the chief operating fund of the County. The following chart summarizes the variances between original and amended estimates and the actual revenues realized in the General Fund.

Table 6
General Fund
FY 2005 Budgeted, Amended, and Actual Revenues

Revenue Description	Original	Actual	Difference	Amended	Actual	Difference
Local taxes	\$ 16,436,500	\$ 16,751,314	\$ 314,814	\$ 16,436,500	\$ 16,751,314	\$ 314,814
State of Tennessee	1,925,030	2,537,571	612,541	3,030,135	2,537,571	(492,564)
Fines and forfeitures	915,000	1,154,961	239,961	920,000	1,154,961	234,961
Other local revenue	568,500	678,451	109,951	745,852	678,451	(67,401)
Licenses and permits	420,000	565,946	145,946	420,000	565,946	145,946
Federal Government	446,056	804,031	357,975	1,324,577	804,031	(520,546)
Other Governments and Citizens Groups	385,903	389,378	3,475	385,903	389,378	3,475
Charges for current services	3,319,000	3,680,098	361,098	3,476,411	3,680,098	203,687
Total revenues	\$ 24,415,989	\$ 26,561,750	\$ 2,145,761	\$ 26,739,378	\$ 26,561,750	\$ (177,628)

Overall General Fund revenues were \$177,628 less than the amended estimates, and they were \$2,145,761 more than original estimates. The primary factor contributing to the positive variances was the continued growth of the County.

Table 7
General Fund
FY 2005 Budgeted, Amended, and Actual Expenses

Expense Description	Original	Actual	Difference	Amended	Actual	Difference
General administration	\$ 3,255,403	\$ 3,035,497	\$ 219,906	\$ 3,291,645	\$ 3,035,497	\$ 256,148
Finance	2,196,398	2,054,224	142,174	2,232,178	2,054,224	177,954
Public safety	8,019,538	8,078,063	(58,525)	8,985,812	8,078,063	907,749
Administration and justice	2,635,289	2,608,486	26,803	2,782,810	2,608,486	174,324
Public health twelfare	4,765,944	4,992,380	(226,436)	5,085,583	4,992,380	93,203
Social, cultural and recreational	910,588	1,026,420	(115,832)	1,062,868	1,026,420	36,448
Agriculture and natural resources	281,059	267,503	13,556	281,059	267,503	13,556
Other general government	7,868,458	8,057,363	(188,905)	9,668,108	8,057,363	1,610,745
Total Expenses	\$ 29,932,677	\$ 30,119,936	\$ (187,259)	\$ 33,390,063	\$ 30,119,936	\$ 3,270,127

Actual expenditures from the General Fund were slightly higher than the original budgeted estimates and lower than the amended estimates.

Proprietary funds. The County maintains internal service funds to account for its insurance costs. The following summary is a condensed statement of net assets at June 30, 2005 and 2004.

Table 8
Proprietary Funds/Internal Service Funds
Condensed Statement of Net Assets

	2005	2004	% Change
Total assets	\$ 7,893,326	\$ 7,413,535	6.47%
Total liabilities	6,310,687	6,288,870	0.35%
Total net assets - unrestricted	1,582,639	1,124,665	40.72%
Beginning Net Assets	1,124,665	722,190	55.73%
Ending Net Assets	1,582,639	1,124,665	40.72%
Change in net assets	\$ 457,974	\$ 402,475	13.79%

Long Term Debt

Total outstanding debt as planned by the County as of June 30, 2005 was \$129,000,000 compared to the outstanding debt as planned by the County as of June 30, 2004, which totaled \$126,500,000. The increase is due to the County issuing additional planned capital outlay notes totaling \$15,000,000, less scheduled repayments of outstanding County loans totaling \$12,500,000. The entire amount of the \$15,000,000 in new debt issues was for the Sumner County School Department's current building projects. During fiscal 2005, the County also issued \$2,071,083 in variable rate General Capital Outlay notes which were repaid during 2005.

Total outstanding debt includes school project construction debt totaling \$111,000,000, and jail project construction debt totaling \$18,000,000. Please refer to the schedules of future debt service requirements for planned fiscal year note payments. All debt is variable rate debt, backed by the full faith and credit of the Sumner County government. The County currently maintains a debt rating of AA-3, issued and annually updated by Moody's Investors Service located in New York City.

Sumner County School Department

The largest of the County's legally separate component units is the Sumner County School Department, which operates twenty-three elementary schools, nine middle schools, eight high schools, one magnet school, one night school and one alternative school in the County. The Sumner County School Department uses a General Fund and two Special Revenue Funds. The following is a condensed statement of net assets at June 30, 2005 and 2004.

Table 9
Sumner County School Department
Condensed Statement of Net Assets

	2005	2004	% Change
Current Assets	56,405,942	55,473,064	1.68%
Capital Assets, Net	174,510,690	158,612,294	10.02%
Total Assets	230,916,632	214,085,358	7.86%
Current Liabilities	43,686,240	41,268,090	5.86%
Long-term Liabilities	1,328,301	1,301,822	2.03%
Total Liabilities	45,014,541	42,569,912	5.74%
Invested in Capital Assets	174,510,690	160,840,898	8.50%
Unrestricted	11,391,400	12,903,152	-11.72%
Total Net Assets	185,902,090	173,744,050	7.00%

The following is the Sumner County School Department's condensed statement of changes in net assets for the years ended June 30, 2005 and 2004.

Table 10
Sumner County School Department
Changes in Net Assets

	2005	2004	% Change
<u>Revenues</u>			
Local Taxes	51,318,120	48,802,915	5.15%
Licenses and Permits	8,084	8,593	-5.92%
Charges for Current Services	7,094,158	7,117,196	-0.32%
Other Local Revenues	315,795	755,016	-58.17%
State of Tennessee	81,449,202	73,263,427	11.17%
Federal Government	13,851,615	11,811,642	17.27%
School Activity Funds - Revenue - Restricted and Unrestricted	6,493,848	7,392,416	-12.16%
Changes in Inventory Reserve	(6,990)	(10,700)	-34.67%
General Government Contribution of Capital Assets	20,615,067	22,347,776	-7.75%
Total Revenues	181,138,899	171,488,281	5.63%
<u>Expenses</u>			
Education	162,467,822	146,679,675	10.76%
School Activity Funds - Restricted and Unrestricted	6,513,037	7,227,172	-9.88%
Total Expenses	168,980,859	153,906,847	9.79%
Net Change in Net Assets	12,158,040	17,581,434	-30.85%
Beginning Net Assets	173,744,050	156,162,616	11.26%
Ending Net Assets	185,902,090	173,744,050	7.00%

Requests for Information

This comprehensive annual financial report is designed to provide a general overview of the County's finances for members of the Sumner County Board of County Commissioners, elected County Officials, department heads and other parties including citizens, taxpayers, customers, vendors, investors, creditors, and all others with an interest in the County's finances. Questions concerning any of the information contained and provided in this report or requests for additional financial information should be addressed to the Sumner County Finance Department, 355 North Belvedere Drive, Room 110, Gallatin, TN 37066.

BASIC FINANCIAL STATEMENTS

SUMNER COUNTY, TENNESSEE
STATEMENT OF NET ASSETS
JUNE 30, 2005

	<u>Primary Government</u>	
	<u>Governmental</u>	<u>Component</u>
	<u>Activities</u>	<u>Units</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 52,247,018	\$ 13,368,715
Investments	8,398,749	-
Accounts receivable	1,647,045	559,477
Prepaid expenses	-	137,734
Taxes receivable	29,979,833	41,916,286
Allowance for uncollectible taxes	(86,155)	(158,005)
Due from other governments	1,582,466	2,697,470
Inventories	-	570,671
Notes receivable	<u>386,280</u>	<u>-</u>
Total current assets	<u>94,155,236</u>	<u>59,092,348</u>
Noncurrent Assets		
Capital assets:		
Land	1,934,915	6,868,467
Construction work in progress	-	3,827,328
Infrastructure	187,445,528	-
Plant and equipment	<u>47,160,425</u>	<u>274,569,460</u>
Total capital assets	236,540,868	285,265,255
Less: accumulated depreciation	<u>(165,805,239)</u>	<u>(104,117,711)</u>
Net capital assets	<u>70,735,629</u>	<u>181,147,544</u>
Other assets:		
Prepaid expenses	-	130,000
Bond issue costs	-	459,573
Accumulated amortization	<u>-</u>	<u>(453,170)</u>
Total other assets	<u>-</u>	<u>136,403</u>
Total noncurrent assets	<u>70,735,629</u>	<u>181,283,947</u>
TOTAL ASSETS	<u>\$ 164,890,865</u>	<u>\$ 240,376,295</u>

	<u>Primary Government</u>	
	<u>Governmental</u>	<u>Component</u>
	<u>Activities</u>	<u>Units</u>
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 1,788,050	\$ 2,933,279
Accrued expenses	737,228	399,319
Claims and judgments payable	3,178,920	-
Claims incurred but not reported	3,131,767	-
Due to other taxing units/governments	679,970	-
Interest payable	-	25,813
Deferred revenue	28,500,981	41,046,102
Capital lease liability	-	204,940
Current portion of long term debt	<u>14,000,000</u>	<u>1,180,000</u>
Total current liabilities	<u>52,016,916</u>	<u>45,789,453</u>
Noncurrent liabilities		
Accrued annual leave	458,138	1,328,301
Notes, loans and bonds payable, less current portion	115,000,000	-
Capital lease liability	-	468,580
Accrued closure and post closure costs	<u>-</u>	<u>2,220,812</u>
Total noncurrent liabilities	<u>115,458,138</u>	<u>4,017,693</u>
TOTAL LIABILITIES	<u>167,475,054</u>	<u>49,807,146</u>
NET ASSETS (DEFICIT)		
Invested in capital assets, net of related debt	52,735,629	179,294,024
Unrestricted (deficit)	<u>(55,319,818)</u>	<u>11,275,125</u>
TOTAL NET ASSETS (DEFICIT)	<u>\$(2,584,189)</u>	<u>\$190,569,149</u>

See accompanying notes to financial statements.

SUMNER COUNTY, TENNESSEE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Expenses</u>	<u>Program Revenue</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions/Programs				
Primary government				
Governmental activities:				
General administration	\$ 5,040,068	\$ 543,892	\$ -	\$ -
Finance	2,054,224	-	-	-
Administration of justice	2,608,486	-	-	-
Public safety	8,127,963	17,010	269,720	-
Public health and welfare	4,770,785	3,119,196	-	-
Social, cultural and recreation services	1,062,031	-	-	-
Agricultural and natural resources	267,503	-	-	-
Other general government	8,140,258	-	-	-
Insurance claims	12,306,263	-	-	-
Highways	3,898,465	-	167,182	-
Interest and other charges	<u>5,008,184</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$53,284,230</u>	<u>\$3,680,098</u>	<u>\$436,902</u>	<u>\$ -</u>

<u>Net (Expense) Revenue and Changes in Net Assets</u>	
<u>Primary Government</u>	
<u>Governmental Activities</u>	<u>Component Units</u>
\$(4,496,176)	\$ -
(2,054,224)	-
(2,608,486)	-
(7,841,233)	-
(1,651,589)	-
(1,062,031)	-
(267,503)	-
(8,140,258)	-
(12,306,263)	-
(3,731,283)	-
<u>(5,008,184)</u>	<u>-</u>
<u>(49,167,230)</u>	<u>-</u>

See accompanying notes to financial statements.

SUMNER COUNTY, TENNESSEE
 STATEMENT OF ACTIVITIES - Continued
 FOR THE YEAR ENDED JUNE 30, 2005

	Program Revenue			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Component Units:				
School Department	168,980,859	7,094,158	13,851,615	-
Regional Airport Authority	264,720	161,656	628,896	-
Emergency Communications District	760,265	736,657	10,000	-
Resource Authority	5,254,879	4,378,061	1,730,819	-
Total component units	\$175,260,723	\$12,370,532	\$16,221,330	\$ -

General revenue:

Taxes:

- Property taxes
- Hotel/motel taxes
- Business taxes
- Litigation taxes
- Bank excise taxes
- Wholesale beer taxes
- Revenue sharing TVA
- Local option sales tax
- Wheel tax
- Mineral tax

- State of Tennessee
- Licenses and permits
- Fines and forfeitures
- Fees for services
- Fees and commissions
- Other local revenues
- Federal government
- Other governments and citizens groups
- Interest income
- Miscellaneous
- School activity funds - revenue -
 restricted and unrestricted

Special items:

- General government contribution of capital
 assets to component unit
- School activity funds - Change in inventories reserve
- Loss from discontinued operations
- Total general revenues and special items

Change in net assets

Net assets, as restated - July 1, 2004

Net assets - June 30, 2005

Net (Expense) Revenue and Changes in Net Assets	
<u>Primary Government</u>	
<u>Governmental Activities</u>	<u>Component Units</u>
-	(148,035,086)
-	525,832
-	(13,608)
<u>-</u>	<u>854,001</u>
<u>-</u>	<u>(146,668,861)</u>
27,767,141	38,800,127
327,122	-
889,951	-
507,292	-
302,469	-
361,680	-
866,469	-
4,408,500	8,818,322
1,585,721	3,699,671
222,335	-
5,358,025	81,449,202
3,576,691	8,084
1,369,840	-
13,003,548	-
6,525,938	-
2,906,426	315,795
1,077,177	-
469,378	-
149,959	15,644
-	456,970
-	6,493,848
(20,615,067)	20,615,067
-	(6,990)
<u>-</u>	<u>(1,233,755)</u>
<u>51,060,594</u>	<u>159,431,985</u>
1,893,364	12,763,124
<u>(4,477,553)</u>	<u>177,806,025</u>
<u>\$(2,584,189)</u>	<u>\$ 190,569,149</u>

See accompanying notes to financial statements.

SUMNER COUNTY, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Highway/ Public Works Fund</u>
ASSETS				
Cash	\$ 19,488,027	\$6,280,419	\$ 14,745,703	\$ 2,000,317
Investments	-	-	8,398,749	-
Accounts receivable	696,777	-	927,902	-
Notes receivable	158,183	-	228,097	-
Due from other funds	200,706	-	-	-
Due from other governments	446,460	-	395,333	639,299
Taxes receivable	14,712,329	-	14,712,329	555,175
Allowance for Uncollectible taxes	<u>(42,280)</u>	<u>-</u>	<u>(42,280)</u>	<u>(1,595)</u>
Total assets	<u>\$ 35,660,202</u>	<u>\$6,280,419</u>	<u>\$ 39,365,833</u>	<u>\$ 3,193,196</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 269,463	\$1,087,711	\$ 331,263	\$ 99,297
Accrued payroll and expenses	674,655	-	-	62,573
Due to other taxing units/governments	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenue	<u>14,670,050</u>	<u>-</u>	<u>14,670,050</u>	<u>553,580</u>
Total liabilities	<u>15,614,168</u>	<u>1,087,711</u>	<u>15,001,313</u>	<u>715,450</u>

Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
\$1,859,093	\$ 44,373,559
-	8,398,749
2,499	1,627,178
-	386,280
-	200,706
101,374	1,582,466
-	29,979,833
<u>-</u>	<u>(86,155)</u>
<u>\$1,962,966</u>	<u>\$ 86,462,616</u>

\$ 316	\$ 1,788,050
-	737,228
679,970	679,970
200,706	200,706
<u>-</u>	<u>29,893,680</u>
<u>880,992</u>	<u>33,299,634</u>

See accompanying notes to financial statements.

SUMNER COUNTY, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS - Continued
JUNE 30, 2005

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Highway/ Public Works Fund</u>
Fund balances:				
Unreserved:				
Undesignated	\$18,877,393	\$ 62,869	\$24,136,423	\$2,477,746
Designated for:				
County archives	24,054	-	-	-
DUI	287,620	-	-	-
Jail	178,456	170,000	-	-
Libraries	55,771	-	-	-
Data processing	443,987	-	-	-
School capital projects	158,183	2,910,000	228,097	-
Codes for construction	19,150	-	-	-
Drug court	-	-	-	-
SOR	1,420	-	-	-
Highway/public works	-	923,965	-	-
County administration building	-	735,243	-	-
Airport improvement	-	325,173	-	-
Health department	-	65,458	-	-
Reserved for:				
Judicial district drug	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>20,046,034</u>	<u>5,192,708</u>	<u>24,364,520</u>	<u>2,477,746</u>
Total liabilities and fund balances	<u>\$35,660,202</u>	<u>\$ 6,280,419</u>	<u>\$39,365,833</u>	<u>\$3,193,196</u>

Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
\$1,008,854	\$46,563,285
-	24,054
-	287,620
-	348,456
-	55,771
-	443,987
-	3,296,280
-	19,150
-	-
-	1,420
-	923,965
-	735,243
-	325,173
-	65,458
<u>73,120</u>	<u>73,120</u>
<u>1,081,974</u>	<u>53,162,982</u>
<u>\$1,962,966</u>	<u>\$86,462,616</u>

See accompanying notes to financial statements.

SUMNER COUNTY, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005

Total fund balances of governmental funds \$ 53,162,982

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 70,735,629

Some deferred revenue reported in the governmental funds is recognized as revenues in the governmental activities. 1,392,699

Internal service funds are used by management to charge the costs of certain activities, such as insurance and repair and maintenance, to other funds. The assets and liabilities of the internal service funds are included as governmental activities in the statement of net assets. 1,582,639

Long-term liabilities, including notes and loans payable and accrued annual leave and sick pay, are not due and payable in the current period and therefore are not reported in the funds.

Accrued annual leave	458,138	
Notes and loans payable	115,000,000	
Current portion of long-term debt	<u>14,000,000</u>	
		<u>(129,458,138)</u>

Net deficit of governmental activities \$(2,584,189)

See accompanying notes to financial statements.

SUMNER COUNTY, TENNESSEE
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Highway/ Public Works Fund</u>
REVENUE				
Local taxes	\$16,751,314	\$ -	\$18,197,099	\$ 2,327,605
Licenses and permits	565,946	-	3,010,745	-
Fines and forfeitures	1,154,961	-	-	-
Charges for current services	3,680,098	-	-	-
Other local revenues	678,451	-	1,865,271	130,787
State of Tennessee	2,537,571	-	-	3,162,356
Federal government	804,031	-	-	49,953
Other governments and citizens groups	389,378	80,000	-	-
Fees and commissions	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total revenues	 <u>26,561,750</u>	 <u>80,000</u>	 <u>23,073,115</u>	 <u>5,670,701</u>
 EXPENDITURES				
Current:				
General government	3,035,497	-	-	170,186
Finance	2,054,224	-	-	-
Public safety	8,078,063	-	-	-
Administration and justice	2,608,486	-	-	-
Public health and welfare	4,992,380	-	-	-
Social, cultural and recreational services	1,026,420	-	-	-
Agriculture and natural resources	267,503	-	-	-
Other general government	8,057,363	-	-	-
Highway and bridge maintenance	-	-	-	3,177,426
Operation and maintenance of equipment	-	-	-	698,360
Quarry operations	-	-	-	40,140
Litter and trash collection	-	-	-	55,247
Other charges	-	-	-	210,651
Employee benefits	-	-	-	655,024
Capital outlay	-	-	-	866,373

Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
\$ -	\$37,276,018
-	3,576,691
214,879	1,369,840
-	3,680,098
184,420	2,858,929
95,000	5,794,927
223,193	1,077,177
-	469,378
<u>6,525,938</u>	<u>6,525,938</u>
<u>7,243,430</u>	<u>62,628,996</u>

436,390	3,642,073
-	2,054,224
-	8,078,063
-	2,608,486
-	4,992,380
-	1,026,420
-	267,503
82,895	8,140,258
-	3,177,426
-	698,360
-	40,140
-	55,247
-	210,651
-	655,024
-	866,373

See accompanying notes to financial statements.

SUMNER COUNTY, TENNESSEE
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCES - Continued
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Highway/ Public Works</u>
Debt service:				
Principal	\$ -	\$ -	\$14,571,083	\$ -
Interest and other charges	-	-	5,008,184	-
Capital outlay	<u>-</u>	<u>22,878,167</u>	<u>-</u>	<u>-</u>
 Total expenditures	 <u>30,119,936</u>	 <u>22,878,167</u>	 <u>19,579,267</u>	 <u>5,873,407</u>
 Excess (deficiency) of revenue over expenditures	 <u>(3,558,186)</u>	 <u>(22,798,167)</u>	 <u>3,493,848</u>	 <u>(202,706)</u>
 OTHER FINANCING SOURCES (USES)				
Note proceeds	-	17,071,083	-	-
Transfers in	6,592,190	-	-	-
Transfers out	<u>(1,723)</u>	<u>-</u>	<u>-</u>	<u>(8,634)</u>
 Total other financing sources and (uses)	 <u>6,590,467</u>	 <u>17,071,083</u>	 <u>-</u>	 <u>(8,634)</u>
 Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses	 3,032,281	 (5,727,084)	 3,493,848	 (211,340)
 Fund balances - July 1, 2004	 <u>17,013,753</u>	 <u>10,919,792</u>	 <u>20,870,672</u>	 <u>2,689,086</u>
 Fund balances - June 30, 2005	 <u>\$ 20,046,034</u>	 <u>\$ 5,192,708</u>	 <u>\$24,364,520</u>	 <u>\$ 2,477,746</u>

Other Governmental Funds	Total Governmental Funds
\$ -	\$ 14,571,083
-	5,008,184
<u>-</u>	<u>22,878,167</u>
<u>519,285</u>	<u>78,970,062</u>
 <u>6,724,145</u>	 <u>(16,341,066)</u>
-	17,071,083
812,488	7,404,678
<u>(7,394,321)</u>	<u>(7,404,678)</u>
 <u>(6,581,833)</u>	 <u>17,071,083</u>
 142,312	 730,017
<u>939,662</u>	<u>52,432,965</u>
<u>\$ 1,081,974</u>	<u>\$ 53,162,982</u>

See accompanying notes to financial statements.

SUMNER COUNTY, TENNESSEE
RECONCILIATION OF STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

Net change in fund balances - total governmental funds \$ 730,017

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation and disposals in the current period.

Capital expenditures	7,895,372	
Disposal of capital assets, net of accumulated depreciation	(104,422)	
Depreciation expense	<u>(4,511,530)</u>	
		3,279,420

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Deferred revenue		(37,338)
------------------	--	-----------

Note proceeds provide current financial resources to governmental funds, however issuing debt increases long-term liabilities in the statement of net assets. Repayment of note and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments.

Note proceeds	(17,071,083)	
Principal payments	<u>14,571,083</u>	
		(2,500,000)

Change in expenses reported for governmental activities that do not require the use of current financial resources and therefore are not reported as expenditures for governmental funds.

Change in accrued annual leave		(36,709)
--------------------------------	--	-----------

Internal service funds are used by management to charge the costs of certain activities such as insurance to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.

457,974

Change in net assets of governmental activities \$ 1,893,364

See accompanying notes to financial statements.

SUMNER COUNTY, TENNESSEE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005

ASSETS

	Governmental Activities Internal Service <u>Funds</u>
Current Assets	
Cash	\$7,873,459
Accounts receivable	<u>19,867</u>
Total current assets	<u>7,893,326</u>

LIABILITIES

Current Liabilities	
Claims and judgments payable	3,178,920
Claims incurred but not reported	<u>3,131,767</u>
Total current liabilities	<u>6,310,687</u>

NET ASSETS

Net assets - unrestricted	<u>\$1,582,639</u>
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See accompanying notes to financial statements.

SUMNER COUNTY, TENNESSEE
STATEMENT OF REVENUE, EXPENSES, AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Governmental Activities Internal Service <u>Funds</u>
Operating Revenue	
Insurance premiums/contributions	\$13,003,548
Miscellaneous refunds	<u>47,497</u>
Total operating revenues	<u>13,051,045</u>
Operating Expenses	
Handling charges and administrative costs	165,926
Consultant	15,289
Excess insurance coverage	255,551
Liability claims and changes in CIBNR	<u>12,306,263</u>
Total operating expenses	<u>12,743,029</u>
Operating income	<u>308,016</u>
Nonoperating Revenues	
Interest income	<u>149,958</u>
Total nonoperating revenues	<u>149,958</u>
Net income	457,974
Net assets, July 1, 2004	<u>1,124,665</u>
Net assets June 30, 2005	<u><u>\$ 1,582,639</u></u>

See accompanying notes to financial statements.

SUMNER COUNTY, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Governmental Activities Internal Service <u>Funds</u>
Cash Flows From Operating Activities	
Premiums from employees	\$ 12,991,625
Claims paid	(12,721,212)
Other receipts	<u>47,497</u>
Net cash provided by operating activities	<u>317,910</u>
Cash Flows From Investing Activities	
Interest income	<u>149,958</u>
Net cash provided by investing activities	<u>149,958</u>
Increase in cash and cash equivalents	467,868
Cash and cash equivalents, July 1, 2004	<u>7,405,591</u>
Cash and cash equivalents, June 30, 2005	<u>\$ 7,873,459</u>
Reconciliation of operating income to net cash used by operating activities:	
Operating income	\$ 308,016
Decrease in receivables	(11,923)
Increase in claims incurred but not reported	663,585
Decrease in claims and judgements payable	<u>(641,768)</u>
Total adjustments	<u>9,894</u>
Net cash provided by operating activities	<u>\$ 317,910</u>

See accompanying notes to financial statements.

SUMNER COUNTY, TENNESSEE
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS - AGENCY FUNDS
JUNE 30, 2005

	Constitutional Officers			
	County Clerk	Circuit Court Clerk	General Sessions Court Clerk	Juvenile Court Clerk
ASSETS				
Cash	\$2,340	\$2,318,297	\$96,595	\$5,900
Investments	-	1,350,532	-	-
Due from other taxing units/governments	<u>2,499</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$4,839</u>	<u>\$3,668,829</u>	<u>\$96,595</u>	<u>\$5,900</u>
LIABILITIES				
Due to other taxing units/governments	240	-	-	-
Due to other funds	4,599	55,776	-	200
Due to litigants, heirs and others	-	3,613,053	96,595	5,700
Amounts held in custody for Component unit - School Department	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>\$4,839</u>	<u>\$3,668,829</u>	<u>\$96,595</u>	<u>\$5,900</u>

<u>Clerk and Master</u>	<u>Register of Deeds</u>	<u>Sheriff</u>	<u>Trustee</u>	<u>Cities Sales Tax Fund</u>	<u>Total Fiduciary Fund - Agency Funds</u>
\$ 459,914	\$819,861	\$65,793	\$11,932,323	\$ -	\$15,701,023
2,744,574	-	-	-	-	4,095,106
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,038,251</u>	<u>1,040,750</u>
<u>\$3,204,488</u>	<u>\$819,861</u>	<u>\$65,793</u>	<u>\$11,932,323</u>	<u>\$1,038,251</u>	<u>\$20,836,879</u>
-	679,730	-	-	1,038,251	1,718,221
-	140,131	65,793	-	-	266,499
3,204,488	-	-	-	-	6,919,836
<u>-</u>	<u>-</u>	<u>-</u>	<u>11,932,232</u>	<u>-</u>	<u>11,932,323</u>
<u>\$3,204,488</u>	<u>\$819,861</u>	<u>\$65,793</u>	<u>\$11,932,323</u>	<u>\$1,038,251</u>	<u>\$20,836,879</u>

See accompanying notes to financial statements.

SUMNER COUNTY, TENNESSEE
STATEMENT OF NET ASSETS
COMPONENT UNITS
JUNE 30, 2005

	Sumner County School <u>Department</u>	Sumner County Regional Airport <u>Authority</u>	Sumner County Emergency Communications <u>District</u>
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 11,447,827	\$ 248,583	\$ 567,083
Accounts receivable	11,578	33,107	123,145
Taxes receivable	41,916,286	-	-
Allowance for uncollectible accounts	(120,458)	-	-
Due from other governments	2,676,620	-	-
Inventory	474,089	-	-
Prepaid expenses	<u>-</u>	<u>10,458</u>	<u>65,000</u>
 Total current assets	 <u>56,405,942</u>	 <u>292,148</u>	 <u>755,228</u>
Capital Assets			
Property, plant and equipment	271,433,018	5,199,095	1,613,542
Less: Accumulated depreciation	<u>(96,922,328)</u>	<u>(2,677,374)</u>	<u>(673,668)</u>
 Net plant and equipment	 <u>174,510,690</u>	 <u>2,521,721</u>	 <u>939,874</u>
Other Assets			
Prepaid expenses	-	-	130,000
Unamortized bond costs, less accumulated amortization of \$453,170	<u>-</u>	<u>-</u>	<u>-</u>
Total other assets	<u>-</u>	<u>-</u>	<u>130,000</u>
 Total assets	 <u>230,916,632</u>	 <u>2,813,869</u>	 <u>1,825,102</u>

The Resource Authority in Sumner County, <u>Tennessee</u>	<u>Total Component Units</u>
\$ 1,105,222	\$ 13,368,715
391,647	559,477
-	41,916,286
(37,547)	(158,005)
20,850	2,697,470
96,582	570,671
<u>62,276</u>	<u>137,734</u>
<u>1,639,030</u>	<u>59,092,348</u>
7,019,600	285,265,255
<u>(3,844,341)</u>	<u>(104,117,711)</u>
<u>3,175,259</u>	<u>181,147,544</u>
-	130,000
<u>6,403</u>	<u>6,403</u>
<u>6,403</u>	<u>136,403</u>
<u>4,820,692</u>	<u>240,376,295</u>

See accompanying notes to financial statements.

SUMNER COUNTY, TENNESSEE
STATEMENT OF NET ASSETS - Continued
COMPONENT UNITS
JUNE 30, 2005

	Sumner County School <u>Department</u>	Sumner County Regional Airport <u>Authority</u>	Sumner County Emergency Communications <u>District</u>
LIABILITIES			
Current liabilities			
Accounts payable	2,646,281	66,127	40,879
Accrued expenses	-	-	-
Accrued interest	-	-	-
Due to a related party	-	-	-
Notes and bonds payable	-	-	-
Capital lease liability	-	-	204,940
Deferred revenue	<u>41,039,960</u>	<u>6,142</u>	<u>-</u>
Total current liabilities	<u>43,686,241</u>	<u>72,269</u>	<u>245,819</u>
Long-term liability			
Accrued closure and post closure costs	-	-	-
Accrued annual leave	1,328,301	-	-
Capital lease liability	<u>-</u>	<u>-</u>	<u>468,580</u>
Total liabilities	<u>45,014,542</u>	<u>72,269</u>	<u>714,399</u>
NET ASSETS			
Invested in capital assets, net of related debt	174,510,690	2,521,721	266,354
Unrestricted (deficit)	<u>11,391,400</u>	<u>219,879</u>	<u>844,349</u>
Total net assets	<u>\$185,902,090</u>	<u>\$2,741,600</u>	<u>\$ 1,110,703</u>

The Resource Authority in Sumner County, <u>Tennessee</u>	<u>Total Component Units</u>
\$ 179,992	\$ 2,933,279
399,319	399,319
25,813	25,813
-	-
1,180,000	1,180,000
-	204,940
-	<u>41,046,102</u>
<u>1,785,124</u>	<u>45,789,453</u>
2,220,812	2,220,812
-	1,328,301
-	<u>468,580</u>
<u>4,005,936</u>	<u>49,807,146</u>
1,995,259	179,294,024
<u>(1,180,503)</u>	<u>11,275,125</u>
<u>\$ 814,756</u>	<u>\$190,569,149</u>

See accompanying notes to financial statements.

SUMNER COUNTY, TENNESSEE
STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2005

	Program Revenue		
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Sumner County School Department	\$168,980,859	\$ 7,094,158	\$13,851,615
Sumner County Regional Airport Authority	264,720	161,656	628,896
Sumner County Emergency Communications District	760,265	736,657	10,000
The Resource Authority In Sumner County, Tennessee	<u>5,254,879</u>	<u>4,378,061</u>	<u>1,730,819</u>
Total component units	<u>\$175,260,723</u>	<u>\$12,370,532</u>	<u>\$16,221,330</u>

General revenues:

- Property taxes
- Local option sales tax
- Wheel tax
- State of Tennessee
- Licenses and permits
- Other local revenue
- School activity funds - revenue
restricted and unrestricted

Interest and investment income

Miscellaneous

Special items:

- General governmental contribution of
capital assets to component unit
- School activity funds - change in
inventory reserve
- Loss from discontinued operations
- Total general revenues and transfers

Change in net assets

Net assets, as restated - July 1, 2004

Net assets - June 30, 2005

Net (Expense) Revenue and
Changes in Net Assets

<u>Capital Grants and Contributions</u>	<u>Sumner County School Department</u>	<u>Sumner County Regional Airport Authority</u>	<u>Sumner County Emergency Communications District</u>	<u>The Resource Authority in Sumner County, Tennessee</u>	<u>Totals</u>
\$ -	\$(148,035,086)	\$ -	\$ -	\$ -	\$(148,035,086)
-	-	525,832	-	-	525,832
-	-	-	(13,608)	-	(13,608)
-	-	-	-	854,001	854,001
<u>\$ -</u>	<u>(148,035,086)</u>	<u>525,832</u>	<u>(13,608)</u>	<u>854,001</u>	<u>(146,668,861)</u>
	38,800,127	-	-	-	38,800,127
	8,818,322	-	-	-	8,818,322
	3,699,671	-	-	-	3,699,671
	81,449,202	-	-	-	81,449,202
	8,084	-	-	-	8,084
	315,795	-	-	-	315,795
	6,493,848	-	-	-	6,493,848
	-	2,270	6,692	6,682	15,644
	-	-	102	456,868	456,970
	20,615,067	-	-	-	20,615,067
	(6,990)	-	-	-	(6,990)
	-	-	-	(1,233,755)	(1,233,755)
	<u>160,193,126</u>	<u>2,270</u>	<u>6,794</u>	<u>(770,205)</u>	<u>159,431,985</u>
	12,158,040	528,102	(6,814)	83,796	12,763,124
	<u>173,744,050</u>	<u>2,213,498</u>	<u>1,117,517</u>	<u>730,960</u>	<u>177,806,025</u>
	<u>\$ 185,902,090</u>	<u>\$ 2,741,600</u>	<u>\$ 1,110,703</u>	<u>\$ 814,756</u>	<u>\$ 190,569,149</u>

See accompanying notes to financial statements.

NOTES TO THE FINANCIAL STATEMENTS

SUMNER COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Reporting Entity

Sumner County, Tennessee (the "County") was first incorporated in 1786 under the provisions of the constitution and general statutes of the State of Tennessee (the "State"). The County operates under the direction of a Board of Commissioners and provides a full range of services including public safety, roads, health and welfare, social, culture and recreation, agriculture and natural resources, administration of justice, education, and general finance and administrative services to its approximately 145,000 residents. Sumner County, Tennessee is a public governmental corporation governed by an elected twenty-four member Board of Commissioners. The financial statements of Sumner County, Tennessee, have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. As required by accounting principles generally accepted in the United States of America, these financial statements present Sumner County, Tennessee (the primary government) and its Component Units. The Component Units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County. The following is a summary of the more significant accounting policies.

Individual Component Unit Disclosures

Discretely Presented Component Units - The Component Units columns in the combined financial statements include the financial data of the County's Component Units. They are reported in a separate column to emphasize that they are legally separate from the County. The governing bodies of the Sumner County Regional Airport Authority and the Sumner County Emergency Communications District are appointed by Sumner County's Board of Commissioners. The Sumner County School Department's Board of Education is elected by the voters of Sumner County. The Resource Authority in Sumner County, Tennessee is fiscally dependent on Sumner County. The Authority's Board is comprised of members appointed by the County and the cities of Hendersonville and Gallatin.

The Sumner County School Department operates the twenty-three elementary schools, nine middle schools, eight high schools, one magnet school, one night school and one alternative school in the County. Included within the Sumner County School Department is the Sumner County Schools' Activity Funds, which represents the combined financial transactions of each of the County's Schools. The School Department may not issue debt without County approval and its budget and property tax levy are subject to County board 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.

SUMNER COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The Sumner County Regional Airport Authority (the "Authority") operates the County's only airport facility. The Authority's operating budget is subject to the approval of the County Board of Commissions. The County provides favorable financing venues to the Authority.

The Sumner County Emergency Communications District, (the "District") provides a simplified means of securing emergency services through a uniform emergency number for the residents of Sumner County, Tennessee. 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 approval of the County's Board of Commissioners.

The Resource Authority in Sumner County, Tennessee (the "Resource Authority") operates a solid waste Energy Recovery Plant on behalf of the residents of the County, and the cities of Gallatin and Hendersonville. The County annually provides significant operating subsidies to the Resource Authority. In addition, the amounts of bonded debt issued by the Resource Authority must be approved by the County's Board of Commissioners, as well as the boards of the cities of Gallatin and Hendersonville. The Resource Authority is presented as a Component Unit with joint venture characteristics.

The Industrial Development Board of Sumner County is responsible for overseeing the development of new industry in the County. The Health and Educational Facilities Board of Sumner County is responsible for overseeing the development and financing of health and educational facilities in the County. These Boards are Component Units of the County; however, there was no material activity by either of these Boards during the year ended June 30, 2005 and assets of the Boards were not significant to warrant inclusion in the County's comprehensive annual financial report.

The Sumner County School Department does not issue separate financial statements. Combining and individual fund financial statements for the Sumner County School Department are included in the supplementary information section of this report as listed in the table of contents. Although presented as component units in the County's financial statements, the individual financial statements of the Sumner County Schools' Activity Funds (a fund of the Sumner County School Department), the Sumner County Regional Airport Authority, the Sumner County Emergency Communications District, and The Resource Authority in Sumner County, Tennessee can be obtained from their respective administrative offices.

SUMNER COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Administrative Offices:

Sumner County School Activity Funds Benny Bills, School Director Sumner County Board of Education 225 East Main Street Gallatin, Tennessee 37066	Sumner County Regional Airport Authority David Blankenship, Treasurer P.O. Box 34 Gallatin, Tennessee 37066
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Sumner County Emergency Communications District William W. Kemp, County Clerk 355 North Belvedere Drive Gallatin, Tennessee 37066	The Resource Authority in Sumner County, Tennessee General Manager 625 Rapahannock Wire Road Gallatin, Tennessee 37066
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Functions and Responsibilities of Constitutional Officers

Trustee - The Trustee collects revenues and pays disbursements for the various County funds. As compensation for such services, various commissions are earned and collected by the Trustee.

County Clerk - This official serves as Clerk of the County Commission. The Clerk is principally engaged in the sale of motor vehicle licenses and the acceptance of applications for motor vehicle registrations for the State of Tennessee. This official also collects certain taxes for the County, primarily the Business Tax, Wheel Tax and the Hotel/Motel Tax.

Circuit, General Sessions and Juvenile Courts Clerk - This official performs all clerical duties for the Circuit, General Sessions and Juvenile Courts for both civil and criminal proceedings. The Clerk collects court costs, fines, commissions and amounts awarded to other parties by the courts.

Clerk and Master - This official maintains all records and performs all clerical duties for the Chancery Court. The Clerk and Master collects certain delinquent taxes for the County and the cities of Gallatin, Hendersonville, Portland, Eastmoreland, Millersville and Mitchellville.

Register of Deeds - The Register of Deeds' office collects various fees for the recording of conveyances, trust deeds, chattels, charters, plats and other legal instruments. In addition, the Register collects the State of Tennessee transfer tax on legal instruments recorded in the County.

SUMNER COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Sheriff - The Sheriff is the chief law enforcement officer of the County. The duties include the operation of the County jail. Fees earned by the Sheriff and deputies in the various County courts are reported and paid directly to the County Trustee by the Clerks of those courts.

Fees and commissions collected by the above officials are required to be remitted monthly to the County Trustee for the benefit of the General Fund.

Administration of Constitutional Offices

Compensation of Officials and Office Personnel - The Trustee, County Clerk, Circuit, General Sessions and Juvenile Courts Clerk, Clerk and Master, Register of Deeds, and Sheriff operate their offices under provisions of Section 8-22-104, T.C.A. This statute provides for all salaries, including the official's maximum statutory salary, and other operating expenses to be paid from County funds and for all fees and commissions earned to be reported and paid to the County monthly.

Other Costs for Operation of Offices - Various operating costs of each office or court are controlled by a formal budgetary accounting system through the County's General Fund. The budgeted amounts are approved by the County Commission in accordance with state statutes. These types of operating costs are reported in the General Fund in this report.

SUMNER COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Government - Wide Financial Statements

The government-wide financial statements include a statement of net assets and a statement of activities and changes in net assets. These statements present summaries of governmental activities for the County. As a general note the activity of the internal service funds has been eliminated from the government-wide financial statements. Fiduciary activities of the County are not included in these statements.

These statements are presented on an economic resources measurement focus and the accrual basis accounting. Accordingly, all of the County's assets and liabilities, including capital assets, infrastructure assets, and long-term liabilities are included in the accompanying statement of net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, and reduced by outstanding debt that is attributable to the acquisition, construction, and improvement of those assets. The outstanding debt is offset by any unspent proceeds from such debt.

Restricted net assets result from restrictions placed on net assets by external sources such as creditors, grantors and contributors, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the County's activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that have been obtained to meet the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each function of the County is self-financed or draws from general revenues.

SUMNER COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Financial Statements and Measurement Focus

Fund financial statements report detailed information about the County. The focus of the fund financial statements is on major funds rather than fund type. Each major fund is presented in a separate column and all non-major funds are aggregated and presented in a single column.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on sources and uses of current financial resources.

Proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. This reporting focuses on the determination of operating income, and changes in net assets, financial position and cash flows. The financial statement requirements are a statement of net assets, statement of revenue, expenses and changes in net assets and a statement of cash flows.

Fiduciary funds are reported using the economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the funds are included in the statement of assets. The statement of changes in fund net assets presents increases and decreases in total net assets.

Fund Accounting

The County uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The County utilizes three categories of funds: governmental, proprietary and fiduciary. The emphasis of fund financial statements is on major governmental funds each displayed in a separate column. All remaining governmental funds are aggregated and reported as non major funds.

SUMNER COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Governmental Funds - Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The differences between governmental fund assets and liabilities is reported as fund balance. The following are the County's major governmental funds:

General Fund - The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources that will be necessary for paying general long-term obligations.

Capital Projects Fund - The Capital Projects Fund accounts for the acquisition or construction of capital projects not being financed by proprietary funds.

Highway/Public Works Fund - The Highway/Public Works Fund is used to account for transactions of the County Highway Department. A major source of funding for the department is state gasoline taxes.

Additionally, the County utilizes the following other fund types:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Internal Service Funds - The internal service funds account for operations that provide services to other departments or agencies of the government, or to other governments on a cost reimbursement basis.

Fiduciary Fund - Fiduciary funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include Agency Funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

SUMNER COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Component Units

The Sumner County School Department uses a General Fund, and two Special Revenue Funds. The Sumner County Regional Airport Authority uses a General Fund. The Emergency Communications District and the Resource Authority in Sumner County, Tennessee are accounted for as legally separate entities similar to Enterprise Funds.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting; proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon thereafter to be used to pay liabilities of the current year (within sixty days after year-end).

Non-exchange transactions, in which the County receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to

SUMNER COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

be used or the year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

In the government-wide and governmental funds financial statements, property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue (\$28,500,981). Grants received before the eligibility requirements are met are also recorded as deferred revenue.

In the governmental funds financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. Exceptions to this general rule include: (1) principal and interest on general long-term debt are recognized when due and (2) accumulated non-vested sick pay is not accrued, but is recognized as paid.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

The financial statements of Sumner County's discretely presented component units have been prepared in conformity with all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

The financial statements of the Constitutional Officers (Trustee, County Clerk, Circuit, General Sessions and Juvenile Courts Clerk, Clerk and Master, Register of Deeds and Sheriff) have been prepared on the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets.

SUMNER COUNTY, TENNESSEE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2005

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The Constitutional Officers are separate and independent accounting entities for the collection and remittance of certain State, County and other funds. These officials earn fees and commissions for the performance of various services and the collection and remittance of certain funds.

Restatement of Net Assets

During the fiscal year ended June 30, 2005, the Sumner County School Department and the Sumner County Regional Airport authority restated net assets at June 30, 2004 primarily to record certain capital assets.

The restatement affected beginning net assets as previously reported in the Statement of Net Assets as follows:

	<u>Component Units</u>
Net assets at June 30, 2004, as previously reported	\$176,837,421
Adjustment related to:	
Capital assets and other	<u>968,604</u>
Net assets at June 30, 2004, as restated	<u>\$177,806,025</u>

Budget

The County and the Sumner County School Department Component Unit are required by State statute to adopt annual budgets. The General Fund, Special Revenue Fund, and Debt Service Fund budgets are prepared on the basis where 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. Budgetary amounts presented in the financial statements represent the original and final budgeted amounts as authorized by the County Commission. Unencumbered appropriations lapse at the end of each year.

Budgetary Level of Control

Under Resolution Number 0691-05, the Sumner County Board of County Commissioners, elected, pursuant to Section 2, subsection (e) of Public Chapter Number 358, to exempt Sumner County from the provisions of Public Chapter Number 358, and that if the need shall arise, the Budget Committee may, with the approval of any official, head of any department or division which may be affected, transfer any amount within any major appropriation category. Also, the approval of the County Board of

SUMNER COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Commissioners must be obtained as required by law for transfers between major appropriation categories within the same fund. The School Director must also receive the approval of the Board of Education for transfers within each major appropriation category of the budget and the approval of the County Board of Commissioners for transfers between these major categories as required by law.

The Constitutional Officers - Fees Fund is used to account for transactions of the fee and commission accounts of the County Trustee, Clerks, Register of Deeds and Sheriff. These fees and commissions are transferred to the General Fund and salaries and expenditures are paid from the General Fund on behalf of these separately elected or appointed officials. The Trustee, County Clerk, Circuit, General Sessions and Juvenile Courts Clerk, Clerk and Master, and Register of Deeds operated their offices under provisions of the Maximum Salary Law.

Salary payments to the deputies are supported by Circuit or Chancery Court Decrees which are obtained under provisions of Section 8-20-101, et seq., TCA. The Sheriff operates his office under provisions of Section 8-24-103, TCA. This statute provides for all salaries, including the official's maximum statutory salary, and other operating expenses to be paid from County funds and for all fees and commissions earned to be reported and paid to the County monthly. Transactions related to the fee and commission accounts of these officials are not subject to the budgetary control of the County Commission. Therefore, this fund is presented as a non-budgeted special revenue fund.

The County's budgetary basis of accounting is consistent with GAAP.

There are no funds at June 30, 2005 with a deficit balance, however, there is an unrestricted net deficit of (\$55,319,818) resulting in a total net deficit of (\$2,584,189) for the Primary Government/Governmental Activities presented on the government-wide financial statements as of June 30, 2005. The deficit is primarily a result of funding the purchases of Sumner County School Department (component unit) capital assets with debt (\$111,000,000) issued by the primary government.

SUMNER COUNTY, TENNESSEE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2005

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The Sumner County School Department's budgetary basis of accounting is consistent with GAAP, except where encumbrances are treated as budgeted expenditures. A reconciliation of the differences between the budgetary basis and the GAAP basis is as follows for the Sumner County School Department.

	<u>General Purpose School Fund</u>	<u>School Federal Projects Fund</u>
Expenditures and Other Uses:		
GAAP Basis	\$ 146,881,181	\$8,932,013
Add: Current year reserve for encumbrances	401,027	-
Less: Prior year reserve for encumbrances	<u>(134,134)</u>	<u>-</u>
Budgetary basis	<u>\$ 147,148,074</u>	<u>\$8,932,013</u>

The Sumner County Schools Activity Fund is a non-budgeted fund of the School Department.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditures are recorded in order to reserve that portion of the applicable appropriation, is employed as a formal budgetary tool in the School Department (discretely presented Component Unit). Encumbrance accounting is not utilized for budgetary control purposes for the funds of the primary government. Encumbrances do not constitute expenditures or liabilities and are recorded as reservations of fund balance with related expenditures being recorded when expended in the subsequent year.

Property Taxes Receivable

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 October 1 of the ensuing fiscal year. Taxes become delinquent and begin accumulating interest and penalty the following March 1.

SUMNER COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property taxes receivable, less an estimated allowance for uncollectible taxes, are presented on the balance sheet of governmental funds with offsetting deferred revenue to reflect amounts not available as of June 30. Amounts available at June 30, 2005 have been recorded as revenue in the governmental fund statements. Suit must be filed in chancery court between the following February 1 and April 1 for any remaining unpaid taxes. Additional costs are attached to delinquent taxes after court suit has been filed.

Notes Receivable

The County has notes receivable from certain athletic clubs to be used for various projects. The aggregate outstanding balances at June 30, 2005 were \$386,280. The notes are interest free and are to be repaid over 10 years with required minimum annual payments.

Capital Assets

Capital assets (including infrastructure) are recorded at historical cost or estimated historical cost if actual cost is not available. Contributed fixed assets are recorded at their estimated fair value on the date contributed. Capital assets include public domain (infrastructure) general fixed assets consisting of certain roads and bridges and their improvements. The County defines capital assets as assets with an initial, individual cost of more than \$7,500 and an estimated useful life in excess of one year. Capital assets are depreciated using the straight-line method over the estimated useful lives in the government-wide statements.

The estimated useful lives are as follows:

Infrastructure	10 to 40 years
Buildings	30 years
Building and land improvements	10 years
Large equipment and vehicles	10 years
Small equipment and vehicles	5 years
Computer equipment	5 years
Furniture and fixtures	5 years

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives with an individual cost of more than \$7,500 are capitalized. Upon sale or retirement of fixed assets, the cost and related accumulated depreciation are removed from the respective accounts and any gain or loss is included in the results of operations.

SUMNER COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The County defines infrastructure as the basic physical assets that allow the County to function. The assets include roads, road improvements, bridges, and bridge improvements.

Reserve and Designations

All reserves (with the exception of Reserve for Encumbrances previously discussed) represent unexpended revenues which are legally required to be reappropriated and expended for specific purposes in subsequent years. Designations reflect tentative plans for future use of financial resources.

Compensated Absences

Vested accumulated vacation is accrued when incurred in the County's proprietary-type discretely presented Component Units (using the accrual basis of accounting).

It is the policy of the County, the discretely presented Sumner County School Department, and Constitutional Officers to permit employees to accumulate various amounts of earned but unused vacation benefits which will be paid upon separation from service. In the governmental fund types, the cost of vacation benefits is recognized when payments are made to employees. Accrued benefits at June 30, 2005 of \$458,138 and \$1,328,301 for the primary government and component units, respectively, have been recorded in the government-wide financial statements of Sumner County representing the commitment to fund such costs with future financial resources.

Interfund Transactions

Quasi-external transactions are recognized as fund revenues and expenditures or expenses (as appropriate). Transactions which constitute reimbursement of expenditures (or expenses) initially made from the fund, which are properly applicable to another fund, are recorded as expenditures or expenses, (as appropriate), in the reimbursing fund and as reductions of expenditures (or expenses) in the fund that is reimbursed.

All interfund transactions except advances, quasi-external transactions and reimbursements are accounted for as transfers. Nonrecurring or nonroutine transfers of equity between funds are considered residual equity transfers and all other transfers are treated as operating transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide statements.

SUMNER COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents includes amounts in demand deposits and highly liquid short-term investments with an original maturity date of three months or less.

Inventories

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund type inventories are recorded using the consumption method, that is, as expenditures when consumed rather than when purchased.

Use of Certain Significant Estimates

The presentation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Accounting Pronouncements

The County is anticipating to adopt the following statements:

GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, required for financial statement periods beginning after December 15, 2006;

GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section- An Amendment of NCGA Statement 1*, required for statistical sections prepared for periods beginning after June 15, 2005;

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, required for periods beginning after December 15, 2007;

GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation- An Amendment of GASB Statement No. 34*, required for financial statement periods beginning after June 15, 2005; and

GASB Statement No. 47, *Accounting for Termination of Benefits*, required for financial statement periods beginning after June 15, 2005.

SUMNER COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Significant changes by these statements require changes to the disclosures of post employment benefit plans other than benefit plans by reporting accrual-basis measurements and actuarial liabilities, require more extensive statistical disclosures of net assets and government debt, clarification of net assets restricted by enabling legislation, and require disclosure of any voluntary or involuntary termination benefits. Management is in the process of determining the effects of adopting these statements will have on the County's financial statements; however, management believes the adoption of these statements will not have a material impact on its financial position or results of operations.

B. OFFICE OF CENTRAL ACCOUNTING, BUDGETING, AND PURCHASING

Sumner County operated under provisions of the County Financial Management System (Act) of 1981, which provides for a system of central accounting, budgeting, and purchasing covering all funds of the County. This act provides for the creation of a Finance Department operated under the direction of the Finance Director.

The County Financial Management System (Act) of 1981 provides for the Finance Director or a deputy appointed by him to serve as the County purchasing agent. The Finance Director serves as the purchasing agent for Sumner County. Purchasing procedures for the County Departments and the Sumner County School Department are patterned after various state purchasing laws which include the County Purchasing Law of 1983, Section 5-14-201 through 5-14-206, T.C.A., the Uniform Road Law, Section 54-7-113, T.C.A., and laws applicable to schools as set forth in Section 49-2-203 T.C.A., all of which provide for purchases in excess of \$10,000 to be made after public advertisement and competitive bidding.

On June 18, 2001, the County Commissioners elected to revoke the adoption of the provisions of the County Financial Management System (Act) of 1981. On November 18, 2001, the County Commissioners by resolution, adopted a private act to be effective June 30, 2002. The resolution was subsequently amended June 17, 2002. The provisions of the private act are similar to those of the 1981 Act with the primary difference being that the Sumner County School Department will become autonomous with regard to accounting, budgeting and purchasing. The plan has been approved by the State of Tennessee.

SUMNER COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

C. DEPOSITS AND INVESTMENTS

The captions on the statement of net assets related to cash and cash equivalents and investments are as follows for Sumner County and its discretely presented component units:

	<u>Governmental Activities</u>	<u>Component Units</u>					<u>Fiduciary - Agency Funds</u>
	<u>Sumner County Primary Government</u>	<u>Sumner County School Department</u>	<u>Sumner County Regional Airport Authority</u>	<u>Emergency Communi- cations District</u>	<u>The Resource Authority Sumner County Tennessee</u>	<u>Total</u>	<u>Constitutional Officers</u>
Cash and cash equivalents	\$52,247,018	\$11,447,827	\$248,583	\$567,083	\$1,105,222	\$13,368,715	\$3,768,700
Investments	<u>8,398,749</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,095,106</u>
Total	<u>\$60,645,767</u>	<u>\$11,447,827</u>	<u>\$248,583</u>	<u>\$567,083</u>	<u>\$1,105,222</u>	<u>\$13,368,715</u>	<u>\$7,863,806</u>

Sumner County and the Sumner County School Department maintain a cash and investment pool through the office of the County 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.

Cash and cash equivalents include cash on hand, demand deposits, and certificates of deposit expected to be redeemed and not to be reinvested within 3 months from June 30, 2005.

Investments consist of: (1) Certificates of Deposit expected to be reinvested, (2) amounts invested by the Sumner County Regional Airport Authority which are stated at fair value, (3) U.S. Government Treasury Notes and Bills, and (4) amounts invested in the Local Government Investment Pool of the State of Tennessee. The County's pooled investments are stated at fair market value.

SUMNER COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

C. DEPOSITS AND INVESTMENTS - Continued

Various restrictions on deposits and investments are imposed by State statute. These restrictions are summarized as follows:

Deposits - All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions which participate in the bank collateral pool administered by the Treasurer of the State of Tennessee. Participating banks determine the aggregate balance of their public funds accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must be equal to 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 funds 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 individual 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 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. Deposits with savings and loans may also be collateralized by an irrevocable letter of credit issued by the Federal Home Loan Bank or, with the approval of the State Funding Board, by a surety bond issued by an insurance company licensed under the laws of the State of Tennessee whose claims paying ability is rated in the highest category by at least two nationally recognized statistical rating services.

Deposits are categorized as follows to give an indication of the level of risk assumed at year end:

Category 1 includes deposits insured or collateralized with securities held by the entity or its agent in the entity's name.

Category 2 includes deposits collateralized with securities held by the pledging financial institution's agent or trust department in the entity's name.

SUMNER COUNTY, TENNESSEE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2005

C. DEPOSITS AND INVESTMENTS - Continued

Category 3 includes deposits uncollateralized or collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the entity's name.

Separate disclosures concerning carrying amounts and bank balances of pooled deposits cannot be made for Sumner County and the Sumner County School Department since both pool most of their deposits and investments through the County Trustee. The carrying amount of Sumner County's and the Sumner County School Department's deposits with financial institutions totaled \$52,784,452 and the bank balances totaled \$52,917,828 and were on deposit with financial institutions which are members of the Tennessee Bank Collateral Pool. All deposits are Category 1 deposits as described above.

Cash and cash equivalents	
Sumner County Primary Government	\$ 52,247,018
Sumner County School Department	<u>11,447,827</u>
	63,694,845
Less cash equivalents included as investments for footnote categorization	<u>(10,910,393)</u>
Deposits with financial institutions - carrying amount	<u>\$ 52,784,452</u>

The carrying amount for the various constitutional officers' deposits with financial institutions totaled \$3,768,700 and the bank balances totaled \$4,455,489. The deposits were with financial institutions which are members of the Tennessee Bank Collateral Pool.

Investments - 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 Pooled Investment Fund 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 2% below the market value of the securities on the day of purchase.

SUMNER COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

C. DEPOSITS AND INVESTMENTS - Continued

Pooled and non-pooled investments are separately categorized as follows to give an indication of the level of risk assumed at year end:

Category 1 includes investments that are insured or registered for which the securities are held by the entity or its agent in the entity's name.

Category 2 includes uninsured and unregistered investments for which the securities are held by the counter party's trust department or its agent in the entity's name.

Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the entity's name.

Funds invested in the State Pooled Investment Fund are not required to be categorized by accounting principles generally accepted in the United States of America. Separate disclosures for pooled investments cannot be made for Sumner County and the Sumner County School Department since both pool their deposits and investments through the County Trustee.

POOLED INVESTMENTS

	<u>Cost</u>	<u>Market Value</u>
Investment in State Pooled Investment Fund	<u>\$10,910,393</u>	<u>\$10,910,393</u>

NON-POOLED INVESTMENTS

	<u>Category</u>			<u>Cost</u>	<u>Market Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Sumner County					
Primary Government:					
U.S. Government					
Securities	<u>\$8,393,824</u>	<u>\$ -</u>	<u>\$ -</u>	\$8,393,824	\$8,393,824
General debt service bond pool				<u>4,925</u>	<u>4,925</u>
Total				<u>\$8,398,749</u>	<u>\$8,398,749</u>
Constitutional officers:					
Certificates of deposit	<u>\$4,095,106</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$4,095,106</u>	<u>\$4,095,106</u>

SUMNER COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

C. DEPOSITS AND INVESTMENTS - Continued

At June 30, 2005, the future maturities of Sumner County's investments are as follows:

<u>Type of Investment</u>	<u>Carrying Amount</u>	<u>Maturity</u>		<u>Not Subject to Maturity</u>
		<u>Fiscal 2006</u>	<u>Fiscal 2007</u>	
U.S. Treasury Notes General Debt Service Loan Pool	\$8,393,824	\$4,195,976	\$4,197,848	\$ -
	<u>4,925</u>	<u>-</u>	<u>-</u>	<u>4,925</u>
	<u>\$8,398,749</u>	<u>\$4,195,976</u>	<u>\$4,197,848</u>	<u>\$4,925</u>

D. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005 was as follows:

Infrastructure activity:

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Reclassifications and Retirements</u>	<u>Balance June 30, 2005</u>
<u>Governmental Activities:</u>				
Roads	\$ 141,221,336	\$ 1,748,399	\$(416,138)	\$ 142,553,597
Road improvements	14,979,817	2,024,356	(50,413)	16,953,760
Bridges	<u>27,634,306</u>	<u>356,365</u>	<u>(52,500)</u>	<u>27,938,171</u>
Total infrastructure	<u>183,835,459</u>	<u>4,129,120</u>	<u>(519,051)</u>	<u>187,445,528</u>
Less accumulated depreciation:				
Roads	(122,539,171)	(680,071)	416,138	(122,803,104)
Road improvements	(7,524,164)	(1,521,601)	34,964	(9,010,801)
Bridges	<u>(20,276,000)</u>	<u>(325,718)</u>	<u>52,500</u>	<u>(20,549,218)</u>
Total accumulated depreciation	<u>(150,339,335)</u>	<u>(2,527,390)</u>	<u>503,602</u>	<u>(152,363,123)</u>
Total infrastructure, net	<u>33,496,124</u>	<u>1,601,730</u>	<u>(15,449)</u>	<u>35,082,405</u>

SUMNER COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

D. CAPITAL ASSETS - Continued

Other capital asset activity:

	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Reclassifications</u> <u>and</u> <u>Retirements</u>	<u>Balance</u> <u>June 30, 2005</u>
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 1,934,915	\$ -	\$ -	\$ 1,934,915
Construction in progress	<u>22,533,982</u>	<u>1,649,841</u>	<u>(24,183,823)</u>	<u>-</u>
 Total capital assets not being depreciated	 <u>24,468,897</u>	 <u>1,649,841</u>	 <u>(24,183,823)</u>	 <u>1,934,915</u>
Capital assets being depreciated:				
Buildings	10,882,482	24,258,823	-	35,141,305
Building and land improvements	1,650,598	82,279		1,732,877
Large equipment	5,782,583	908,498	(225,426)	6,465,655
Small equipment	2,410,043	1,021,179	(87,118)	3,344,104
Office furniture and equipment	257,036	-	-	257,036
Computer equipment	<u>201,762</u>	<u>29,455</u>	<u>(11,769)</u>	<u>219,448</u>
 Total capital assets being depreciated	 <u>21,184,504</u>	 <u>26,300,234</u>	 <u>(324,313)</u>	 <u>47,160,425</u>

SUMNER COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

D. CAPITAL ASSETS - Continued

	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	Reclassifications and <u>Retirements</u>	<u>Balance</u> <u>June 30, 2005</u>
Less accumulated depreciation for:				
Buildings	(4,967,512)	(976,770)	-	(5,944,282)
Building and land improvements	(993,354)	(56,893)	-	(1,050,247)
Large equipment	(3,546,657)	(490,814)	225,426	(3,812,045)
Small equipment	(1,798,760)	(421,461)	-	(2,220,221)
Office furniture and equipment	(236,855)	(7,568)	-	(244,423)
Computer equipment	<u>(150,178)</u>	<u>(30,634)</u>	<u>9,914</u>	<u>(170,898)</u>
 Total accumulated depreciated	 <u>(11,693,316)</u>	 <u>(1,984,140)</u>	 <u>235,340</u>	 <u>(13,442,116)</u>
 Total capital assets being depreciated, net	 <u>9,491,188</u>	 <u>24,316,094</u>	 <u>(88,973)</u>	 <u>33,718,309</u>
 Total governmental activities capital assets, net	 <u>\$ 67,456,209</u>	 <u>\$ 27,567,665</u>	 <u>\$(24,288,245)</u>	 <u>\$ 70,735,629</u>

Depreciation expense related to governmental activities was charged to the following functions:

General administrative	\$ 252,748
Public safety	866,309
Public health and welfare	389,661
Social cultural and recreational	35,611
Highways	<u>2,967,201</u>
	<u>\$4,511,530</u>

SUMNER COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

D. CAPITAL ASSETS - Continued

<u>Component Units</u>	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Reclassifications</u> <u>and</u> <u>Retirements</u>	<u>Balance</u> <u>June 30, 2005</u>
School Department:				
Capital assets not being depreciated:				
Land	\$ 6,596,148	\$ -	\$(16,672)	\$ 6,579,476
Construction in progress	<u>6,142,096</u>	<u>19,938,017</u>	<u>(22,806,681)</u>	<u>3,273,432</u>
Total capital assets not being depreciated	<u>12,738,244</u>	<u>19,938,017</u>	<u>(22,823,353)</u>	<u>9,852,908</u>
Capital assets being depreciated:				
Buildings	216,211,279	22,806,683	(1,018,368)	237,999,594
Building and land improvements	10,612,659	597,358	-	11,210,017
Large equipment	11,272,700	1,244,031	(912,171)	11,604,561
Small equipment	<u>830,822</u>	<u>-</u>	<u>(64,883)</u>	<u>765,939</u>
Total capital assets being depreciated	<u>238,927,460</u>	<u>24,648,072</u>	<u>(1,995,422)</u>	<u>261,580,110</u>
Less accumulated depreciation for:				
Buildings	(78,208,021)	(6,301,376)	622,336	(83,887,062)
Building and land improvements	(5,521,732)	(684,943)	-	(6,206,675)
Large equipment	(6,199,627)	(844,994)	912,171	(6,132,451)
Small equipment	<u>(710,905)</u>	<u>(40,802)</u>	<u>55,567</u>	<u>(696,140)</u>
Total accumulated depreciated	<u>(90,640,285)</u>	<u>(7,872,116)</u>	<u>1,590,073</u>	<u>(96,922,328)</u>
Total capital assets being depreciated, net	<u>148,287,175</u>	<u>16,775,956</u>	<u>(405,349)</u>	<u>164,657,782</u>
Total school department capital assets, net	<u>161,025,419</u>	<u>36,713,973</u>	<u>(23,228,702)</u>	<u>174,510,690</u>

SUMNER COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

D. CAPITAL ASSETS - Continued

<u>Component Units</u>	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Reclassifications and Retirements</u>	<u>Balance June 30, 2005</u>
Other component units:				
Capital assets not being depreciated:				
Land	\$ 288,991	\$ -	\$ -	\$ 288,991
Construction in progress	<u>-</u>	<u>553,896</u>	<u>-</u>	<u>553,896</u>
Total capital assets not being depreciated	<u>288,991</u>	<u>553,896</u>	<u>-</u>	<u>842,887</u>
Capital assets being depreciated:				
Regional Airport Authority plant and equipment	4,647,406	-	(8,707)	4,638,699
Emergency Communications district plant and equipment	1,507,359	106,183	-	1,613,542
The Resource Authority plant and equipment	<u>7,106,185</u>	<u>76,965</u>	<u>(446,041)</u>	<u>6,737,109</u>
Total capital assets being depreciated	<u>13,260,950</u>	<u>183,148</u>	<u>(454,748)</u>	<u>12,989,350</u>
Less accumulated depreciation for:				
Regional Airport plant and equipment	(2,523,733)	(162,348)	8,707	(2,677,374)
Emergency Communications District plant and equipment	(378,511)	(295,157)	-	(673,668)
The Resource Authority plant and equipment	<u>(3,562,389)</u>	<u>(727,994)</u>	<u>446,041</u>	<u>(3,844,341)</u>
Total accumulated depreciation	<u>(6,464,632)</u>	<u>(1,185,499)</u>	<u>454,748</u>	<u>(7,195,383)</u>
Total capital assets being depreciated, net	<u>6,796,318</u>	<u>(1,002,351)</u>	<u>-</u>	<u>5,793,967</u>
Total other component units capital assets, net	<u>7,085,309</u>	<u>(448,455)</u>	<u>-</u>	<u>6,636,854</u>
Total component units capital assets, net	<u>\$ 168,110,728</u>	<u>\$ 36,265,518</u>	<u>\$(23,228,702)</u>	<u>\$ 181,147,544</u>

SUMNER COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

E. DEBT

The following is a summary of changes in liabilities included in general long-term debt for the year ended June 30, 2005:

	<u>Primary Government</u>		Component Unit Sumner County School Department
	<u>Notes and Loans</u>	<u>Accrued Annual Leave</u>	<u>Compensated Absences</u>
Balance, July 1, 2004	\$ 126,500,000	\$421,434	\$1,301,822
Additions	17,071,083	36,704	26,479
Reductions	<u>(14,571,083)</u>	<u>-</u>	<u>-</u>
Balance, June 30, 2005	<u>\$ 129,000,000</u>	<u>\$458,138</u>	<u>\$1,328,301</u>

The annual debt service requirements to amortize all long-term notes and loans outstanding as of June 30, 2005, are as follows:

	General Long-Term Debt Principal <u>Retirements</u>	<u>Interest</u>
2006	\$ 14,000,000	\$ 3,590,400
2007	13,000,000	3,142,333
2008	18,000,000	2,746,125
2009	18,000,000	2,279,750
2010	18,000,000	1,739,625
2011	18,000,000	1,273,250
2012	15,000,000	733,125
2013	<u>15,000,000</u>	<u>417,273</u>
Total	<u>\$129,000,000</u>	<u>\$15,921,881</u>

SUMNER COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

E. DEBT - Continued

At June 30, 2005, there is \$24,364,520 in fund balance available in the Debt Service Fund to service general long-term debt.

In prior years, the County authorized and issued \$55,000,000 in variable rate school loans payable to finance the construction and improvement of seventeen school buildings. At June 30, 2005 the outstanding balance of these loans was \$11,000,000.

During July 2000, the Sumner County Commission authorized the issuance of school capital outlay notes of the County not to exceed \$100,000,000 to construct and improve various school buildings and facilities. During fiscal 2005, the County issued \$15,000,000 of these notes bearing interest at a variable rate (2.55% at June 30, 2005). As of June 30, 2005, the County has issued a total of \$100,000,000 of school capital outlay notes. At June 30, 2005, the County had outstanding construction commitments of approximately \$2,910,000 in connection with school construction projects.

During May 2002, the Sumner County Commission authorized the issuance of jail capital outlay notes, not to exceed \$19,500,000, to construct a new jail facility. As of June 30, 2005, the County has issued \$19,500,000 of jail capital outlay notes that bear interest at a variable rate (2.55% at June 30, 2005). At June 30, 2005, the County had outstanding construction commitments of approximately \$170,000 in connection with the new jail facility.

As a means to manage its borrowing costs and cash flow requirements, and reduce the risk associated with debt interest rate fluctuations, the County entered into a protected interest rate transaction (rate collar) in January 2001. The rate collar agreement had an original notional amount of \$55 million and extends through June 1, 2006. In addition, the County entered into a protected interest rate transaction (rate collar) in July 2001 that extends through June 1, 2010, for \$35 million (original notional amount) of its variable rate school capital outlay notes. Based on the transaction agreements, the County owes interest to the counterparty (a bank) based on a variable rate that matches the rate required by the loans and notes provided the rate falls between an established ceiling of 6.5% and floor of 3.14%. In return, the counterparty owes the County interest based on a variable rate that matches the rate required by the loans and notes. Only the net difference in interest payments is actually exchanged with the counterparty.

SUMNER COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

E. DEBT - Continued

The County continues to pay interest to the loan and note holders at the variable rate provided by the loans and notes. However, during the term of the rate collar agreement, the County will pay an effective rate that is not less than the floor and not more than the ceiling established in the agreement. The debt service requirements for these loans and notes as presented above are based on the floor rate (3.14%), since the variable rate provided by the \$11 million (\$55 million original balance) and \$35 million of variable rate notes at June 30, 2005 were 2.55% which is below the floor rate. The County will be exposed to variable rates in excess of the ceiling as defined in the agreement if the counterparty defaults or the agreement is terminated. Although not required to do so, the County is permitted and intends to accelerate payment of certain portions of the loans and notes so that the final maturity date of the debt corresponds to the expiration of the rate collar agreement on June 1, 2006 and June 1, 2010.

Because interest rates have declined since execution of the transactions, the transactions had a net negative fair value of \$602,752 as of June 30, 2005. The transaction's negative fair value may be countered by reductions in total interest payments required under the variable rate notes, creating a lower synthetic variable interest rate.

As of June 30, 2005, the County was not exposed to credit risk because the transactions had negative fair values. However, should interest rates change and the fair values of the transactions become positive, the County would be exposed to credit risk in the amount of the fair value.

F. COMMITMENTS AND CONTINGENCIES

Sumner County is contingently liable for 3/7 of \$1,180,000 refunding bond issues of the Resource Authority in Sumner County, Tennessee and would become liable for 3/7 of the bonds and the interest thereon in the event of default. The remaining 4/7 of the bonds and interest would be paid equally by the cities of Gallatin and Hendersonville. In addition, the County has provided the guaranty of closure and post-closure costs for the facilities operated by the Resource Authority in Sumner County, Tennessee.

The County is involved in certain pending and threatened litigation. The County Attorney is of the opinion that any judgments in excess of insurance coverage, resulting from pending litigation, would not materially affect the financial statements.

SUMNER COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

F. COMMITMENTS AND CONTINGENCIES - Continued

The County has received federal and state financial assistance for specific purposes that is subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the programs, it is believed that any required reimbursements would not be material to the basic financial statements and individual fund and component unit financial statements. Accordingly, no provision has been made for any potential reimbursements to the grantor agencies.

As a result of certain allegations made during fiscal 2005, various federal authorities are investigating the County's Office of Sheriff. As of the date of issuance of the County's 2005 Comprehensive Annual Financial Report, the investigations have not been completed and results of the investigations have not been made available. In the opinion of the County's management, the outcome of the investigations is not expected to have a material adverse affect on the financial position or results of operations of the County.

G. RISK FINANCING ACTIVITIES

The County has established the Employee Health Insurance fund, an internal service fund, where assets are set aside for claim settlements related to the employees' health insurance plan (approximately 1,400 participating employees as of June 30, 2005). This fund is used to account for transactions of the self-insured group medical plan. The County is self-insured to a limit of \$150,000 for a single medical claim. Eighty percent of amounts in excess of this limit are covered by an excess loss policy to a maximum of \$1,000,000 per specific claim. Blue Cross/Blue Shield of Tennessee administers the plan for a fee based on total claims paid. Claims totaling \$10,529,228 were paid for County employees during fiscal 2005. Consulting expenses and insurance premiums totaling \$270,840 were paid during fiscal 2005.

The County has established the Employee Dental Insurance Fund, an internal service fund, where assets are set aside for claim settlements related to the employees' dental insurance plan (approximately 1,100 participating employees as of June 30, 2005). This fund is used to account for transactions of the self-insured group dental plan. The participating entities pay premiums equal to a predetermined rate times the population. Certain amounts in excess of the premium paid are covered by the legal fiduciaries, Blue Cross/Blue Shield-Delta Dental and Cigna Healthcare Corporation. Blue Cross/Blue Shield also administers the plan for a fee based on total claims paid. Claims totaling \$633,562 were paid for employees of the County during fiscal 2005.

SUMNER COUNTY, TENNESSEE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2005

G. RISK FINANCING ACTIVITIES - Continued

The County has established the Self Insurance Fund, an internal service fund, where assets are set aside for claim settlements related to the employees' workers compensation plan. This fund is used to account for workers compensation and liability claims filed against all departments in the primary government and the Sumner County School Department after July 1, 1989. The County is self-insured to a limit of \$250,000 maximum tort liability, plus property damage. Claims in excess of this limit are covered by an insurance policy up to a limit of \$1,000,000 per specific claim. Claims totaling \$1,121,656 and administrative expenses totaling \$165,926 were paid during fiscal year 2005.

All full-time employees of the primary government and certain non-classified employees of the Sumner County School Department are eligible to participate in the Employee Health Insurance Fund and the Employee Dental Insurance Fund. All employees of the primary government and the Sumner County School Department are covered under the County's Self-Insurance Fund.

Premium charges are allocated to each fund that accounts for full-time employees. These charges are based on actuarial estimates of the amounts needed to pay prior and current-year claims. Liabilities of the funds are reported when it is probable that losses have occurred and the amounts of the losses can be reasonably estimated. The Employee Health Insurance Fund, Employee Dental Insurance Fund and the Self-Insurance Fund establish claims liabilities based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. The process used to compute claims liabilities does not necessarily result in an exact amount. Changes in the balance of claims liabilities during the past two fiscal years for the Employee Health Insurance Fund, Employee Dental Insurance Fund, and the Self-Insurance Fund are as follows:

	<u>Balance at Beginning of Fiscal Year</u>	<u>Current Year Claims and Estimates</u>	<u>Payments</u>	<u>Balance at Fiscal Year-End</u>
<u>Health Insurance</u>				
2003 - 2004	\$1,470,912	\$8,787,078	\$8,791,869	\$1,466,121
2004 - 2005	1,466,121	11,297,358	10,529,228	2,234,251
<u>Dental Insurance</u>				
2003 - 2004	\$97,906	\$573,438	\$582,866	\$88,478
2004 - 2005	88,478	652,249	633,562	107,165
<u>Self-Insurance</u>				
2003 - 2004	\$4,879,285	\$1,210,989	\$1,356,003	\$4,734,271
2004 - 2005	4,734,271	356,656	1,121,656	3,969,271

SUMNER COUNTY, TENNESSEE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2005

H. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances of individual funds are attributable to unsettled balances at year-end, primarily for charges and transfers between funds. Balances at June 30, 2005, were as follows:

	<u>Receivable</u>	<u>Payable</u>
<u>Major Funds</u>		
General fund	\$200,706	\$ -
<u>Agency Funds</u>		
Constitutional officers	-	200,706
Totals	\$200,706	\$200,706

I. OPERATING TRANSFERS

Operating transfers among individual funds of the County for the fiscal year ended June 30, 2005, were as follows:

	Transfer from				
	Major Funds			Non-Major Governmental Funds	
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Highway Fund</u>	<u>Judicial Drug Fund</u>	<u>Constitutional Fund</u>
<u>Transfer To</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>
<u>Major Funds:</u>					
General fund	\$ -	\$ -	\$8,634	\$57,618	\$6,525,938
Debt service fund	-	-	-	-	-
Highway fund	-	-	-	-	-
 <u>Non-Major Governmental Funds</u>					
Drug Control Fund	1,723	-	-	-	-

Interfund transfers were used to account for funding of operating deficiencies and other various reimbursements.

SUMNER COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

J. LONGEVITY PAY

Full-time employees (employees working 32 hours or more) are eligible for longevity pay after the first full calendar year of service. Eligible payment dates are based on the employment anniversary. In the first year, employees are eligible to receive \$300. This amount increases by \$75 each year from years 2-15, and by \$150 each year from years 16-20. The maximum period for longevity is 20 years and annual amounts are capped at \$2,100 per year.

K. RETIREMENT COMMITMENTS

Plan Description

Employees of Sumner 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 became 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 statutes found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Sumner 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 Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, Tennessee 37243-0230 or can be accessed at www.treasury.state.tn.us.

Funding Policy

Sumner County has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5.0 percent of annual covered payroll.

SUMNER COUNTY, TENNESSEE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2005

K. RETIREMENT COMMITMENTS - Continued

Sumner County is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2005 was 11.60% of annual covered payroll. The contribution requirements of plan members are set by state statute. The contribution requirements for Sumner County are established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ending June 30, 2005, Sumner County's annual pension cost of \$4,144,553 to TCRS was equal to Sumner 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 3.0 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. Sumner 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.

<u>Fiscal Year</u>	<u>Trend Information</u>		<u>Net Pension</u>
<u>Ending</u>	<u>Annual Pension</u>	<u>Percentage of</u>	<u>Obligation</u>
	<u>Cost (APC)</u>	<u>APC Contributed</u>	
June 30, 2005	\$4,144,553	100%	\$0.00
June 30, 2004	\$3,282,659	100%	\$0.00
June 30, 2003	\$3,144,701	100%	\$0.00

SUMNER COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

K. RETIREMENT COMMITMENTS - Continued

Plan Description - School Department

The Sumner County Schools contribute to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEPP), 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 statutes found in Title 8, Chapters 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Cost of living adjustments (COLA) are provided 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 SETHEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, Tennessee 37243-0230 or can be accessed at www.treasury.state.tn.us.

Funding Policy

Most teachers are required by state statute to contribute 5 percent of salary to the plan. The Sumner County Schools are required to contribute at an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2005 was 5.50% of annual covered payroll. The employer contribution requirement for Sumner County Schools is established and may be amended by the TCRS Board of Trustees. Sumner County Schools contributions to TCRS for the year ending June 30, 2005, 2004, and 2003 were \$4,186,811, \$2,394,862, and \$2,310,193, respectively, and were equal to the required contributions for each year.

SUMNER COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

L. CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the County to significant concentration of credit risk consist principally of cash and accounts receivable. The County places its cash with federally insured financial institutions and limits the amount of credit exposure to any one institution by requiring collateral. With respect to accounts receivable, credit risk is dispersed across a large number of customers who are geographically concentrated in the Sumner County, Tennessee service area.

REQUIRED SUPPLEMENTARY INFORMATION

SUMNER COUNTY, TENNESSEE
 REQUIRED SUPPLEMENTARY INFORMATION
 JUNE 30, 2005

A. SCHEDULE OF FUNDING PROGRESS FOR SUMNER COUNTY, TENNESSEE
 GENERAL PENSION PLAN

(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]
July 01, 2003	\$58,470	\$62,101	\$3,631	94.15%	\$30,688	11.83%
July 01, 2001	\$50,061	\$54,159	\$4,098	92.43%	\$26,726	15.33%
June 30, 1999	\$41,316	\$44,179	\$2,863	93.52%	\$24,297	11.78%

B. BUDGETARY INFORMATION

The County Commission approves the operating budget for the fiscal year commencing on July 1. Annual appropriated budgets for the General and Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America ("GAAP"). Total expenditures for each department shall not exceed the total amount appropriated in the budget ordinance. The accompanying budgetary data has been revised for amendments authorized during the year. Departmental appropriations comprise a legal spending limit for governmental funds. All annual appropriations lapse at year-end.

The Annual Budget serves from July 1 to the following June 30, and is a vehicle that accurately and openly communicates these priorities to the community, businesses, vendors, employees and other public agencies. Additionally, it establishes the foundation of effective financial planning by providing resource planning, performance measures and controls that permit the evaluation and adjustments of the County's performance. Furthermore, through the budget, the County Commission sets the direction of the County, allocates its resources and establishes its priorities. The Annual Budget assures the efficient uses of the County's economic resources, as well as establishing that the highest priority objectives are accomplished.

SUMNER COUNTY, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2005

B. BUDGETARY INFORMATION - Continued

Budgetary control has been established at the individual fund level. Financial reports are produced showing budget and actual expenditures by program or department and are distributed monthly to the County Commission. The departments may produce these reports at anytime and the departments have access to financial information relating to their operations at all times. Individual departments are reviewed and analyzed for budgetary compliance and for unusual deviations from their expected normal expenditure pattern. Within each department emphasis is placed on the bottom line budget total for the department. Department heads have total discretion within the total budget for their department and can move funds within their department. Revenues are reviewed monthly and compared to expected rates of collections, and unusual revenue patterns are analyzed for changes in trends or possible unfavorable variances from budgeted amounts.

SUMNER COUNTY, TENNESSEE
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR YEAR ENDED JUNE 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	Actual Amounts Budgetary Basis	Variance with Final Budget Favorable/ (Unfavorable)
REVENUE				
Local taxes	\$ 16,436,500	\$ 16,436,500	\$ 16,751,314	\$ 314,814
Fines, forfeitures, and penalties	915,000	920,000	1,154,961	234,961
Licenses and permits	420,000	420,000	565,946	145,946
Charges for current services	3,319,000	3,476,411	3,680,098	203,687
Federal government	446,056	1,324,577	804,031	(520,546)
State of Tennessee	1,925,030	3,030,135	2,537,571	(492,564)
Other governments and citizen groups	385,903	385,903	389,378	3,475
Other local revenues	<u>568,500</u>	<u>745,852</u>	<u>678,451</u>	<u>(67,401)</u>
Total revenues	<u>24,415,989</u>	<u>26,739,378</u>	<u>26,561,750</u>	<u>(177,628)</u>
EXPENDITURES				
General administrative	3,255,403	3,291,645	3,035,497	256,148
Finance	2,196,398	2,232,178	2,054,224	177,954
Public safety	8,019,538	8,985,812	8,078,063	907,749
Administration and justice	2,635,289	2,782,810	2,608,486	174,324
Public health & welfare	4,765,944	5,085,583	4,992,380	93,203
Social, cultural, and recreational services	910,588	1,062,868	1,026,420	36,448
Agriculture and natural resources	281,059	281,059	267,503	13,556
Other general government	<u>7,868,458</u>	<u>9,668,108</u>	<u>8,057,363</u>	<u>1,610,745</u>
Total expenditures	<u>29,932,677</u>	<u>33,390,063</u>	<u>30,119,936</u>	<u>3,270,127</u>
REVENUES OVER (UNDER) EXPENDITURES AND OTHER USES	(5,516,688)	(6,650,685)	(3,558,186)	3,092,499

SUMNER COUNTY, TENNESSEE
 BUDGETARY COMPARISON SCHEDULE - Continued
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Favorable/ (Unfavorable)</u>
OTHER FINANCING SOURCES AND USES				
Operating transfers in	6,304,634	6,383,505	6,592,190	208,685
Operating transfers out	<u>-</u>	<u>-</u>	<u>(1,723)</u>	<u>(1,723)</u>
Total other financing sources	<u>6,304,634</u>	<u>6,383,505</u>	<u>6,590,467</u>	<u>206,962</u>
Revenues over (under) expenditures	787,946	(267,180)	3,032,281	3,299,461
Fund balance - July 1, 2004	<u>6,049,080</u>	<u>5,051,973</u>	<u>17,013,753</u>	<u>11,961,780</u>
Fund balance - June 30, 2005	<u>\$ 6,837,026</u>	<u>\$ 4,784,793</u>	<u>\$ 20,046,034</u>	<u>\$ 15,261,241</u>

SUMNER COUNTY, TENNESSEE
 BUDGETARY COMPARISON SCHEDULE
 HIGHWAY FUND
 FOR THE YEAR ENDED JUNE 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Favorable/ (Unfavorable)</u>
REVENUE				
Local taxes	\$ 3,921,869	\$ 3,931,886	\$ 2,327,605	\$(1,604,281)
Other local revenues	54,850	143,491	130,787	(12,704)
State of Tennessee	2,619,443	2,669,443	2,725,454	56,011
Federal government	50,000	50,000	49,953	(47)
Public works grants	<u>398,736</u>	<u>593,778</u>	<u>436,902</u>	<u>(156,876)</u>
Total revenue	<u>7,044,898</u>	<u>7,388,598</u>	<u>5,670,701</u>	<u>(1,717,897)</u>
EXPENDITURES				
Administration	168,725	185,902	170,186	15,716
Highway and bridge maintenance	3,364,701	3,202,229	3,177,426	24,803
Operation and maintenance of equipment	646,808	742,920	698,360	44,560
Quarry operations	61,762	43,227	40,140	3,087
Litter and trash collection	87,565	62,305	55,247	7,058
Other charges	210,960	208,226	210,651	(2,425)
Employee benefits	697,344	673,238	655,024	18,214
Capital outlay	<u>931,000</u>	<u>932,500</u>	<u>866,373</u>	<u>66,127</u>
Total expenditures and other uses	<u>6,168,865</u>	<u>6,050,547</u>	<u>5,873,407</u>	<u>177,140</u>
REVENUE OVER (UNDER) EXPENDITURES AND OTHER USES	876,033	1,338,051	(202,706)	(1,540,757)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	-	-
Operating transfers out	<u>(8,634)</u>	<u>(8,634)</u>	<u>(8,634)</u>	<u>-</u>
Total other financing uses	<u>(8,634)</u>	<u>(8,634)</u>	<u>(8,634)</u>	<u>-</u>
Revenue over (under) expenditures and other financing uses	867,398	1,329,417	(211,340)	(1,540,757)
FUND BALANCE July 1, 2004	<u>294,498</u>	<u>42,528</u>	<u>2,689,086</u>	<u>2,646,558</u>
FUND BALANCE June 30, 2005	<u>\$ 1,161,896</u>	<u>\$ 1,371,945</u>	<u>\$ 2,477,746</u>	<u>\$ 1,105,801</u>

SUPPLEMENTARY INFORMATION

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Drug Control Fund - The Drug Control Fund is used to account for transactions related to the control of illegal drug activity within the County. Revenue for this fund is primarily from fines and proceeds from the sale of confiscated property.

Constitutional Officers - Fees Fund - The Constitutional Officers - Fees Fund is used to account for transactions of the fee and commission accounts of the Trustee, Clerks, Register of Deeds and Sheriff. Revenues from fees and commissions earned by these officials are transferred to the County's general fund.

Judicial District Drug Fund - The Judicial District Drug Fund is used to account for state grants and other restricted revenues which are held for the benefit of the Judicial District Drug Task Force.

District Attorney General Fund - The District Attorney General Fund is used to account for restricted revenue held for the benefit of the office of District Attorney General.

SUMNER COUNTY, TENNESSEE
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 SPECIAL REVENUE FUNDS
 JUNE 30, 2005

	Drug Control Fund	Constitutional Officers- Fees Fund	Judicial District Drug Fund	District Attorney General Fund	Total Non-Major Governmental Funds
ASSETS					
Cash	\$55,526	\$878,177	\$800,354	\$125,036	\$1,859,093
Due from other governments	-	-	101,374	-	101,374
Receivables	<u>-</u>	<u>2,499</u>	<u>-</u>	<u>-</u>	<u>2,499</u>
Total assets	<u>\$55,526</u>	<u>\$880,676</u>	<u>\$901,728</u>	<u>\$125,036</u>	<u>\$1,962,966</u>
LIABILITIES					
Accounts payable	-	-	316	-	316
Due to state of Tennessee	-	679,970	-	-	679,970
Due to other funds	<u>-</u>	<u>200,706</u>	<u>-</u>	<u>-</u>	<u>200,706</u>
Total liabilities	<u>-</u>	<u>880,676</u>	<u>316</u>	<u>-</u>	<u>880,992</u>
FUND BALANCES					
Unreserved	55,526	-	828,292	125,036	1,008,854
Reserved/trust funds	<u>-</u>	<u>-</u>	<u>73,120</u>	<u>-</u>	<u>73,120</u>
Total fund balances	<u>55,526</u>	<u>-</u>	<u>901,412</u>	<u>125,036</u>	<u>1,081,974</u>
Total liabilities and fund balances	<u>\$55,526</u>	<u>\$880,676</u>	<u>\$901,728</u>	<u>\$125,036</u>	<u>\$1,962,966</u>

See accompanying notes to financial statements.

SUMNER COUNTY, TENNESSEE
 COMBINING STATEMENT OF REVENUE, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2005

	Drug Control Fund	Constitutional Officers- Fees Fund	Judicial District Drug Fund	District Attorney General Fund	Total Non-Major Governmental Funds
REVENUE					
Fines, forfeitures and penalties	\$ 13,288	\$ -	\$ 164,568	\$ 37,023	\$ 214,879
Other local revenues	10,002	-	174,418	-	184,420
State of Tennessee	-	-	95,000	-	95,000
Federal government	67,884	-	155,309	-	223,193
Fees and commissions	-	6,525,938	-	-	6,525,938
Other governments and citizens groups	-	-	-	-	-
Total revenue	<u>91,174</u>	<u>6,525,938</u>	<u>589,295</u>	<u>37,023</u>	<u>7,243,430</u>
EXPENDITURES					
General government	-	-	393,274	43,116	436,390
Other general government	<u>82,895</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>82,895</u>
Total expenditures	<u>82,895</u>	<u>-</u>	<u>393,274</u>	<u>43,116</u>	<u>519,285</u>
Revenue over (under expenditures)	8,279	6,525,938	196,021	(6,093)	6,724,145
OTHER FINANCING SOURCES AND USES:					
Transfers in	1,723	810,765	-	-	812,488
Transfers out	<u>-</u>	<u>(7,336,703)</u>	<u>(57,618)</u>	<u>-</u>	<u>(7,394,321)</u>
Total expenditures and other uses	<u>1,723</u>	<u>(6,525,938)</u>	<u>(57,618)</u>	<u>-</u>	<u>(6,581,833)</u>
Revenue over (under) expenditures and other financing sources	10,002	-	138,403	(6,093)	142,312
Fund balance - July 1, 2004	<u>45,524</u>	<u>-</u>	<u>763,009</u>	<u>131,129</u>	<u>939,662</u>
Fund balance - June 30, 2005	<u>\$ 55,526</u>	<u>\$ -</u>	<u>\$ 901,412</u>	<u>\$ 125,036</u>	<u>\$ 1,081,974</u>

See accompanying notes to financial statements.

PROPRIETARY FUNDS - INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the County, or other governments, on a cost-reimbursed basis.

Employee Health Insurance Fund - The Employee Health Insurance Fund is used to account for the County's self-insured health program. Premiums charged to the various County operation funds and employee payroll deductions are placed in this fund for the payment of medical claims of County employees.

Employee Dental Insurance Fund - The Employee Dental Insurance Fund is used to account for the County's self-insured Dental Program. Premiums charged to the various County operation funds and employee payroll deductions are placed in this fund for the payment of dental claims of County employees.

Self Insured (Workers' Compensation) Fund - The Self Insurance (Workers' Compensation) Fund is used to account for the county's self-insured workers' compensation program. Premiums charged to the various County operation funds are placed in this fund for the payment of claims.

SUMNER COUNTY, TENNESSEE
 COMBINING STATEMENT OF NET ASSETS
 INTERNAL SERVICE FUNDS
 JUNE 30, 2005

ASSETS

	<u>Employee Health Insurance</u>	<u>Employee Dental Insurance</u>
Current Assets		
Cash	\$2,300,603	\$235,501
Accounts receivable	<u>5,805</u>	<u>594</u>
Total current assets	<u>2,306,408</u>	<u>236,095</u>

LIABILITIES

Current Liabilities		
Claims and judgments payable	186,624	-
Claims incurred but not reported	<u>2,047,627</u>	<u>107,165</u>
Total current liabilities	<u>2,234,251</u>	<u>107,165</u>

NET ASSETS

Unrestricted	<u>72,157</u>	<u>128,930</u>
Total net assets	<u>\$ 72,157</u>	<u>\$128,930</u>

<u>Self- Insurance</u>	<u>Total</u>
\$5,337,355	\$7,873,459
<u>13,468</u>	<u>19,867</u>
<u>5,350,823</u>	<u>7,893,326</u>
2,992,296	3,178,920
<u>976,975</u>	<u>3,131,767</u>
<u>3,969,271</u>	<u>6,310,687</u>
1,381,552	1,582,639
<u>\$1,381,552</u>	<u>\$1,582,639</u>

See accompanying notes to financial statements.

SUMNER COUNTY, TENNESSEE
 COMBINING STATEMENT OF REVENUE, EXPENSES, AND
 CHANGES IN FUND NET ASSETS
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2005

	<u>Employee Health Insurance</u>	<u>Employee Dental Insurance</u>
Operating Revenue		
Insurance premiums/contributions	\$ 11,202,523	\$666,025
Miscellaneous refunds	<u>46,735</u>	<u>-</u>
Total operating revenues	<u>11,249,258</u>	<u>666,025</u>
Operating Expenses		
Handling charges and administrative costs	-	-
Consultant	15,289	-
Excess insurance coverage	255,551	-
Liability claims and changes in CIBNR	<u>11,297,358</u>	<u>652,249</u>
Total operating expenses	<u>11,568,198</u>	<u>652,249</u>
Operating (loss) income	<u>(318,940)</u>	<u>13,776</u>
Nonoperating Revenue and Transfers		
Fund transfers	-	-
Interest income	<u>34,421</u>	<u>4,008</u>
Total nonoperating revenues and transfers	<u>34,421</u>	<u>4,008</u>
Net (loss) income	(284,519)	17,784
Net assets, July 1, 2004	<u>356,676</u>	<u>111,146</u>
Net assets, June 30, 2005	<u>\$ 72,157</u>	<u>\$128,930</u>

<u>Self- Insurance</u>	<u>Total</u>
\$1,135,000	\$13,003,548
<u>762</u>	<u>47,497</u>
<u>1,135,762</u>	<u>13,051,045</u>
165,926	165,926
-	15,289
-	255,551
<u>356,656</u>	<u>12,306,263</u>
<u>522,582</u>	<u>12,743,029</u>
<u>613,180</u>	<u>308,016</u>
-	-
<u>111,529</u>	<u>149,958</u>
<u>111,529</u>	<u>149,958</u>
724,709	457,974
<u>656,843</u>	<u>1,124,665</u>
<u>\$1,381,552</u>	<u>\$ 1,582,639</u>

See accompanying notes to financial statements.

SUMNER COUNTY, TENNESSEE
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2005

	<u>Employee Health Insurance</u>	<u>Employee Dental Insurance</u>
Cash Flows From Operating Activities		
Premiums from employees	\$ 11,198,394	\$ 665,614
Claims and fees paid	(10,800,068)	(633,562)
Other receipts	<u>46,735</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>445,061</u>	<u>32,052</u>
Cash Flows From Investing Activities		
Interest income	<u>34,421</u>	<u>4,008</u>
Net cash provided by investing activities	<u>34,421</u>	<u>4,008</u>
Increase (decrease) in cash and cash equivalents	479,482	36,060
Cash and cash equivalents, July 1, 2004	<u>1,821,121</u>	<u>199,441</u>
Cash and cash equivalents, June 30, 2005	<u>\$ 2,300,603</u>	<u>\$ 235,501</u>
Reconciliation of operating (loss) income to net cash provided (used) by operating activities:		
Operating (loss) income	\$(318,940)	\$ 13,776
Increase in receivables	(4,129)	(411)
Increase (decrease) in claims incurred but not reported	817,669	25,310
Decrease in claims and judgements payable	<u>(49,539)</u>	<u>(6,623)</u>
Total adjustments	<u>764,001</u>	<u>18,276</u>
Net cash provided (used) by operating activities	<u>\$ 445,061</u>	<u>\$ 32,052</u>

<u>Self- Insurance</u>	<u>Total</u>
\$ 1,127,617	\$ 12,991,625
(1,287,582)	(12,721,212)
762	47,497
<u>(159,203)</u>	<u>317,910</u>
111,529	149,958
111,529	149,958
(47,674)	467,868
5,385,029	7,405,591
<u>\$ 5,337,355</u>	<u>\$ 7,873,459</u>
\$ 613,180	\$ 308,016
(7,383)	(11,923)
(179,394)	663,585
(585,606)	(641,768)
<u>(772,383)</u>	<u>9,894</u>
<u>\$(159,203)</u>	<u>\$ 317,910</u>

See accompanying notes to financial statements.

FIDUCIARY FUNDS – AGENCY FUNDS

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

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

Constitutional Officers - Agency Funds - The Constitutional Officers - Agency Funds are used to account for amounts collected in an agency capacity by the County Clerk, Circuit and General Sessions Court Clerk, Clerk and Master, Register of Deeds and Sheriff. Such collections include amounts due the State, cities, other County funds, litigants, heirs and others.

SUMNER COUNTY, TENNESSEE
 COMBINING STATEMENT OF CHANGES IN
 ASSETS AND LIABILITIES - AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2005

	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2005</u>
<u>CITIES - SALES TAX FUND</u>				
Assets:				
Due from other taxing units/governments	\$1,012,006	\$11,883,325	\$11,857,080	\$1,038,251
Total assets	<u>\$1,012,006</u>	<u>\$11,883,325</u>	<u>\$11,857,080</u>	<u>\$1,038,251</u>
Liabilities:				
Due to other taxing units/governments	\$1,012,006	\$11,883,325	\$11,857,080	\$1,038,251
Total liabilities	<u>\$1,012,006</u>	<u>\$11,883,325</u>	<u>\$11,857,080</u>	<u>\$1,038,251</u>
<u>COUNTY CLERK</u>				
Assets:				
Cash	\$2,280	\$16,389,973	\$16,389,913	\$2,340
Due from other taxing units/governments	<u>1,154</u>	<u>1,345</u>	<u>-</u>	<u>2,499</u>
Total assets	<u>\$3,434</u>	<u>\$16,391,318</u>	<u>\$16,389,913</u>	<u>\$4,839</u>
Liabilities:				
Due to other taxing units/governments	\$ 180	\$16,389,973	16,389,913	\$ 240
Due to other funds	<u>3,254</u>	<u>1,345</u>	<u>-</u>	<u>4,599</u>
Total liabilities	<u>\$3,434</u>	<u>\$16,391,318</u>	<u>\$16,389,913</u>	<u>\$4,839</u>
<u>CIRCUIT COURT CLERK</u>				
Assets:				
Cash	\$ 995,442	\$2,843,365	1,520,510	\$2,318,297
Investments	<u>1,220,827</u>	<u>2,394,580</u>	<u>2,264,875</u>	<u>1,350,532</u>
Total assets	<u>\$2,216,269</u>	<u>\$5,237,945</u>	<u>\$3,785,385</u>	<u>\$3,668,829</u>
Liabilities:				
Due to other funds	\$ 42,754	\$2,914,780	\$2,901,758	\$ 55,776
Due to litigants, heirs and others	<u>2,173,515</u>	<u>2,323,165</u>	<u>883,627</u>	<u>3,613,053</u>
Total liabilities	<u>\$2,216,269</u>	<u>\$5,237,945</u>	<u>\$3,785,385</u>	<u>\$3,668,829</u>

See accompanying notes to financial statements.

SUMNER COUNTY, TENNESSEE
 COMBINING STATEMENT OF CHANGES IN
 ASSETS AND LIABILITIES - AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2005

	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2005</u>
GENERAL SESSIONS				
<u>COURT CLERK</u>				
Assets:				
Cash	<u>\$102,874</u>	<u>\$4,035,915</u>	<u>\$4,042,194</u>	<u>\$96,595</u>
Total assets	<u>\$102,874</u>	<u>\$4,035,915</u>	<u>\$4,042,194</u>	<u>\$96,595</u>
Liabilities:				
Due to litigants, heirs and others	<u>\$102,874</u>	<u>\$4,035,915</u>	<u>\$4,042,194</u>	<u>\$96,595</u>
Total liabilities	<u>\$102,874</u>	<u>\$4,035,915</u>	<u>\$4,042,194</u>	<u>\$96,595</u>
<u>JUVENILE COURT CLERK</u>				
Assets:				
Cash	<u>\$2,700</u>	<u>\$254,215</u>	<u>\$251,015</u>	<u>\$5,900</u>
Total assets	<u>\$2,700</u>	<u>\$254,215</u>	<u>\$251,015</u>	<u>\$5,900</u>
Liabilities:				
Due to other funds	\$ 200	\$ -	\$ -	\$ 200
Due to litigants, heirs and others	<u>2,500</u>	<u>254,215</u>	<u>251,015</u>	<u>5,700</u>
Total liabilities	<u>\$2,700</u>	<u>\$254,215</u>	<u>\$251,015</u>	<u>\$5,900</u>
<u>CLERK & MASTER</u>				
Assets				
Cash	\$ 702,730	\$1,362,207	\$1,605,023	\$ 459,914
Investments	<u>2,425,044</u>	<u>6,076,325</u>	<u>5,756,795</u>	<u>2,744,574</u>
Total assets	<u>\$3,127,774</u>	<u>\$7,438,532</u>	<u>\$7,361,818</u>	<u>\$3,204,488</u>
Liabilities:				
Due to litigants, heirs and others	<u>\$3,127,774</u>	<u>\$7,438,532</u>	<u>\$7,361,818</u>	<u>\$3,204,488</u>
Total liabilities	<u>\$3,127,774</u>	<u>\$7,438,532</u>	<u>\$7,361,818</u>	<u>\$3,204,488</u>

See accompanying notes to financial statements.

SUMNER COUNTY, TENNESSEE
 COMBINING STATEMENT OF CHANGES IN
 ASSETS AND LIABILITIES - AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2005

	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2005</u>
<u>REGISTER OF DEEDS</u>				
Assets:				
Cash	<u>\$707,129</u>	<u>\$7,624,298</u>	<u>\$7,511,566</u>	<u>\$819,861</u>
Total assets	<u>\$707,129</u>	<u>\$7,624,298</u>	<u>\$7,511,566</u>	<u>\$819,861</u>
Liabilities:				
Due to other taxing units/ governments	\$562,799	\$6,298,390	\$6,181,459	\$679,730
Due to other funds	<u>144,330</u>	<u>1,325,908</u>	<u>1,330,107</u>	<u>140,131</u>
Total liabilities	<u>\$707,129</u>	<u>\$7,624,298</u>	<u>\$7,511,566</u>	<u>\$819,861</u>
<u>SHERIFF</u>				
Assets				
Cash	<u>\$9,360</u>	<u>\$316,407</u>	<u>\$259,974</u>	<u>\$65,793</u>
Total assets	<u>\$9,360</u>	<u>\$316,407</u>	<u>\$259,974</u>	<u>\$65,793</u>
Liabilities				
Due to other funds	<u>\$9,360</u>	<u>\$316,407</u>	<u>\$259,974</u>	<u>\$65,793</u>
Total liabilities	<u>\$9,360</u>	<u>\$316,407</u>	<u>\$259,974</u>	<u>\$65,793</u>
<u>TRUSTEE</u>				
Assets:				
Cash	<u>\$12,325,567</u>	<u>\$154,671,183</u>	<u>\$155,064,427</u>	<u>\$11,932,323</u>
Total assets	<u>\$12,325,567</u>	<u>\$154,671,183</u>	<u>\$155,064,427</u>	<u>\$11,932,323</u>
Liabilities:				
Amounts held in custody for component unit - school department	<u>\$12,325,567</u>	<u>\$154,671,183</u>	<u>\$155,064,427</u>	<u>\$11,932,323</u>
Total liabilities	<u>\$12,325,567</u>	<u>\$154,671,183</u>	<u>\$155,064,427</u>	<u>\$11,932,323</u>

See accompanying notes to financial statements.

SUMNER COUNTY, TENNESSEE
 COMBINING STATEMENT OF CHANGES IN
 ASSETS AND LIABILITIES - AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2005

	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2005</u>
<u>TOTALS - ALL AGENCY FUNDS</u>				
Assets:				
Cash	\$14,848,082	\$187,497,563	\$186,644,623	\$15,701,023
Investments	3,645,871	8,470,905	8,021,670	4,095,106
Due from other taxing units/ governments	<u>1,013,160</u>	<u>11,884,670</u>	<u>11,857,080</u>	<u>1,040,750</u>
Total assets	<u>\$19,507,113</u>	<u>\$207,853,138</u>	<u>\$206,523,373</u>	<u>\$20,836,879</u>
Liabilities:				
Due to litigants, heirs and others	\$ 5,406,663	\$ 14,051,827	\$ 12,538,654	\$ 6,919,836
Due to other taxing units/ governments	1,574,985	34,571,688	34,428,452	1,718,221
Due to component units	12,325,567	154,671,183	155,064,427	11,932,323
Due to other funds	<u>199,898</u>	<u>4,558,440</u>	<u>4,491,839</u>	<u>266,499</u>
Total liabilities	<u>\$19,507,113</u>	<u>\$207,853,138</u>	<u>\$206,523,373</u>	<u>\$20,836,879</u>

See accompanying notes to financial statements.

COMPONENT UNIT - SUMNER COUNTY SCHOOL DEPARTMENT

The section presents combining and individual fund financial statements for the Sumner County School Department, a discretely presented component unit. The Sumner County School Department uses a General Fund, and two Special Revenue funds.

General Purpose School Fund - The General Purpose School Fund is used to account for general operations of the School Department. Major funding for the School Department is provided through local tax levies and state education funds.

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.

School Activity Fund - The School Activity Fund is used to account for the operations in each of the individual schools. The primary sources of funding are individual school-generated revenues from ticket sales, club fees and sales to students and adults.

SUMNER COUNTY, TENNESSEE
 COMBINING BALANCE SHEET - ALL FUND TYPES
 DISCRETELY PRESENTED COMPONENT UNIT -
 SUMNER COUNTY SCHOOL DEPARTMENT
 JUNE 30, 2005

ASSETS

	<u>General Purpose School Fund</u>	<u>School Federal Projects Fund</u>	<u>Sumner County Schools Activity Funds</u>	<u>Total Sumner County School Department</u>
Current Assets:				
Cash and cash equivalents	\$ 8,598,855	\$1,261,668	\$1,587,304	\$ 11,447,827
Accounts receivable	-	-	11,578	11,578
Due from other governments	2,658,302	18,318	-	2,676,620
Taxes receivable	41,916,286	-	-	41,916,286
Allowance for uncollectible taxes	(120,458)	-	-	(120,458)
Inventory	<u>425,138</u>	<u>-</u>	<u>48,951</u>	<u>474,089</u>
 Total current assets	 <u>\$ 53,478,123</u>	 <u>\$1,279,986</u>	 <u>\$1,647,833</u>	 <u>\$ 56,405,942</u>

LIABILITIES

Current Liabilities				
Accounts payable	\$ 2,584,247	\$ 21,586	\$ 40,448	\$ 2,646,281
Deferred revenue - current taxes	39,848,593	-	-	39,848,593
Deferred revenue - delinquent taxes	1,947,234	-	-	1,947,234
Deferred revenue	<u>1,191,367</u>	<u>-</u>	<u>-</u>	<u>1,191,367</u>
 Total current liabilities	 <u>45,571,441</u>	 <u>21,586</u>	 <u>40,448</u>	 <u>45,633,475</u>
 Fund Balance				
Reserved for encumbrances	401,027	-	-	401,027
Reserved for inventory	-	-	48,949	48,949
Local education reserves	507,024	-	-	507,024
Other reserves	296,918	-	-	296,918
Unreserved:				
Undesignated	<u>6,701,713</u>	<u>1,258,400</u>	<u>1,558,436</u>	<u>9,518,549</u>
 Total fund balance	 <u>7,906,682</u>	 <u>1,258,400</u>	 <u>1,607,385</u>	 <u>10,772,467</u>
 Total liabilities and fund balance	 <u>\$53,478,122</u>	 <u>\$1,279,986</u>	 <u>\$1,647,833</u>	 <u>\$56,405,941</u>

See accompanying notes to financial statements.

SUMNER COUNTY, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
DISCRETELY PRESENTED COMPONENT UNIT –
SUMNER COUNTY SCHOOL DEPARTMENT
JUNE 30, 2005

Total fund balances \$ 10,772,467

Amounts reported in the statement of net assets are different because:

Capital assets used in governmental component units are not financial resources and therefore are not reported in the funds. 174,510,690

Some deferred revenues reported in the governmental component unit funds are recognized as revenue in the statement of net assets. 1,947,234

Accrued annual leave is not due and payable in the current period and is not reported in the funds (1,328,301)

Net assets \$ 185,902,090

See accompanying notes to financial statements.

SUMNER COUNTY, TENNESSEE
 COMBINING STATEMENT OF REVENUE,
 EXPENDITURES AND CHANGES IN FUND BALANCES -
 ALL FUND TYPES
 DISCRETELY PRESENTED COMPONENT UNIT -
 SUMNER COUNTY SCHOOL DEPARTMENT
 FOR THE YEAR ENDED JUNE 30, 2005

	General Purpose School <u>Fund</u>	School Federal Projects <u>Fund</u>	Sumner County School Activity Funds	Total Sumner County School Department
REVENUE				
Local taxes	\$ 51,370,330	\$ -	\$ -	\$ 51,370,330
Licenses and permits	8,084	-	-	8,084
Charges for current services	7,094,158	-	-	7,094,158
Other local revenues	737,816	-	-	737,816
State of Tennessee	81,449,202	-	-	81,449,202
Federal government	4,644,875	9,206,740	-	13,851,615
School activity funds - revenue - restricted and unrestricted	<u>-</u>	<u>-</u>	<u>6,493,848</u>	<u>6,493,848</u>
Total revenue	<u>145,304,465</u>	<u>9,206,740</u>	<u>6,493,848</u>	<u>161,005,053</u>
EXPENDITURES				
Education	146,881,181	8,852,387	-	155,733,568
School activity funds - expenditures - restricted and unrestricted	<u>-</u>	<u>-</u>	<u>6,513,037</u>	<u>6,513,037</u>
Total expenditures	<u>146,881,181</u>	<u>8,852,387</u>	<u>6,513,037</u>	<u>162,246,605</u>
OTHER SOURCES AND USES:				
Operating transfers - in	79,626	-	73,169	152,795
Operating transfers - out	<u>-</u>	<u>(79,626)</u>	<u>(73,169)</u>	<u>(152,795)</u>
Total other sources and uses	<u>79,626</u>	<u>(79,626)</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(1,497,090)	274,727	(19,189)	(1,241,552)
BEGINNING FUND BALANCE - as restated	9,403,772	983,673	1,633,564	12,021,009
School activity funds - change in Inventory reserve	<u>-</u>	<u>-</u>	<u>(6,990)</u>	<u>(6,990)</u>
ENDING FUND BALANCE	<u>\$ 7,906,682</u>	<u>\$ 1,258,400</u>	<u>\$ 1,607,385</u>	<u>\$ 10,772,467</u>

See accompanying notes to financial statements.

SUMNER COUNTY, TENNESSEE
RECONCILIATION OF STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNIT –
SUMNER COUNTY SCHOOL DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2005

Net change in fund balances \$(1,248,542)

Amounts reported in the statement of activities
are different because:

Capital assets contributed to the component unit are not reported in the statement of revenues, expenditures, and changes in fund balances. Also governmental component unit funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which the contributed capital assets and capital outlays exceeded depreciation and disposals in the current period.

Capital assets contributed by primary government	\$ 20,615,067	
Capital expenditures	1,164,341	
Disposals of capital assets, net of accumulated depreciation	(422,021)	
Depreciation expense	<u>(7,872,116)</u>	
		13,485,271

Change in expenses reported for governmental activities that do not require the use of current financial resources and therefore are not reported as expenditures for governmental funds.

Changes in accrued annual leave	(26,479)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Deferred revenue	<u>(52,210)</u>
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Change in net assets	<u>\$ 12,158,040</u>
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See accompanying notes to financial statements.

MISCELLANEOUS SCHEDULES

SUMNER COUNTY, TENNESSEE
SCHEDULE OF CHANGES IN GENERAL LONG -
TERM LOANS AND NOTES - PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2005

<u>Description of Indebtedness</u>	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Payment Maturity Date</u>
<u>Loans and Notes Payable</u>			
Payable through General Debt Service Fund:			
School General Obligation Loan	Variable	09-01-97	06-05-05
School General Obligation Loan	Variable	03-01-98	06-07-06
School Capital Outlay Note, Series 2001	Variable	08-15-01	06-01-07
School Capital Outlay Note, Series 2001	Variable	08-15-01	06-01-09
School Capital Outlay Note, Series 2001	Variable	08-15-01	06-01-10
School Capital Outlay Note, Series 2002	Variable	07-02-02	06-01-08
School Capital Outlay Note, Series 2002	Variable	07-02-02	06-01-11
School Capital Outlay Note, Series 2003	Variable	07-02-03	06-01-07
School Capital Outlay Note, Series 2003	Variable	07-02-03	06-01-12
School Capital Outlay Note, Series 2003	Variable	07-02-04	06-01-13
Jail Capital Outlay Note, Series 2002	Variable	07-02-02	06-01-05
Jail Capital Outlay Note, Series 2002	Variable	07-02-02	06-01-06
Jail Capital Outlay Note, Series 2002	Variable	07-02-02	06-01-07
Jail Capital Outlay Note, Series 2002	Variable	07-03-02	06-01-08
Jail Capital Outlay Note Series 2003	Variable	07-02-03	06-01-09
Jail Capital Outlay Note Series 2003	Variable	07-02-03	06-01-10
Jail Capital Outlay Note Series 2003	Variable	07-02-03	06-01-11
General Capital Outlay Notes, Series 2004	Variable	07-01-04	06-01-05
Total indebtedness			
Less short-term indebtedness			
Total long-term indebtedness			

<u>Original Amount of Issue</u>	<u>Outstanding July 1, 2004</u>	<u>Issued During Period</u>	<u>Paid and/or Matured During Period</u>	<u>Outstanding June 30, 2005</u>
15,000,000	5,000,000	-	5,000,000	-
20,000,000	17,000,000	-	6,000,000	11,000,000
5,000,000	5,000,000	-	-	5,000,000
15,000,000	15,000,000	-	-	15,000,000
15,000,000	15,000,000	-	-	15,000,000
15,000,000	15,000,000	-	-	15,000,000
15,000,000	15,000,000	-	-	15,000,000
5,000,000	5,000,000	-	-	5,000,000
15,000,000	15,000,000	-	-	15,000,000
15,000,000	-	15,000,000	-	15,000,000
1,500,000	1,500,000	-	1,500,000	-
3,000,000	3,000,000	-	-	3,000,000
3,000,000	3,000,000	-	-	3,000,000
3,000,000	3,000,000	-	-	3,000,000
3,000,000	3,000,000	-	-	3,000,000
3,000,000	3,000,000	-	-	3,000,000
3,000,000	3,000,000	-	-	3,000,000
<u>2,071,083</u>	<u>-</u>	<u>2,071,083</u>	<u>2,071,083</u>	<u>-</u>
<u>156,571,083</u>	<u>126,500,000</u>	<u>17,071,083</u>	<u>14,571,083</u>	<u>129,000,000</u>
<u>-</u>	<u>(11,500,000)</u>	<u>-</u>	<u>-</u>	<u>(14,000,000)</u>
<u>\$156,571,083</u>	<u>\$ 115,000,000</u>	<u>\$ 17,071,083</u>	<u>\$ 14,571,083</u>	<u>\$ 115,000,000</u>

See accompanying notes to financial statements.

SUMNER COUNTY, TENNESSEE
SCHEDULE OF INVESTMENTS - ALL FUNDS
JUNE 30, 2005

<u>Fund and Type</u>	<u>Date of Purchase</u>	<u>Date of Maturity</u>	<u>Interest Rates</u>	<u>Amount</u>
General Debt Service				
Loan Pool	Varies	Varies	Varies	\$ 4,925
U.S. Treasury Notes	07/31/03	07/31/05	1.51%	349,930
U.S. Treasury Notes	09/02/03	08/31/05	2.04%	349,727
U.S. Treasury Notes	09/30/03	09/30/05	1.70%	349,521
U.S. Treasury Notes	10/31/03	10/31/05	1.74%	349,234
U.S. Treasury Notes	12/01/03	11/30/05	1.94%	349,562
U.S. Treasury Notes	12/31/03	12/31/05	1.95%	349,489
U.S. Treasury Notes	02/02/04	01/31/06	1.93%	349,625
U.S. Treasury Notes	03/01/04	02/28/06	1.68%	349,657
U.S. Treasury Notes	03/31/04	03/31/06	1.52%	349,864
U.S. Treasury Notes	04/30/04	04/30/06	2.27%	349,864
U.S. Treasury Notes	06/01/04	05/31/06	2.54%	349,741
U.S. Treasury Notes	06/30/04	06/30/06	2.79%	349,762
U.S. Treasury Notes	08/02/04	07/31/06	2.79%	349,961
U.S. Treasury Notes	08/31/04	08/31/06	2.49%	349,191
U.S. Treasury Notes	09/30/04	09/30/06	2.62%	349,187
U.S. Treasury Notes	11/01/04	10/31/06	2.59%	349,390
U.S. Treasury Notes	11/30/04	11/30/06	2.95%	349,528
U.S. Treasury Notes	12/31/04	12/31/06	3.12%	349,192
U.S. Treasury Notes	01/31/05	01/31/07	3.25%	349,192
U.S. Treasury Notes	02/28/05	02/28/07	3.49%	349,175
U.S. Treasury Notes	03/31/05	03/31/07	3.86%	349,293
U.S. Treasury Notes	05/02/05	04/30/07	3.65%	349,832
U.S. Treasury Notes	05/31/05	05/31/07	3.62%	349,230
U.S. Treasury Notes	06/30/05	06/30/07	3.65%	<u>354,677</u>
Total Governmental Funds				<u>\$8,398,749</u>
Circuit Court Clerk				
Certificates of Deposit		Varies	Varies	\$ 1,350,532
Clerk and Master				
Certificates of Deposit		Varies	Varies	<u>2,744,574</u>
Total Agency Funds				<u>\$12,493,855</u>

SUMNER COUNTY, TENNESSEE
 SCHEDULE OF SALARIES AND OFFICIAL BONDS OF PRINCIPAL OFFICIALS
 FOR THE YEAR ENDED JUNE 30, 2005

<u>Official</u>	<u>Authorization for Salary</u>	<u>Salary Paid During Period</u>
County Executive	Section 8-24-112, T.C.A.	\$ 80,628
Highway Superintendent	Section 54-7-106, T.C.A.	76,788
School Director	State Board of Education and County Commission	147,104
Trustee	Section 8-22-104, T.C.A.	69,808
Assessor of Property	Section 8-24-104,(B), T.C.A.	69,808
County Clerk	Section 8-22-104, T.C.A.	69,808
Circuit, General Sessions and Juvenile Court Clerk	Section 8-22-104, T.C.A.	69,808
Clerk and Master	Section 8-22-104, T.C.A.	69,808
Register of Deeds	Section 8-22-104, T.C.A.	69,808
Sheriff	Section 8-24-103, T.C.A.	76,788

<u>Bond Surety Amount</u>	<u>Bond Surety Company</u>
\$ 50,000	Hartford Fire Insurance Company
100,000	Hartford Fire Insurance Company
50,000	Ohio Casualty Insurance Co.
3,538,700	Hartford Fire Insurance Company
10,000	State Auto Mutual Insurance
50,000	Hartford Fire Insurance Company
50,000	Hartford Fire Insurance Company
50,000	Ohio Casualty Insurance Co.
25,000	Hartford Fire Insurance Company
25,000	Hartford Fire Insurance Company

See accompanying notes to financial statements.

SUMNER COUNTY, TENNESSEE
 COMBINED SCHEDULE OF ASSETS AND LIABILITIES
 CONSTITUTIONAL OFFICERS
 JUNE 30, 2005

	Constitutional Officers			
	County Clerk	Circuit Court Clerk	General Sessions Court Clerk	Juvenile Court Clerk
ASSETS				
Cash	\$2,340	\$2,318,297	\$96,595	\$5,900
Investments	-	1,350,532	-	-
Due from other taxing units/governments	<u>2,499</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$4,839</u>	<u>\$3,668,829</u>	<u>\$96,595</u>	<u>\$5,900</u>
 LIABILITIES				
Due to other taxing units/governments	240	-	-	-
Due to other funds	4,599	55,776	-	200
Due to litigants, heirs and others	-	3,613,053	96,595	5,700
Amounts held in custody for other funds:				
General	-	-	-	-
Highway/public works	-	-	-	-
General purpose school	-	-	-	-
School federal projects	-	-	-	-
School payroll	-	-	-	-
General debt service	-	-	-	-
General capital projects	-	-	-	-
Drug control	-	-	-	-
Self insurance	-	-	-	-
Employee health insurance	-	-	-	-
Employee dental insurance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>\$4,839</u>	<u>\$3,668,829</u>	<u>\$96,595</u>	<u>\$5,900</u>

<u>Clerk and Master</u>	<u>Register of Deeds</u>	<u>Sheriff</u>	<u>Trustee</u>	<u>Total (Memorandum Only)</u>
\$ 459,914	\$819,861	\$65,793	\$60,856,926	\$64,625,626
2,744,574	-	-	-	4,095,106
-	-	-	-	2,499
<u>\$3,204,488</u>	<u>\$819,861</u>	<u>\$65,793</u>	<u>\$60,856,926</u>	<u>\$68,723,231</u>
-	679,730	-	-	679,970
-	140,131	65,793	-	266,499
3,204,488	-	-	-	6,919,836
-	-	-	20,043,224	20,043,224
-	-	-	2,127,883	2,127,883
-	-	-	9,242,151	9,242,151
-	-	-	1,392,964	1,392,964
-	-	-	1,297,208	1,297,208
-	-	-	14,745,703	14,745,703
-	-	-	3,299,132	3,299,132
-	-	-	806,423	806,423
-	-	-	5,337,355	5,337,355
-	-	-	2,322,909	2,322,909
-	-	-	241,974	241,974
<u>\$3,204,488</u>	<u>\$819,861</u>	<u>\$65,793</u>	<u>\$60,856,926</u>	<u>\$68,723,231</u>

See accompanying notes to financial statements.

SUMNER COUNTY, TENNESSEE
 COMBINED SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND BALANCES
 CONSTITUTIONAL OFFICERS
 FOR THE YEAR ENDED JUNE 30, 2005

	<u>County Clerk</u>	<u>Circuit Court Clerk</u>	<u>General Sessions Court Clerk</u>	<u>Juvenile Court Clerk</u>
RECEIPTS				
Fund accounts	\$ -	\$ -	\$ -	\$ -
State of Tennessee	7,936,217	214,826	831,603	-
Cities and counties - clerk collections	-	-	795,687	-
Litigants, heirs and others	-	3,675,043	1,329,346	136,934
County revenue clearing account	<u>7,115,013</u>	<u>-</u>	<u>385,795</u>	<u>-</u>
	15,051,230	3,889,869	3,342,431	136,934
 Fee and commission account	 1,340,147	 537,312	 693,484	 117,281
OTHER SOURCES				
Fee transfers	<u>-</u>	<u>810,765</u>	<u>-</u>	<u>-</u>
 Total receipts and other sources	 <u>16,391,377</u>	 <u>5,237,946</u>	 <u>4,035,915</u>	 <u>254,215</u>
 DISBURSEMENTS	 15,051,170	 2,437,309	 3,348,710	 133,734
OTHER USES				
Operating transfers	1,340,147	1,348,077	-	-
Fee transfers	<u>-</u>	<u>-</u>	<u>693,484</u>	<u>117,281</u>
 Total disbursements and other uses	 <u>16,391,317</u>	 <u>3,785,386</u>	 <u>4,042,194</u>	 <u>251,015</u>
EXCESS OF RECEIPTS AND OTHER SOURCES OVER (UNDER) DISBURSEMENT AND OTHER USES				
	60	1,452,560	(6,279)	3,200
BEGINNING CASH AND INVESTMENTS				
	<u>2,280</u>	<u>2,216,269</u>	<u>102,874</u>	<u>2,700</u>
ENDING CASH AND INVESTMENTS				
	<u>\$ 2,340</u>	<u>\$ 3,668,829</u>	<u>\$ 96,595</u>	<u>\$ 5,900</u>

<u>Clerk and Master</u>	<u>Register of Deeds</u>	<u>Sheriff</u>	<u>Trustee</u>	<u>Total (Memorandum Only)</u>
\$ 256,648	\$ -	\$ -	\$ 265,347,377	\$ 265,604,025
26,218	6,232,099	-	-	15,240,963
-	-	-	-	795,687
5,257,125	-	-	-	10,398,448
<u>1,484,316</u>	<u>-</u>	<u>235,862</u>	<u>-</u>	<u>9,286,779</u>
7,024,307	6,232,099	235,862	265,347,377	301,325,902
414,225	1,392,199	80,545	1,950,745	6,525,938
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>810,765</u>
<u>7,438,532</u>	<u>7,624,298</u>	<u>316,407</u>	<u>267,298,122</u>	<u>308,662,605</u>
6,947,593	6,119,367	179,429	266,752,757	301,035,862
414,225	1,392,199	80,545	1,950,745	6,525,938
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>810,765</u>
<u>7,361,818</u>	<u>7,511,566</u>	<u>259,974</u>	<u>268,703,502</u>	<u>308,372,565</u>
76,714	112,732	56,433	(1,405,380)	290,040
<u>3,127,774</u>	<u>707,129</u>	<u>9,360</u>	<u>62,262,306</u>	<u>68,430,692</u>
<u>\$3,204,488</u>	<u>\$ 819,861</u>	<u>\$ 65,793</u>	<u>\$ 60,856,926</u>	<u>\$ 68,720,732</u>

See accompanying notes to financial statements.

SUMNER COUNTY, TENNESSEE
 COMBINED SCHEDULE OF CHANGES IN FEE AND COMMISSION ACCOUNTS
 CONSTITUTIONAL OFFICERS
 FOR THE YEAR ENDED JUNE 30, 2005

	<u>County Clerk</u>	<u>Circuit Court Clerk</u>	<u>General Sessions Court Clerk</u>	<u>Juvenile Court Clerk</u>
REVENUE				
Fees and commissions	\$1,333,985	\$ 532,253	\$692,280	\$117,214
Interest earned	<u>6,162</u>	<u>5,059</u>	<u>1,204</u>	<u>67</u>
Total revenues	<u>1,340,147</u>	<u>537,312</u>	<u>693,484</u>	<u>117,281</u>
OTHER SOURCES:				
Fee transfers	<u>-</u>	<u>810,765</u>	<u>-</u>	<u>-</u>
Total revenues and other sources	<u>1,340,147</u>	<u>1,348,077</u>	<u>693,484</u>	<u>117,281</u>
EXPENDITURES AND OTHER USES:				
Fees and commissions to general fund:				
Operating transfers	1,340,147	1,348,077	-	-
Fee transfers	<u>-</u>	<u>-</u>	<u>693,484</u>	<u>117,281</u>
Total expenditures and other uses	<u>1,340,147</u>	<u>1,348,077</u>	<u>693,484</u>	<u>117,281</u>
EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES				
	-	-	-	-
BEGINNING EXCESS FEES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
ENDING EXCESS FEES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

<u>Clerk and Master</u>	<u>Register of Deeds</u>	<u>Sheriff</u>	<u>Trustee</u>	<u>Total (Memorandum Only)</u>
\$404,587	\$1,390,430	\$80,545	\$1,950,745	\$6,502,039
<u>9,638</u>	<u>1,769</u>	<u>-</u>	<u>-</u>	<u>23,899</u>
<u>414,225</u>	<u>1,392,199</u>	<u>80,545</u>	<u>1,950,745</u>	<u>6,525,938</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>810,765</u>
<u>414,225</u>	<u>1,392,199</u>	<u>80,545</u>	<u>1,950,745</u>	<u>7,336,703</u>
414,225	1,392,199	80,545	1,950,745	6,525,938
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>810,765</u>
<u>414,225</u>	<u>1,392,199</u>	<u>80,545</u>	<u>1,950,745</u>	<u>7,336,703</u>
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

SUMNER COUNTY, TENNESSEE
SCHEDULE OF POOLED INVESTMENTS
OFFICE OF TRUSTEE
JUNE 30, 2005

	<u>Amount</u>
Local government investment pool	<u>\$10,910,393</u>

See accompanying notes to financial statements.

SUMNER COUNTY, TENNESSEE
 DETAILED BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Favorable/ (Unfavorable)</u>
REVENUE				
Taxes:				
Local taxes				
County property taxes	\$13,027,400	\$13,027,400	\$12,863,781	\$(163,619)
Trustee's collections - prior year	265,000	265,000	326,651	61,651
Clerk and Master collections - prior years	130,000	130,000	157,345	27,345
Interest and penalty	50,000	50,000	61,979	11,979
Pick-up taxes	35,000	35,000	120,327	85,327
Payments in lieu of taxes - TVA	100	100	142	42
Payments in lieu of taxes - local utilities	100,000	100,000	103,562	3,562
Payments in lieu of taxes - federal government	14,000	14,000	14,735	735
County local option taxes				
Hotel/motel tax	310,000	310,000	327,122	17,122
Litigation tax	285,000	285,000	355,101	70,101
Business tax	880,000	880,000	889,951	9,951
TVA - revenue sharing tax	800,000	800,000	866,469	66,469
Bank excise tax	200,000	200,000	302,469	102,469
Wholesale beer tax	<u>340,000</u>	<u>340,000</u>	<u>361,680</u>	<u>21,680</u>
Total local taxes	<u>16,436,500</u>	<u>16,436,500</u>	<u>16,751,314</u>	<u>314,814</u>

See accompanying notes to financial statements.

SUMNER COUNTY, TENNESSEE
 DETAILED BUDGETARY COMPARISON SCHEDULE - Continued
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Favorable/ (Unfavorable)</u>
LICENSES AND PERMITS:				
Licenses				
Marriage licenses	5,000	5,000	5,201	201
Cable TV franchise	180,000	180,000	207,475	27,475
Permits				
Building permits	180,000	180,000	262,500	82,500
Inmate commissary	<u>55,000</u>	<u>55,000</u>	<u>90,770</u>	<u>35,770</u>
Total licenses and permits	<u>420,000</u>	<u>420,000</u>	<u>565,946</u>	<u>145,946</u>
FINES, FORFEITURES AND PENALTIES				
Circuit court				
fines	42,000	42,000	44,557	2,557
Officers costs	45,000	45,000	54,196	9,196
General sessions court				
Fines	142,000	142,000	148,555	6,555
Fees - CASP & probation	400,000	400,000	481,901	81,901
Officers costs	155,000	155,000	180,929	25,929
Juvenile court				
fines	12,000	12,000	13,242	1,242
Officers cost	14,000	14,000	16,698	2,698
Chancery court				
Officers costs	17,000	17,000	19,224	2,224
Judicial district drug program				
DUI and excess fees	88,000	88,000	96,849	8,849
Drug court	<u>-</u>	<u>5,000</u>	<u>98,810</u>	<u>93,810</u>
Total fines, forfeitures and penalties	<u>915,000</u>	<u>920,000</u>	<u>1,154,961</u>	<u>234,961</u>

See accompanying notes to financial statements.

SUMNER COUNTY, TENNESSEE
 DETAILED BUDGETARY COMPARISON SCHEDULE - Continued
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Favorable/ (Unfavorable)</u>
CHARGES FOR CURRENT SERVICES				
General service charges				
Patient charges				
(ambulance service)	2,750,000	2,835,000	3,020,872	185,872
Zoning studies	12,000	12,000	15,045	3,045
Work release charges				
for board	3,000	3,000	17,010	14,010
Health department				
collections	120,000	120,000	98,324	(21,676)
Other general service				
charges	32,000	32,000	45,787	13,787
Legal service charges	260,000	260,000	240,688	(19,312)
Fees				
Copy fees	4,000	4,000	5,858	1,858
Archives - book sales	1,000	1,000	18,617	17,617
Fees - libraries	42,000	42,000	47,295	5,295
Telephone commissions	-	-	56,449	56,449
Register of deeds data	90,000	162,411	84,755	(77,656)
Charges for other				
Current services	<u>5,000</u>	<u>5,000</u>	<u>29,398</u>	<u>24,398</u>
 Total charges for current services	 <u>3,319,000</u>	 <u>3,476,411</u>	 <u>3,680,098</u>	 <u>203,687</u>

See accompanying notes to financial statements.

SUMNER COUNTY, TENNESSEE
 DETAILED BUDGETARY COMPARISON SCHEDULE - Continued
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Favorable/ (Unfavorable)</u>
OTHER LOCAL REVENUE				
Recurring items				
Interest earned	350,000	350,000	253,294	(96,706)
Lease/rentals	98,000	98,000	100,560	2,560
Sale of maps	3,000	23,566	23,370	(196)
Sale of animals/livestock	4,000	4,000	6,670	2,670
Miscellaneous refunds	2,000	11,048	19,916	8,868
Nonrecurring items				
Sale of property	-	-	382	382
Contributions and gifts	101,500	181,800	149,035	(32,765)
Other local revenue	<u>10,000</u>	<u>77,438</u>	<u>125,224</u>	<u>47,786</u>
 Total other local revenue	 <u>568,500</u>	 <u>745,852</u>	 <u>678,451</u>	 <u>(67,401)</u>
 STATE OF TENNESSEE				
General government grants				
Juvenile services program	33,650	40,335	39,020	(1,315)
State reappraisal grant	37,000	37,000	38,179	1,179
Domestic violence grant	-	26,830	26,830	-
Other state revenues				
Flood control	46,000	46,000	51,905	5,905
Income tax	125,000	125,000	99,811	(25,189)
Beer tax	17,000	17,000	16,778	(222)
Alcoholic beverage tax	110,000	110,000	112,801	2,801
Contracted prisoner boarding	800,000	800,000	1,234,103	434,103
Registrar's salary supplement	16,380	16,380	16,380	-
Police officers' salary Supplement	-	31,640	31,640	-
Health department program	739,000	864,700	795,444	(69,256)
Other	<u>1,000</u>	<u>915,250</u>	<u>74,680</u>	<u>(840,570)</u>
 Total state of Tennessee	 <u>1,925,030</u>	 <u>3,030,135</u>	 <u>2,537,571</u>	 <u>(492,564)</u>

See accompanying notes to financial statements.

SUMNER COUNTY, TENNESSEE
 DETAILED BUDGETARY COMPARISON SCHEDULE - Continued
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Favorable/ (Unfavorable)</u>
FEDERAL GOVERNMENT				
Federal through state				
Other federal through state	<u>446,056</u>	<u>1,324,577</u>	<u>804,031</u>	<u>(520,546)</u>
Total federal through state	<u>446,056</u>	<u>1,324,577</u>	<u>804,031</u>	<u>(520,546)</u>
OTHER GOVERNMENTS AND CITIZENS GROUPS				
Other governments				
Contributions and other	47,000	47,000	51,926	4,926
SRO program	<u>338,903</u>	<u>338,903</u>	<u>337,452</u>	<u>(1,451)</u>
Total other governments and citizens groups	<u>385,903</u>	<u>385,903</u>	<u>389,378</u>	<u>3,475</u>
Total revenues	<u>\$24,415,989</u>	<u>\$26,739,378</u>	<u>\$26,561,750</u>	<u>\$(177,628)</u>
EXPENDITURES				
General administration				
County commission				
County commissioner				
Salary	\$ 144,000	\$ 144,000	\$ 85,488	\$ 58,512
Audit services	74,300	74,300	74,400	(100)
Dues and membership	20,500	20,500	20,502	(2)
Legal services	80,000	86,000	143,033	(57,033)
Legal notices, recording and court costs	6,000	6,000	2,390	3,610
Printing, stationary and forms	2,500	2,500	57	2,443
County commission costs	51,000	71,000	63,433	7,567
Board and committees				
boards and committee members fees				
	25,000	25,000	24,925	75
Board of equalization				
Boards and committee members fees				
	6,000	6,000	872	5,128
County executive				
County official/				
Administrative officer	80,631	80,631	80,628	3

See accompanying notes to financial statements.

SUMNER COUNTY, TENNESSEE
 DETAILED BUDGETARY COMPARISON SCHEDULE - Continued
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Favorable/ (Unfavorable)</u>
Secretary(s), clerical personnel and office manager	75,352	75,352	75,236	116
Salary clerical	300	300	80	220
Telephone	2,500	2,500	1,947	553
Dues and memberships	3,400	3,400	1,950	1,450
Maintenance and repair services - office equipment	1,500	1,500	1,434	66
Postal charges	900	900	888	12
Travel	3,500	3,500	3,467	33
Office supplies	2,000	2,000	1,965	35
Other charges	10,000	10,000	9,841	159
County attorney				
County official/administrative officer	229,135	229,135	210,341	18,794
Legal service personnel	74,806	74,806	75,516	(710)
Telephone	2,000	2,000	1,833	167
Dues and memberships	2,500	2,500	1,536	964
Legal notices	200	200	-	200
Maintenance and repair	3,500	3,500	3,345	155
Postal charges	1,500	1,500	1,000	500
Printing, stationary and forms	500	500	489	11
Travel and in service training	4,500	4,500	1,371	3,129
Law library	10,000	10,000	5,826	4,174
Office supplies	3,800	3,800	2,494	1,306
Other charges	8,500	8,500	6,377	2,123
Other capital outlay	3,000	3,000	2,953	47
Election commission (including voter registration) county official/ administrative officer	62,828	62,828	62,827	1
Secretary(s)	118,019	118,019	118,386	(367)
Other salaries and wages	14,500	14,500	11,115	3,385
Election commission	17,100	17,100	12,120	4,980
Election workers	83,288	83,288	79,917	3,371
Telephone	11,041	11,041	6,880	4,161
Dues and memberships	325	325	250	75

See accompanying notes to financial statements.

SUMNER COUNTY, TENNESSEE
 DETAILED BUDGETARY COMPARISON SCHEDULE - Continued
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Favorable/ (Unfavorable)</u>
Legal notices, recording and court costs	21,665	21,665	14,417	7,248
Voting precinct maintenance	3,900	3,900	2,758	1,142
Maintenance and repair services - buildings and equipment	300	300	323	(23)
Maintenance and repair services - voting machines	19,590	19,590	18,623	967
Postal charges	6,519	6,519	6,438	81
Printing, stationary and forms	42,020	42,020	22,720	19,300
Travel and in service training	6,355	6,355	6,655	(300)
Office supplies	3,990	3,990	3,788	202
Other capital outlay	18,296	18,296	17,414	882
Register of deeds county official/ administrative officer	69,809	69,809	69,808	1
Clerical personnel	253,936	253,936	212,060	41,876
Telephone	7,000	7,000	4,663	2,337
Dues and memberships	720	720	603	117
Maintenance and repair services - office equipment	21,000	21,000	11,828	9,172
Postal charges	17,000	17,000	16,244	756
Printing, stationary and forms	3,000	3,000	2,205	795
Travel and in service training	3,000	3,000	1,639	1,361
Duplicating supplies	17,000	17,000	12,963	4,037
Office supplies	13,500	13,500	7,723	5,777
Other capital outlay	5,000	5,000	4,387	613
Office of codes county official/ administrative officer	52,582	52,582	49,933	2,649
Secretary(s)	82,788	82,788	83,107	(319)
Evaluation and testing	43,600	51,842	34,348	17,494
Advertising	2,000	2,000	1,239	761

See accompanying notes to financial statements.

SUMNER COUNTY, TENNESSEE
 DETAILED BUDGETARY COMPARISON SCHEDULE - Continued
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Favorable/ (Unfavorable)</u>
Telephone	3,500	3,500	3,096	404
Postal charges	2,000	2,000	1,757	243
Printing and stationery	1,000	1,000	756	244
Travel and in service				
training	11,200	11,200	12,461	(1,261)
Office supplies	10,000	12,000	11,221	779
County official/				
Administrative officer	49,743	49,743	52,784	(3,041)
Inspector	136,205	136,205	104,236	31,969
Dues and memberships	3,000	3,000	1,148	1,852
Permit refunds	5,000	5,000	155	4,845
GIS project	15,000	15,000	14,988	12
Capital outlay and other	20,000	20,000	20,136	(136)
County buildings				
Custodial personnel	173,760	173,760	170,823	2,937
Telephone	28,000	29,000	28,451	549
Maintenance and repair	148,000	122,000	103,188	18,812
Contracted services	93,000	68,000	43,443	24,557
Supplies	9,000	9,000	8,963	37
Electricity	300,000	325,000	355,776	(30,776)
Natural gas	152,000	177,000	172,684	4,316
Water and sewer	75,000	75,000	65,105	9,895
Other	5,000	5,000	1,328	3,672
Economic development				
Marketing and economic development	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>	<u>-</u>
 Total general administration	 <u>3,255,403</u>	 <u>3,291,645</u>	 <u>3,035,497</u>	 <u>256,148</u>

See accompanying notes to financial statements.

SUMNER COUNTY, TENNESSEE
 DETAILED BUDGETARY COMPARISON SCHEDULE - Continued
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Favorable/ (Unfavorable)</u>
Finance				
Finance department				
Finance director	94,576	94,576	94,939	(363)
Assistants	166,870	166,870	159,086	7,784
Telephone	5,000	5,000	1,888	3,112
Dues and memberships	700	700	907	(207)
Postage	4,000	5,000	4,860	140
Printing, stationary, and forms	3,600	4,600	4,227	373
Travel and in service training	2,000	2,000	2,468	(468)
Office supplies	8,100	9,100	7,249	1,851
Textbooks	500	500	60	440
Disability insurance	3,400	3,400	3,232	168
Data processing equipment	18,000	24,934	18,630	6,304
Capital outlay	2,000	2,000	1,118	882
Property assessor's office				
GIS project	49,348	74,135	71,232	2,903
County official/ administrative officer	69,809	69,809	69,808	1
Assistants	187,449	187,449	164,396	23,053
Clerical personnel	194,517	194,517	180,636	13,881
Dues and memberships	2,500	1,914	1,914	-
Maintenance and repair services - office equipment	5,000	3,500	3,320	180
Postal and telephone	8,000	9,600	10,428	(828)
Travel and in service training	7,500	6,136	5,755	381
Gasoline and vehicle maintenance	-	700	552	148
Office supplies	5,000	6,466	6,374	92
Other capital outlay	2,250	2,500	2,553	(53)
Reappraisal services				
Clerical personnel	68,389	68,389	55,644	12,745
Other salaries and wages	55,911	55,911	48,909	7,002
Postal and telephone	2,150	2,350	2,225	125
Office supplies	3,000	5,000	3,751	1,249

See accompanying notes to financial statements.

SUMNER COUNTY, TENNESSEE
 DETAILED BUDGETARY COMPARISON SCHEDULE - Continued
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Favorable/ (Unfavorable)</u>
Travel and in service training	9,000	3,200	2,564	636
Other contracted services	50,000	46,800	-	46,800
Gasoline and vehicle maintenance	-	6,800	6,735	65
Capital outlay	12,000	12,493	12,400	93
County trustee's office county official/				
administrative officer	69,809	69,809	69,808	1
Clerical personnel	197,692	197,692	166,240	31,452
Dues and memberships	638	638	638	-
Legal notices, recording and court costs	400	400	177	223
Maintenance and repair	7,600	7,600	7,339	261
Postal and telephone	28,500	28,500	27,291	1,209
Travel and in service training	3,000	3,000	2,350	650
Office supplies	7,000	7,000	6,219	781
Other capital outlay	11,040	11,040	6,887	4,153
County clerk's county county official/				
administrative officer	69,809	69,809	69,808	1
Clerical personnel	605,583	605,583	601,598	3,985
Dues and memberships	600	600	553	47
Telephone	5,040	5,040	4,962	78
Legal notes	75	75	124	(49)
Copier lease	8,760	8,760	8,276	484
Maintenance and repair	500	500	514	(14)
Postal charges	18,000	18,000	18,000	-
Printing, stationary and forms	1,500	1,500	1,447	53
Rentals	17,940	17,940	17,940	-
Travel and in service training	6,430	6,430	4,874	1,556
Other contracted services	3,600	3,600	3,354	246
Office supplies	6,550	6,550	6,541	9
Periodicals	500	500	482	18

See accompanying notes to financial statements.

SUMNER COUNTY, TENNESSEE
 DETAILED BUDGETARY COMPARISON SCHEDULE - Continued
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Favorable/ (Unfavorable)</u>
Other supplies and services	-	-	29	(29)
Other capital outlay	20,965	20,965	21,698	(733)
Data processing				
Data processing director	27,148	27,148	27,252	(104)
Telephone	1,800	1,800	1,637	163
Software support services	5,600	5,600	4,650	950
Data lines and other				
Contracted services	14,000	14,000	13,385	615
Maintenance and repair services - office equipment	3,000	3,000	500	2,500
Postal charges	2,500	2,500	1,729	771
Travel and in service training	250	250	57	193
Data processing supplies	<u>10,000</u>	<u>10,000</u>	<u>10,005</u>	<u>(5)</u>
Total finance	<u>2,196,398</u>	<u>2,232,178</u>	<u>2,054,224</u>	<u>177,954</u>
Administration of justice circuit court				
county official/ administrative officer	69,809	69,809	69,808	1
Clerical personnel	770,573	770,573	687,967	82,606
Dues and memberships	1,000	1,000	748	252
Legal notices, recording and court costs	70,000	70,000	44,620	25,380
Maintenance and repair services - office equipment	22,000	22,000	20,464	1,536
Postal and telephone charges	17,000	17,000	15,323	1,677
Travel and in service training	4,100	4,100	3,552	548
Office supplies	46,600	41,600	41,193	407
Other capital outlay	5,000	10,000	9,769	231

See accompanying notes to financial statements.

SUMNER COUNTY, TENNESSEE
 DETAILED BUDGETARY COMPARISON SCHEDULE - Continued
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Favorable/ (Unfavorable)</u>
General sessions court				
Judges	115,428	115,428	115,428	-
Secretaries	43,437	44,437	44,474	(37)
Dues and memberships	800	800	785	215
Copier lease	1,700	1,700	1,415	285
Postal and telephone charges	2,600	2,600	1,629	971
Printing, stationery, and forms	800	800	295	505
Travel and in service training	2,500	2,500	1,030	1,470
Office supplies	2,000	2,000	925	1,075
Periodicals	1,000	1,000	467	533
Drug education/ treatment costs	25,030	25,030	23,387	1,643
Other capital outlay	350	350	106	244
Chancery court				
county official/ administrative officer	69,809	69,809	69,808	1
Clerical personnel	230,023	230,023	230,075	(52)
Dues and memberships	1,000	1,000	573	427
Maintenance and repair services - office equipment	6,000	6,000	5,547	453
Postal and telephone charges	28,500	28,500	29,176	(676)
Printing, stationery and forms	6,000	6,000	4,987	1,013
Travel and in service training	1,200	1,200	948	252
Office supplies	11,600	11,600	18,970	(7,370)
Jury services	1,300	1,300	503	797
Continuing education	2,800	2,800	2,157	643
Other capital outlay	15,000	15,000	11,677	3,323
Juvenile judge				
Judges	115,428	115,428	115,428	-
Secretaries	117,772	118,052	118,223	(171)
Dues and memberships	600	600	975	(375)

See accompanying notes to financial statements.

SUMNER COUNTY, TENNESSEE
 DETAILED BUDGETARY COMPARISON SCHEDULE - Continued
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Favorable/ (Unfavorable)</u>
Maintenance and				
Repair services - office				
equipment	9,900	9,900	10,618	(718)
Postal and telephone				
charges	11,490	11,920	11,932	(12)
Printing, stationery				
and forms	2,000	2,000	2,052	(52)
Travel and in service				
training	5,700	5,700	4,384	1,316
Contracted services	10,300	9,870	4,715	5,155
Office supplies	2,500	2,500	2,594	(94)
Periodicals	700	700	372	328
Capital outlay	8,000	8,000	10,282	(2,282)
JAIBG grant	24,650	21,799	20,662	1,137
Drug court				
coordinator	103,532	107,132	108,320	(1,188)
Communications	1,000	1,000	685	315
Travel and in service				
training	10,750	10,750	246	10,504
Contracted services	28,760	103,160	87,665	15,495
Duplicating	1,440	1,440	1,291	149
Office supplies	5,000	5,000	2,026	2,974
Other costs	27,860	84,756	77,448	7,308
Capital outlay	3,000	7,940	7,897	43
Office of safety				
probation officers	227,463	227,463	218,457	9,006
Clerical personnel	54,871	54,871	53,772	1,099
Telephone	3,000	3,000	1,035	1,965
Dues and memberships	950	950	400	550
Postage	1,350	1,350	993	357
Travel and in service training	500	500	303	197
Duplicating supplies	2,750	2,750	2,394	356
Office supplies	5,121	5,121	4,768	353
Capital outlay	750	750	705	45
Office of youth services				
salary youth services	182,973	187,504	184,944	2,560
Youth services assistant	62,813	62,813	62,870	(57)

See accompanying notes to financial statements.

SUMNER COUNTY, TENNESSEE
 DETAILED BUDGETARY COMPARISON SCHEDULE - Continued
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Favorable/ (Unfavorable)</u>
Postal and telephone charges	3,400	3,400	4,071	(671)
Printing, stationery and forms	3,000	3,000	3,011	(11)
Travel and in service training	4,300	4,300	4,205	95
Drug screens and medical supplies	1,500	2,255	2,254	1
Contracted services	-	4,725	3,825	900
Office supplies	3,000	3,000	3,084	(84)
State grant costs	9,207	9,207	10,591	(1,384)
Other capital outlay	2,000	1,245	275	970
Maintenance and repairs	<u>1,000</u>	<u>1,000</u>	<u>908</u>	<u>92</u>
 Total administration of justice	 <u>2,635,289</u>	 <u>2,782,810</u>	 <u>2,608,486</u>	 <u>174,324</u>
 Public Safety				
Law enforcement - Sheriff's department				
county official				
administrative officer	76,788	76,788	76,788	-
Deputies	1,953,670	2,042,928	1,967,736	75,192
Dispatcher/radio				
operators	206,694	206,694	194,576	12,118
Court officers	424,537	422,541	409,966	12,575
Clerical personnel	271,405	271,405	240,269	31,136
Salary maintenance	40,000	40,000	30,970	9,030
In service training	31,000	31,000	25,443	5,557
Dues and memberships	2,400	2,400	2,380	20
Education and testing	2,400	2,400	1,530	870
Maintenance and repair				
services - equipment	75,000	75,000	66,650	8,350
Postal and telephone				
charges	43,000	43,000	38,856	4,144
Gasoline, tires and tubes	186,000	205,572	163,858	41,714
Law enforcement supplies	75,000	65,000	31,343	33,657
Office supplies	22,000	22,000	20,529	1,471
Uniforms	50,000	50,000	38,775	11,225

See accompanying notes to financial statements.

SUMNER COUNTY, TENNESSEE
 DETAILED BUDGETARY COMPARISON SCHEDULE - Continued
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Favorable/ (Unfavorable)</u>
Other charges	6,500	6,500	6,195	305
Other capital outlay	263,145	263,145	262,675	470
Corrections - jail				
medical personnel				
and services	108,000	130,000	128,002	1,998
Guards	2,459,363	2,459,363	2,397,293	62,070
Juvenile detention	121,887	121,887	115,238	6,649
Drugs and medical supplies	261,000	261,000	184,269	76,731
Food and jail supplies	367,000	367,000	338,281	28,719
School resource officer				
Office salaries	315,158	315,158	319,291	(4,133)
Uniform allowance	1,000	1,000	614	386
Benefits school	102,745	102,745	103,398	(653)
Emergency management				
agency	465,846	1,313,286	829,138	484,148
Volunteer fire				
departments	<u>88,000</u>	<u>88,000</u>	<u>84,000</u>	<u>4,000</u>
Total public safety	<u>8,019,538</u>	<u>8,985,812</u>	<u>8,078,063</u>	<u>907,749</u>
Public health and welfare				
Local health programs				
Local health center				
Salary personnel	55,266	55,266	35,575	19,691
Telephone	25,000	25,000	18,765	6,235
Maintenance and				
repair services - building	46,000	46,000	41,394	4,606
Maintenance and repair				
services - equipment	3,000	3,000	2,522	478
Postal charges	8,500	8,500	7,143	1,357
Travel and in service training	1,500	1,500	1,231	269
Custodial supplies	3,500	3,500	1,881	1,619
Drugs and medical supplies	6,500	6,500	14,690	(8,190)
Office supplies	3,500	3,500	7,543	(4,043)
Utilities	48,000	48,000	51,995	(3,995)
Other charges	21,030	22,280	15,086	7,194

See accompanying notes to financial statements.

SUMNER COUNTY, TENNESSEE
 DETAILED BUDGETARY COMPARISON SCHEDULE - Continued
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Favorable/ (Unfavorable)</u>
Rabies and animal control				
Salary officers	117,296	117,296	109,347	7,949
Telephone	3,500	3,500	2,585	915
Maintenance and repair services - vehicles	2,500	2,500	3,379	(879)
Veterinary services	15,750	17,250	13,284	3,966
Animal food and supplies	8,000	8,000	6,758	1,242
Gasoline	3,000	4,800	4,724	76
Uniforms	4,500	4,500	2,905	1,595
Utilities	13,000	14,400	15,291	(891)
Other capital outlay	15,084	10,384	7,411	2,973
Ambulance service				
Supervisor/director	68,758	68,758	69,020	(262)
Medical personnel	2,964,762	2,994,762	2,997,471	(2,709)
In service training	20,000	20,869	22,228	(1,359)
Medical insurance	24,500	24,541	24,541	-
Telephone	25,000	23,000	23,214	(214)
Maintenance and repair services - equipment	2,500	2,500	18,222	(15,722)
Maintenance and repair services - vehicles	46,500	48,000	35,626	12,374
Postal charges	500	900	829	771
Drugs and medical supplies	110,300	125,850	130,172	(4,322)
Gasoline, tires and tubes	64,000	79,000	83,181	(4,181)
Office supplies	9,000	9,000	7,876	1,124
Uniforms	22,000	22,000	23,441	(1,441)
Utilities	13,000	16,640	16,081	559
Other expenses	1,000	1,000	1,437	(437)
Other capital outlay	133,363	261,052	262,042	(990)
Dental health program				
Salary dentists and assistants	91,212	91,212	90,154	1,058
Medical liability insurance	2,623	2,623	2,114	509
Travel	1,500	1,500	1,152	348
Drugs and medical supplies	22,000	22,000	21,048	952
Other health programs				
rural health	<u>739,000</u>	<u>864,700</u>	<u>799,022</u>	<u>65,678</u>
 Total public health and welfare	 <u>4,765,944</u>	 <u>5,085,583</u>	 <u>4,992,380</u>	 <u>93,203</u>

See accompanying notes to financial statements.

SUMNER COUNTY, TENNESSEE
 DETAILED BUDGETARY COMPARISON SCHEDULE - Continued
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Favorable/ (Unfavorable)</u>
Social, cultural and recreational services				
County library service				
Gallatin library				
Salary personnel	132,686	135,591	135,591	-
Telephone	2,500	3,268	3,266	2
Maintenance and repair - building	5,900	7,400	7,346	54
Postage	250	-	-	-
Books	9,500	13,500	14,520	(1,020)
Office supplies	7,000	7,000	7,106	(106)
Periodicals	3,000	3,000	2,208	792
County books	17,500	17,587	17,586	1
Utilities	9,500	9,500	9,457	43
Grant expenses	-	15,450	12,285	3,165
Other charges	16,000	19,077	17,242	1,835
Hendersonville library				
salary personnel	185,930	185,930	186,394	(464)
Telephone	3,000	3,000	3,622	(622)
Maintenance and repair - building	10,000	10,000	10,784	(784)
Maintenance and repair - equipment				
Postage	1,500	1,500	1,144	356
Books	1,500	1,500	930	570
Books	24,000	30,000	28,032	1,968
Office supplies	5,500	5,925	6,177	(252)
Periodicals	3,300	3,300	2,918	382
County books	17,579	17,579	17,674	(95)
Utilities	12,000	12,000	12,562	(562)
Grant expenses	-	24,598	23,981	617
Other charges	30,000	23,575	11,948	11,626
Portland library				
Salary personnel	91,090	95,190	94,886	304
Telephone	2,500	2,500	2,394	106
Maintenance and repair				
- building	3,600	6,400	6,379	21
Maintenance and repair				
- equipment	1,000	1,800	1,797	3

See accompanying notes to financial statements.

SUMNER COUNTY, TENNESSEE
 DETAILED BUDGETARY COMPARISON SCHEDULE - Continued
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Favorable/ (Unfavorable)</u>
Postage	300	388	388	-
Books	8,630	8,630	8,644	(14)
Office supplies	2,700	4,950	4,873	77
Periodicals	1,450	1,750	1,766	(16)
County books	11,719	11,719	11,746	(27)
Utilities	6,300	6,300	6,607	(307)
Grant expenses	-	17,827	15,982	1,845
Other charges	6,930	23,530	23,613	(83)
Westmoreland library				
Salary personnel	40,605	40,605	38,230	2,375
Telephone	2,266	2,266	2,148	118
Maintenance and repair				
- building	2,000	2,000	2,034	(34)
County books	11,250	11,250	11,378	(128)
Utilities	4,300	4,550	4,497	53
Grant expenses	-	54,000	54,000	-
Other charges	2,000	3,130	3,130	-
Other social, cultural, and recreational services				
Indigent pauper burials	2,000	2,000	660	1,340
Child welfare	6,000	6,000	2,885	3,115
Benevolent charges	1,000	1,000	-	1,000
Senior citizens - Gallatin	12,000	12,000	12,000	-
Senior citizens - Hendersonville	11,000	11,000	11,000	-
Senior citizens - Portland	8,000	8,000	8,000	-
Senior citizens - White House	8,500	8,500	8,500	-
Senior citizens - Westmoreland	1,500	1,500	750	750
Vocational training	107,323	107,323	107,323	-
Health department state	<u>56,480</u>	<u>56,480</u>	<u>48,037</u>	<u>8,443</u>
 Total social, cultural, and recreation services	 <u>910,588</u>	 <u>1,062,868</u>	 <u>1,026,420</u>	 <u>36,448</u>

See accompanying notes to financial statements.

SUMNER COUNTY, TENNESSEE
 DETAILED BUDGETARY COMPARISON SCHEDULE - Continued
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Favorable/ (Unfavorable)</u>
Agriculture and natural resources				
county environmentalists				
Salary secretary	32,058	31,756	28,838	2,918
Office supplies	1,500	1,500	877	623
Other costs	100	100	101	(1)
Capital outlay	100	402	402	-
Office of agriculture and home economics				
Salary extension agents	67,753	45,253	40,059	5,194
Salary secretaries	27,489	27,489	27,977	(488)
Salary 4-H program	97,662	97,662	92,850	4,812
Other salaries	16,605	16,605	16,665	(60)
Telephone	4,500	11,250	10,888	362
Miscellaneous	4,700	20,450	20,381	69
Forest fire protection	2,000	2,000	2,000	-
Salary secretary (soil conservation)	22,092	22,092	22,176	(84)
Other (soil conservation)	<u>4,500</u>	<u>4,500</u>	<u>4,289</u>	<u>211</u>
Total agriculture and natural resources	<u>281,059</u>	<u>281,059</u>	<u>267,503</u>	<u>13,556</u>
Other general government				
office of archives				
Salary archives clerk	52,062	52,062	52,761	699
Telephone	2,600	2,600	1,928	672
Maintenance and repair services				
services	3,700	3,700	542	3,158
Postage	300	602	598	4
Book publication	6,000	6,000	6,000	-
Record preservation materials	1,900	1,900	1,664	236
Capital outlay	5,850	5,850	2,785	3,065
Office supplies	1,200	1,200	769	431
Training	700	398	354	44
Other costs	5,850	5,850	5,000	850

See accompanying notes to financial statements.

SUMNER COUNTY, TENNESSEE
 DETAILED BUDGETARY COMPARISON SCHEDULE - Continued
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Favorable/ (Unfavorable)</u>
Other general government - continued				
Tourism board	245,000	245,000	214,280	30,720
Veterans service officer	17,722	17,722	17,786	(64)
Veterans service telephone	500	500	151	349
Veterans service travel and in service training	250	250	126	124
Veterans service supplies	250	250	112	138
State and county planning	11,000	11,500	11,500	-
Ambulance service billing contract	160,000	160,000	165,803	(5,803)
Judge discretionary charges	18,000	18,000	5,582	12,418
Contracts with other public agencies	200,000	200,000	118,625	81,375
County Clerk data processing	20,000	45,000	44,774	226
Sheriff data process	20,000	30,632	30,125	507
Circuit Clerk data processing	25,000	37,619	37,619	-
Civil service commission	30,000	30,000	15,099	14,901
State tax data processing	45,000	45,000	47,968	(2,968)
Patient refunds	8,000	8,000	1,449	6,551
District attorney's office rent	3,600	3,600	3,600	-
Building and contents insurance	50,000	50,000	33,233	16,767
Liability insurance	320,000	335,000	333,156	1,844
Official bonds	7,500	7,500	582	6,918
Trustee's commission	300,000	318,000	317,681	319
Worker's compensation insurance	170,000	170,000	150,243	19,757
Drug and alcohol abuse education	500	500	-	500
Autopsies	50,000	80,000	80,247	(247)
Mid-Cumberland R.S.V.P.	2,700	2,700	2,700	-
Mid-Cumberland C.A.A.	4,500	4,500	4,500	-
H.A.T.S.	19,539	19,539	19,539	-

See accompanying notes to financial statements.

SUMNER COUNTY, TENNESSEE
 DETAILED BUDGETARY COMPARISON SCHEDULE - Continued
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Favorable/ (Unfavorable)</u>
Mental health services				
- prisoners	7,800	7,800	7,800	-
T.R.A.C. - operating and debt retirement	5,500	5,500	5,500	-
Leadership Sumner	1,500	1,500	750	750
Good neighbor mission	7,900	7,900	7,900	-
Mid-Cumberland human resource agency	2,100	2,100	2,100	-
Mid-Cumberland elderly	3,000	3,000	3,000	-
Mid-Cumberland transportation	3,000	3,000	3,000	-
Resource authority	320,000	320,000	320,000	-
Other non-profit contributions	44,000	50,500	45,500	5,000
Gallatin cares	2,500	2,500	1,250	1,250
Social security	1,221,743	1,221,743	1,066,889	154,854
Retirement	1,558,743	1,658,743	1,646,310	12,433
Group life insurance	44,000	44,000	41,929	2,071
Group health insurance	2,125,400	2,465,400	2,435,407	29,993
Dental insurance	110,000	126,500	124,724	1,776
Unemployment compensation	35,000	35,000	16,838	18,162
Other fringe benefits	343,700	343,700	329,507	14,193
Drug task force secretary	3,000	3,000	3,000	-
Register of deeds computer project	75,000	147,411	72,971	74,440
Sheriff Certified Officer	2,849	4,845	2,832	2,013
Other charges	-	37,872	36,717	1,155
LPN license	37,500	37,500	37,500	-
Workforce essentials	30,000	30,000	30,000	-
Revenue/Tax anticipation	-	500,000	-	500,000
Marriage License CD	-	6,000	6,000	-
Airport	75,000	75,000	75,000	-
Bridge and highway project	-	502,620	6,058	496,562
School athletic	-	104,000	-	104,000
 Total other government	<u>7,868,458</u>	<u>9,668,108</u>	<u>8,057,363</u>	<u>1,610,745</u>
 Total expenditures	<u>\$29,932,677</u>	<u>\$33,390,063</u>	<u>\$30,119,936</u>	<u>\$ 3,270,127</u>

See accompanying notes to financial statements.

STATISTICAL SECTION

SUMNER COUNTY, TENNESSEE
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 COMPARATIVE SCHEDULES BY SOURCE
 JUNE 30, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
Governmental funds capital assets:		
Land	\$ 1,934,915	\$ 1,934,915
Buildings	35,141,305	10,882,482
Buildings and land improvements	1,732,877	1,650,598
Large equipment	6,465,655	5,782,583
Small equipment	3,344,104	2,410,042
Office furniture and equipment	257,036	257,036
Computer equipment	219,448	201,762
Infrastructure	187,445,528	183,835,460
Construction in progress	<u>-</u>	<u>22,533,982</u>
Total governmental funds capital assets	<u>\$236,540,868</u>	<u>\$229,488,860</u>

SUMNER COUNTY, TENNESSEE
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE BY FUNCTION AND ACTIVITY
 JUNE 30, 2005

	<u>Land</u>	<u>Buildings</u>	<u>Building and Land Improvements</u>	<u>Large Equipment</u>
Function and Activity				
General administrative	\$1,506,565	\$ 7,445,325	\$1,343,722	\$ -
Public safety	45,000	24,243,823	234,817	-
Public health and welfare	78,600	1,637,250	-	1,231,336
Social, cultural and recreational	18,950	1,023,925	154,338	-
Highways	<u>285,800</u>	<u>790,982</u>	<u>-</u>	<u>5,234,319</u>
 Total governmental funds capital assets	 <u>\$1,934,915</u>	 <u>\$35,141,305</u>	 <u>\$1,732,877</u>	 <u>\$6,465,655</u>

<u>Small Equipment</u>	<u>Office Furniture and Equipment</u>	<u>Computer Equipment</u>	<u>Infrastructure</u>	<u>Construction in Progress</u>	<u>Total</u>
\$ 173,722	\$ 44,844	\$189,994	\$ -	\$ -	\$ 10,704,172
1,718,567	164,856	-	-	-	26,407,063
881,504	47,336	29,454	-	-	3,905,480
-	-	-	-	-	1,197,213
<u>570,311</u>	<u>-</u>	<u>-</u>	<u>187,445,528</u>	<u>-</u>	<u>194,326,940</u>
<u>\$3,344,104</u>	<u>\$257,036</u>	<u>\$219,448</u>	<u>\$187,445,528</u>	<u>\$ -</u>	<u>\$236,540,868</u>

SUMNER COUNTY, TENNESSEE
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Governmental Funds Capital Assets <u>July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	Governmental Funds Capital Assets <u>June 30, 2005</u>
Function and Activity				
General administrative	\$ 10,723,759	\$ 56,000	\$(75,587)	\$ 10,704,172
Public safety	24,544,462	1,883,401	(20,800)	26,407,063
Public health and welfare	2,821,744	1,086,236	(2,500)	3,905,480
Social, cultural and recreational	1,114,934	82,279		1,197,213
Highways	<u>190,283,961</u>	<u>4,787,456</u>	<u>(744,477)</u>	<u>194,326,940</u>
Total governmental funds capital assets	<u>\$229,488,860</u>	<u>\$7,895,372</u>	<u>\$(843,364)</u>	<u>\$236,540,868</u>

SUMNER COUNTY, TENNESSEE
 SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS -
 CAPITAL OUTLAY NOTES - PRIMARY GOVERNMENT
 JUNE 30, 2005

Years Ending <u>June 30,</u>	<u>School Capital Outlay Notes (1)</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ -	\$ 2,786,000
2007	10,000,000	2,759,833
2008	15,000,000	2,440,125
2009	15,000,000	2,050,250
2010	15,000,000	1,586,625
2011	15,000,000	1,196,750
2012	15,000,000	733,125
2013	<u>15,000,000</u>	<u>417,273</u>
	<u>\$100,000,000</u>	<u>\$13,969,981</u>

- (1) Assumes effective interest rate at June 30, 2005 of 2.55% to 3.14%.
 (2) Assumes effective interest rate at June 30, 2005 of 2.55%.

<u>Jail Capital Outlay Notes (2)</u>		<u>Total</u>	
<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
\$ 3,000,000	\$459,000	\$ 3,000,000	\$ 3,245,000
3,000,000	382,500	13,000,000	3,142,333
3,000,000	306,000	18,000,000	2,746,125
3,000,000	229,500	18,000,000	2,279,750
3,000,000	153,000	18,000,000	1,739,625
3,000,000	76,500	18,000,000	1,273,250
-	-	15,000,000	733,125
<u>-</u>	<u>-</u>	<u>15,000,000</u>	<u>417,273</u>
<u>\$18,000,000</u>	<u>\$1,606,500</u>	<u>\$118,000,000</u>	<u>\$15,576,481</u>

SUMNER COUNTY, TENNESSEE
 SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS -
 SCHOOL GENERAL OBLIGATION LOANS - PRIMARY GOVERNMENT
 JUNE 30, 2005

Years Ending <u>June 30,</u>	<u>1997 and 1998 Loans (1)</u>	
	<u>Principal</u>	<u>Interest</u>
2006	<u>\$11,000,000</u>	<u>\$345,400</u>
	<u>\$11,000,000</u>	<u>\$345,400</u>

(1) Assumes effective interest rate at June 30, 2005 of 3.14%.

SUMNER COUNTY, TENNESSEE
TAX RATES, ASSESSMENTS, LEVIES AND COLLECTIONS
LAST TEN YEARS

Fiscal Year Tax Year	'96 - '97 <u>1996</u>	'97 - '98 <u>1997</u>	'97 - '98 <u>1998</u>	'98 - '99 <u>1999</u>
General fund	0.49	0.49	0.41	0.46
General purpose school fund	1.75	1.75	1.46	1.48
General debt service fund	0.66	0.66	0.55	0.59
Highway fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.01</u>
Total tax rates	<u>2.90</u>	<u>2.90</u>	<u>2.42</u>	<u>2.54</u>
Assessed Valuation				
Real and personal	\$1,217,970,124	\$1,286,004,433	\$1,626,211,661	\$1,728,047,117
Public utilities	<u>63,369,711</u>	<u>53,699,295</u>	<u>65,227,454</u>	<u>69,559,787</u>
Total assessed valuation	<u>\$1,281,339,835</u>	<u>\$1,339,703,728</u>	<u>\$1,691,439,115</u>	<u>\$1,797,606,904</u>
Total tax levy	\$37,158,855	\$38,851,408	\$40,932,827	\$45,659,215
Total collections	35,385,376	37,146,687	39,134,852	43,651,364
Total delinquent taxes	1,773,479	1,704,721	1,797,975	2,007,851
Delinquent tax collections/ adjustments	1,727,371	1,649,640	1,743,349	1,969,801
Delinquent taxes as of June 30, 2005	46,108	55,081	54,626	38,050

(1) Tax collections due October 1, 2005.

'99 - '00 <u>2000</u>	'00 - '01 <u>2001</u>	'01 - '02 <u>2002</u>	'02 - '03 <u>2003</u>	'03 - '04 <u>2004</u>	'04 - '05 <u>2005</u>
0.42	0.42	0.42	0.53	0.53	0.53
1.48	1.48	1.48	1.51	1.51	1.51
0.63	0.63	0.63	0.53	0.53	0.53
<u>0.01</u>	<u>0.01</u>	<u>0.01</u>	<u>0.02</u>	<u>0.02</u>	<u>0.02</u>
<u>2.54</u>	<u>2.54</u>	<u>2.54</u>	<u>2.59</u>	<u>2.59</u>	<u>2.59</u>
\$1,825,065,366	\$1,916,318,871	\$1,994,066,145	\$2,362,065,101	\$2,438,124,123	\$2,561,779,920
<u>68,599,748</u>	<u>70,005,002</u>	<u>68,591,576</u>	<u>73,325,666</u>	<u>76,228,664</u>	<u>76,228,644</u>
<u>\$1,893,665,114</u>	<u>\$1,986,323,873</u>	<u>\$2,062,657,721</u>	<u>\$2,435,390,767</u>	<u>\$2,514,352,787</u>	<u>\$2,638,008,564</u>
\$48,099,094	\$50,452,626	\$52,391,506	\$63,076,621	\$65,121,737	\$ 68,324,422
45,635,246	47,963,729	49,878,742	60,242,111	62,873,799	(1)
2,463,848	2,488,897	2,512,764	2,834,510	2,247,938	(1)
2,419,665	2,263,409	2,137,015	2,326,475	75,187	(1)
44,183	225,488	375,749	508,035	2,172,751	(1)

SUMNER COUNTY, TENNESSEE
GENERAL GOVERNMENT EXPENDITURES BY FUNCTION
LAST TEN FISCAL YEARS

Fiscal Year Ending June 30,	General Administrative	Finance	Public Safety	Administration and Justice	Public Health and Welfare	Social, Cultural, and Recreational Services	Agriculture and Natural Resources	Other General Government	Highway and Bridge Maintenance	Debt Service	Capital Projects	Total
1996	1,851,447	1,495,933	3,438,888	1,370,894	2,013,309	453,924	126,857	4,177,669	3,983,118	11,917,205	1,014,424	31,843,668
1997	1,981,994	1,529,427	3,599,026	1,426,138	2,240,163	453,140	133,154	4,449,607	4,233,090	13,002,742	9,284,288	42,332,769
1998	1,936,590	1,605,740	3,705,433	1,537,901	2,416,820	446,144	155,759	4,710,679	4,336,867	12,274,869	29,211,817	62,338,619
1999	2,501,013	1,717,151	4,103,823	1,685,427	2,836,580	545,804	168,292	5,453,676	4,840,654	18,342,085	25,681,845	67,876,350
2000	2,668,333	1,837,135	4,795,477	1,751,791	3,222,051	575,563	183,434	5,234,691	4,730,471	17,577,438	4,729,788	47,306,172
2001	2,748,853	1,946,128	4,949,265	1,826,802	3,480,776	648,223	231,328	5,404,788	4,756,964	18,857,116	10,732,345	55,582,588
2002	2,524,553	1,900,185	5,409,902	2,049,855	4,141,995	709,538	246,229	6,997,999	4,399,130	18,667,247	35,707,222	82,753,855
2003	3,638,534	1,968,774	5,772,690	2,374,635	4,254,828	864,660	248,647	6,704,666	4,660,268	19,726,942	37,984,260	88,198,904
2004	3,258,812	2,007,064	6,114,440	2,530,631	4,457,032	880,130	248,609	7,713,311	4,392,248	20,255,699	39,174,508	91,032,484
2005	3,642,073	2,054,224	8,078,063	2,608,486	4,992,380	1,026,420	267,503	8,140,258	5,703,221	19,579,267	22,878,167	78,970,062

SUMNER COUNTY, TENNESSEE
GENERAL GOVERNMENTAL REVENUES BY SOURCE
LAST TEN FISCAL YEARS

Fiscal Year Ending June 30,	Local Taxes	Licenses and Permits	Fines and Forfeitures	Charges for Services	Other Local Revenues	State of Tennessee	Federal Government	Other Governments and Citizens Groups	Fees and Commissions	Total
1996	20,437,409	178,138	771,181	1,640,874	2,677,343	3,726,388	21,936	66,741	3,697,570	33,217,580
1997	21,402,264	210,198	811,010	1,711,151	2,745,788	4,205,923	63,218	52,334	3,870,624	35,072,510
1998	22,528,782	176,471	846,549	1,858,556	3,518,962	4,079,540	50,000	58,532	4,325,786	37,443,178
1999	23,840,600	215,830	863,171	2,191,332	4,072,134	4,320,364	49,972	133,316	4,663,417	40,350,136
2000	26,808,813	1,112,229	864,221	2,221,745	3,900,804	4,391,064	66,935	258,977	4,662,631	44,287,419
2001	27,905,838	2,174,195	1,018,767	2,232,703	4,274,723	4,755,551	144,175	273,272	4,946,043	47,725,267
2002	29,309,111	2,414,948	1,025,831	2,199,699	3,005,900	5,675,982	457,009	354,786	5,562,789	50,006,055
2003	30,539,537	2,302,376	1,516,950	2,591,541	2,930,843	5,036,283	281,918	946,271	6,063,389	52,209,108
2004	35,366,342	2,752,240	1,176,903	3,103,190	12,406,000	5,038,068	533,437	622,003	6,357,717	67,355,900
2005	37,276,018	3,576,691	1,369,840	3,680,098	2,858,929	5,794,927	1,077,177	469,378	6,525,938	62,628,996

SUMNER COUNTY, TENNESSEE
NET BONDED DEBT AS PERCENT OF ASSESSED VALUE AND
NET BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Population ⁽¹⁾	Tax Year	Assessed Value	Net Bonded Debt	Net Bonded Debt As Percent of Assessed Value	Net Bonded Debt Per Capita
1996	120,919	1995	1,281,339,835	35,700,000	2.79%	295.24
1997	123,689	1996	1,339,703,728	46,800,000	3.49%	378.37
1998	126,068	1997	1,691,439,115	75,100,000	4.44%	595.71
1999	128,383	1998	1,797,606,904	68,400,000	3.81%	532.78
2000	131,139	1999	1,893,665,114	61,700,000	3.26%	470.49
2001	133,604	2000	1,986,323,873	55,000,000	2.77%	411.66
2002 (1)	136,276	2001	2,062,657,721	79,000,000	3.83%	579.71
2003 (1)	139,001	2002	2,435,390,767	108,500,000	4.46%	780.57
2004 (1)	141,782	2003	2,514,352,787	126,500,000	5.03%	892.21
2005 (1)	144,443	2004	2,638,008,564	129,000,000	4.89%	893.09

(1) Estimated based on a 2% growth rate.

SUMNER COUNTY, TENNESSEE
RATIO OF ANNUAL DEBT SERVICE REQUIREMENTS FOR GENERAL BONDED
DEBT TO TOTAL GENERAL EXPENDITURES
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Principal	Interest	Total Debt Service	Total General Expenditures	Ratio of Debt Service to Total General Expenditures
1996	9,241,450	2,471,179	11,712,629	31,843,668	36.78%
1997	10,330,911	1,997,028	12,327,939	42,332,769	29.12%
1998	9,007,980	2,797,235	11,805,215	62,338,619	18.94%
1999	14,800,000	3,069,932	17,869,932	67,876,350	26.33%
2000	14,150,000	2,913,132	17,063,132	47,306,172	36.07%
2001	15,465,000	2,836,781	18,301,781	55,582,588	32.93%
2002	15,200,000	2,906,108	18,106,108	82,753,855	21.88%
2003	15,900,000	3,221,161	19,121,161	88,198,904	21.68%
2004	16,500,000	3,755,699	20,255,699	91,032,484	22.25%
2005	14,571,083	5,008,184	19,579,267	78,970,062	24.79%

SUMNER COUNTY, TENNESSEE
REVENUE BOND COVERAGE
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Operating Revenue	Debt Proceeds	Total Revenue	Operating Expenditures	Capital Expenditures	Total Expenditures	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
								Principal	Interest	Total	
1996	\$ 33,217,580	\$ 1,200,000	\$ 34,417,580	\$ 18,912,039	\$ 1,014,424	\$ 19,926,463	\$ 14,491,117	\$ 9,241,450	\$ 2,471,179	\$ 11,712,629	123.72%
1997	35,072,510	21,430,911	56,503,421	20,045,739	9,284,288	29,330,027	27,173,394	10,330,911	1,997,028	12,327,939	220.42%
1998	37,443,178	37,302,980	74,746,158	20,851,933	29,211,817	50,063,750	24,682,408	9,007,980	2,797,235	11,805,215	209.08%
1999	40,350,136	8,100,000	48,450,136	23,852,420	25,681,845	49,534,265	(1,084,129)	14,800,000	3,069,932	17,869,932	-6.07%
2000	44,287,419	7,450,000	51,737,419	24,998,946	4,729,788	29,728,734	22,008,685	14,150,000	2,913,132	17,063,132	128.98%
2001	47,725,267	8,765,000	56,490,267	25,993,127	10,732,345	36,725,472	19,764,795	15,465,000	2,836,781	18,301,781	107.99%
2002	50,006,055	39,200,000	89,206,055	28,379,386	35,707,222	64,086,608	25,119,447	15,200,000	2,906,108	18,106,108	138.73%
2003	52,209,108	45,400,000	97,609,108	30,487,702	37,984,260	68,471,962	29,137,146	15,900,000	3,221,161	19,121,161	152.38%
2004	67,355,900	34,500,000	101,855,900	31,602,277	39,174,508	70,776,785	31,079,115	16,500,000	3,755,699	20,255,699	153.43%
2005	62,628,996	17,071,083	79,700,079	36,512,628	22,878,167	59,390,795	20,309,284	14,571,083	5,008,184	19,579,267	103.73%

SUMNER COUNTY, TENNESSEE
TOP TEN TAXPAYERS
JUNE 30, 2005

Rank	Taxpayer	Type of Business	Assessed Valuation for Tax Year 2004, Fiscal Year 2005	Taxes Levied	Percent of Total Taxes Levied (1)
1	Gap	Manufacturer	\$ 39,822,776	\$ 1,031,410	1.51%
2	Hoeganaes Corporation	Manufacturer	20,918,548	541,790	0.79%
3	Cumberland Electric Corporation	Utility	17,405,819	450,811	0.66%
4	Bell South	Utility	15,112,765	391,421	0.57%
5	Hendersonville Hospital	Healthcare	12,594,794	326,205	0.48%
6	R.R. Donnelley	Printing	11,788,625	305,325	0.45%
7	Manthaven Park	Real Estate	10,446,080	270,554	0.40%
8	Yamakawa Manufacturing	Manufacturer	10,263,160	265,816	0.39%
9	Tennessee Gas Pipeline	Utility	9,223,997	238,902	0.35%
10	Peidmont Natural Gas	Utility	8,923,741	231,125	0.34%

(1) Total taxes levied \$68,324,422.

SUMNER COUNTY, TENNESSEE
 DEMOGRAPHIC STATISTICS - PER CAPITA INCOME
 LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Population	Sumner County Per Capita Income	State of Tennessee Per Capita Income	United States Per Capita Income
1996	120,919	21,722	22,022	24,270
1997	123,689	22,411	22,814	25,412
1998	126,068	23,718	24,101	26,893
1999	128,383	24,875	25,014	27,880
2000	131,139	26,272	26,290	29,760
2001	133,604	26,430	26,808	30,413
2002	136,276	27,410	27,336	30,717
2003	139,001	27,684	28,455	31,632
2004	141,611	27,960	28,739	31,948
2005	144,443	30,056	34,268	34,586

(1) Estimated

Note: From the Tennessee Department of Labor and Workforce Development

SUMNER COUNTY, TENNESSEE
 DEMOGRAPHIC STATISTICS - UNEMPLOYMENT RATE
 LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Population	Sumner County Unemployment Rate	State of Tennessee Unemployment Rate	United States Unemployment Rate
1996	120,919	3.60%	5.20%	5.40%
1997	123,689	3.80%	5.40%	4.90%
1998	126,068	3.30%	4.20%	4.50%
1999	128,383	2.70%	4.00%	4.20%
2000	131,139	3.10%	3.90%	4.00%
2001	133,604	4.40%	4.40%	4.70%
2002	136,276	4.40%	5.10%	5.80%
2003	139,001	4.60%	5.70%	5.90%
2004	141,611	4.00%	5.10%	5.50%
2005(1)	144,443	4.20%	5.70%	4.80%

(1) Estimated Development

Note: From through October 2004 from the Tennessee Department of Labor and Workforce

SUMNER COUNTY, TENNESSEE
 DEMOGRAPHIC STATISTICS - CIVILIAN LABOR FORCE
 LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Population	Sumner County Civilian Labor Force	State of Tennessee Civilian Labor Force	United States Civilian Labor Force
1996	120,919	65,050	2,744,100	133,944,000
1997	123,689	65,250	2,711,100	136,297,000
1998	126,068	67,970	2,759,500	137,673,000
1999	128,383	69,650	2,815,600	139,368,000
2000	131,139	69,650	2,831,400	142,583,000
2001	133,604	72,240	2,859,900	143,734,000
2002	136,276	73,430	2,926,300	144,863,000
2003	139,001	73,830	2,910,500	147,277,000
2004	141,611	74,570	2,945,700	147,850,000
2005(1)	144,443	74,570	2,896,800	149,320,000

(1) Estimated

Note: From the Tennessee Department of Labor and Workforce Development

SUMNER COUNTY, TENNESSEE
 DEMOGRAPHIC STATISTICS - EMPLOYMENT
 LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Population	Sumner County Employment	State of Tennessee Employment	United States Employment
1996	120,919	60,600	2,560,600	124,900,000
1997	123,689	62,700	2,602,700	126,708,000
1998	126,068	62,780	2,564,800	129,558,000
1999	128,383	65,720	2,643,800	131,463,000
2000	131,139	67,770	2,702,200	133,488,000
2001	133,604	67,520	2,721,000	136,891,000
2002	136,276	69,030	2,733,400	136,933,000
2003	139,001	69,500	2,761,700	138,468,000
2004	141,611	70,980	2,817,100	139,861,000
2005(1)	144,443	71,430	2,732,200	141,730,000

(1) Estimated

Note: From the Tennessee Department of Labor and Workforce Development

SUMNER COUNTY, TENNESSEE
 DEMOGRAPHIC STATISTICS - UNEMPLOYMENT
 LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Population	Sumner County Unemployment	State of Tennessee Unemployment	United States Unemployment
1996	120,919	2,410	140,100	7,404,000
1997	123,689	2,350	141,400	7,236,000
1998	126,068	2,470	146,300	6,739,000
1999	128,383	2,250	115,700	6,210,000
2000	131,139	2,320	121,300	5,959,000
2001	133,604	3,390	134,400	6,816,000
2002	136,276	3,360	160,100	8,758,000
2003	139,001	3,630	182,000	9,649,000
2004	141,611	2,560	142,100	8,616,000
2005(1)	144,443	3,140	164,500	7,591,000

(1) Estimated

Note: From the Tennessee Department of Labor and Workforce Development

JUNE 30, 2005

<u>Category of Debt</u>	<u>Amount of Outstanding Debt</u>
Direct Debt	
General Obligation	<u>\$129,000,000</u>
Total Direct Debt	<u>\$129,000,000</u>
Overlapping Debt(1)	
City of Gallatin	4,175,000
City of Hendersonville	4,400,998
City of White House (Portion in Sumner County)	8,257,000
City Goodlettsville (Portion in Sumner County)	6,764,500
City of Westmoreland	-
City of Portland	4,756,437
City of Millersville	1,235,000
Town of Mitchellville	<u>-</u>
Total Overlapping Debt	<u>29,588,935</u>
Total Debt	<u>\$ 158,588,935</u>

Per capita direct debt based on the population:

Population	144,443
Per capita direct debt	\$893.09

Per capita overlapping debt based on the population:

Population	144,443
Per capita overlapping debt	\$204.85

(1) As of June 30, 2005

SUMNER COUNTY, TENNESSEE
DEPOSITS IN ALL FDIC-INSURED INSTITUTIONS

<u>As of June 30,</u>	<u>Number of FDIC-Insured Institutions</u>	<u>Deposits (in millions)</u>
1996	41	975,007
1997	37	982,277
1998	39	1,043,398
1999	41	1,078,990
2000	35	1,123,198
2001	37	1,217,552
2002	37	1,263,422
2003	37	1,342,944
2004	39	1,411,836
2005	45	1,618,000

SUMNER COUNTY, TENNESSEE
 SCHEDULE OF LABOR FORCE ESTIMATES
 June 30, 2005

YEAR	LABOR FORCE ESTIMATES	EMPLOYMENT ESTIMATES	UNEMPLOYMENT RATE ESTIMATES
1996	65,330	63,120	3.4
1997	65,530	62,800	4.2
1998	68,130	65,690	3.6
1999	69,700	67,720	2.8
2000	70,210	67,980	3.3
2001	72,330	68,940	4.7
2002	73,800	70,440	4.6
2003	73,130	69,500	5
2004	73,540	70,980	3.5
2005	74,570	71,430	4.2

SUMNER COUNTY, TENNESSEE
 SCHEDULE OF BUILDING PERMITS
 JUNE 30, 2005

<u>YEAR</u>	<u>TOTAL PERMITS</u>
1996	NA
1997	NA
1998	2,569
1999	3,425
2000	3,827
2001	4,485
2002	3,663
2003	2,287
2004	2,225
2005	2,918

SUMNER COUNTY, TENNESSEE
 SCHEDULE OF LARGEST EMPLOYERS
 JUNE 30, 2005

EMPLOYER	PRODUCT/SERVICE	EMPLOYEES
GAP DISTRIBUTION	CLOTHING DISTRIBUTION	1,450
SUMNER REGIONAL HEALTH SYSTEMS	HEALTHCARE	1027
UNIPRESS USA, INC.	MANUFACTURING	600
PEYTON'S MID SOUTH	DISTRIBUTION	500
BOSCH AUTOMOTIVE	MANUFACTURING	500
HENDERSONVILLE MEDICAL CENTER	HEALTHCARE	410
DONNELLY PRINTING	COMMERCIAL PRINTING	390
OSKKOSH B'GOSH	DISTRIBUTION	350
IMPERIAL GROUP	FABRICATING	320
THOMAS AND BETTS	MANUFACTURING	300

Source: Sumner County Fact Book

OMB A-133 AUDIT SECTION

SUMNER COUNTY, TENNESSEE
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 FOR THE YEAR ENDED JUNE 30, 2005

<u>Program Name</u>	<u>CFDA Number</u>	<u>Grantor Agency</u>
Federal Awards as Identified in the Catalog of Federal Domestic Assistance:		
School breakfast program	10.553*	TN Dept. of Education
National school lunch program	10.555*	TN Dept. of Education
Commodity Supplemental Food Program	10.550*	TN Dept. of Education
Local law enforcement block grant	16.592	TN Dept. of Justice
Teacher mentors	84.000	TN Dept. of Education
Community learning center grant	84.000	U.S. Dept. of Education
Adult education State grant program	84.002	TN Dept. of Education
Title I grants to local education agency	84.010	TN Dept. of Education
Special education grants to States	84.027*	TN Dept. of Education
Vocational education basic grants to States	84.048	TN Dept. of Education
Safe and drug free schools and communities national program	84.184	U.S. Dept. of Education
Comprehensive intervention services	84.184	TN Dept. of Education
Safe and drug free schools and communities State grants	84.186	TN Dept. of Education
21 st century community learning centers	84.287	TN Dept. of Education
State grants for innovative programs	84.298	TN Dept. of Education
Education technology state grants	84.318	TN Dept. of Education
English language acquisition grants	84.365	TN Dept. of Education
Improving teacher quality State grants	84.367	TN Dept. of Education
Families first	93.561	TN Dept. of Education
Family resource center	93.645	TN Dept. of Education
Incentive Grant: Adult Education	17.266	TN Dept. of Labor
Community Prevention Initiative For Children	93.959	TN Dept. of Labor
State Domestic Preparedness Equipment Support Program	97.004*	TN Emergency Management Agency
Homeland Security Grant Program	97.067*	TN Emergency Management Agency
Hazard Mitigation Grant	97.039	TN Emergency Management Agency

Total federal assistance

*Denotes Major Federal Financial Assistance Program

<u>Balance</u> <u>July 1, 2004</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Balance</u> <u>June 30, 2005</u>
\$(97)	\$ 530,831	\$ 599,553	\$(68,819)
(778)	2,193,994	2,447,691	(254,475)
-	388,452	388,452	-
2,852	25,937	28,789	-
-	-	-	-
(26,376)	26,376	-	-
(8,933)	150,601	150,968	(9,300)
69,443	2,612,243	2,628,564	53,122
686,885	5,048,637	4,876,638	858,884
(26,665)	358,058	349,712	(18,319)
(178,350)	472,194	504,705	(210,861)
(15,542)	55,575	60,354	(20,321)
12,799	99,960	113,962	(1,203)
(64,865)	299,935	319,756	(84,686)
47,166	178,400	171,188	54,378
(123,207)	388,264	370,236	(105,179)
18,002	62,361	78,242	2,121
110,499	894,937	782,575	222,861
(3,126)	21,802	20,475	(1,799)
(6,262)	27,644	29,314	(7,932)
-	8,944	9,631	(687)
-	30,703	39,030	(8,327)
-	314,049	369,049	(55,000)
-	302,261	334,466	(32,205)
-	<u>28,392</u>	<u>28,392</u>	-
<u>\$ 493,445</u>	<u>\$14,520,550</u>	<u>\$14,701,742</u>	<u>\$ 312,253</u>

SUMNER COUNTY, TENNESSEE
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 FOR THE YEAR ENDED JUNE 30, 2005

<u>Program Name</u>	<u>CFDA Number</u>	<u>Grantor Agency</u>
State Assistance:		
Basic education program	N/A	TN Dept. of Education
Extended contract	N/A	TN Dept. of Education
Career ladder	N/A	TN Dept. of Education
Food service (state match)	N/A	TN Dept. of Education
Special education (state match)	N/A	TN Dept. of Education
Safe schools	N/A	TN Dept. of Education
Homeless children and youth program	N/A	TN Dept. of Education
Consulting teacher	N/A	TN Dept. of Education
Health Department	N/A	TN Dept. of Health
Youth services grant	N/A	TN Dept. of Human Services
Domestic violence grant	N/A	TN Dept. of Human Services
Student resource officer	N/A	TN Dept. of Justice
Reappraisal grant	N/A	TN Dept. of Property Assessment
State of Tennessee	N/A	TN Dept. of Transportation
Litter program	N/A	TN Dept. of Transportation
State aid	N/A	TN Dept. of Transportation
Total State assistance		

<u>Balance</u> <u>July 1, 2004</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Balance</u> <u>June 30, 2005</u>
\$ -	\$78,199,380	\$78,199,380	\$ -
(348,782)	517,038	644,656	(476,400)
(23,410)	1,358,965	1,354,533	(18,978)
-	114,196	114,196	-
-	216,882	216,882	-
(61,600)	152,934	153,415	(62,081)
(13,565)	33,204	36,404	(16,765)
(61,087)	61,087	-	-
-	795,444	931,451	(136,007)
-	39,020	39,020	-
-	26,830	32,553	(5,723)
-	92,110	113,759	(21,649)
-	38,179	38,179	-
-	49,953	49,953	-
-	62,208	81,503	(19,295)
-	<u>207,512</u>	<u>207,512</u>	-
<u>\$(508,444)</u>	<u>\$81,964,942</u>	<u>\$82,213,396</u>	<u>\$(756,898)</u>

SUMNER COUNTY, TENNESSEE
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
JUNE 30, 2005

A. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of Sumner County, Tennessee. The information in this schedule is presented in accordance with the requirements of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

SUMNER COUNTY, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005

SECTION I - SUMMARY OF INDEPENDENT AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:
Material weakness(es) identified? yes x no
Reportable condition(s) identified not considered to
be material weaknesses? yes x none reported

Noncompliance material to financial statements noted? yes x no

Federal Awards

Internal Control over major programs:
Material weakness(es) identified? yes x no
Reportable condition(s) identified not considered to
be material weaknesses? yes x none reported

Type of auditors' report issued on compliance for
major programs Unqualified

Any audit findings disclosed that are required to be reported
in accordance with Circular A-133, Section .510(a)? yes x no

SUMNER COUNTY, TENNESSEE
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
 YEAR ENDED JUNE 30, 2005

SECTION I - SUMMARY OF INDEPENDENT AUDITORS' RESULTS

Federal Awards - Continued

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>	<u>Expenditures For Year Ended June 30, 2005</u>
10.553, 10.555 & 10.550	School breakfast and lunch program cluster	\$3,435,696
84.027	Special education grants to states	4,876,638
97.004 & 97.067	State Domestic Preparedness Equipment Support Program and Homeland Security Grant Program cluster	<u>703,515</u>
		<u>\$9,015,849</u>

Dollar threshold used to distinguish between Type A and Type B programs: \$441,052

Audited qualified as low-risk auditee? X yes ___ no

SUMNER COUNTY, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
YEAR ENDED JUNE 30, 2005

SECTION II - FINANCIAL STATEMENT FINDINGS

A. Reportable Conditions in Internal Control

None reported

B. Compliance Findings

Chapter No. 113 of the State of Tennessee Private Acts of 2002, an Act to Create the Financial Management System of the County of Sumner, Tennessee

Finding 05-01 Investment Committee

Observation

In accordance with Section 5 – Special Committees – General Provisions, the County is required to create, by resolution, an active investment committee. Although the County has created such a committee, it has remained inactive.

Recommendation and Benefit

We recommend that the investment committee become active in the management of the County's investments. The investment committee shall establish and approve policies and procedures for cash management and investing idle cash funds in various investments as prescribed by law. The activities of this committee should assist the County in safeguarding these assets and maximizing its return on excess or idle funds.

Finding 05-02 Purchasing Committee

Observation

In accordance with Section 5 – Special Committees – General Provisions, the County is required to have created, by resolution, an active purchasing committee. Although the County has created such a committee, it has remained inactive. Furthermore, in accordance with Section 20 – Bidding, the purchasing committee should perform certain procedures related to the bidding process.

SUMNER COUNTY, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
YEAR ENDED JUNE 30, 2005

Recommendation and Benefit

We recommend that the purchasing committee become active in the management of the County's purchasing activities. The purchasing committee shall establish and approve policies and procedures for the purchasing of all supplies, equipment or goods for the County. The activities and policies of this committee should also assist the County in monitoring and eliminating conflicts of interest related to purchasing and possibly reduce expenditures related to purchases by enabling the County to purchase items at a reduced price through requiring negotiations with suppliers and purchasing in bulk instead of allowing the individual departments to purchase, at their discretion, from different suppliers the same supplies (Also see finding 05-04). Furthermore, this committee should establish policies to encourage, when possible, the County to purchase from vendors within the County further promoting its economy.

The purchasing committee shall also authorize the dollar limitation when formal competitive bids are required but not to exceed the amount as authorized by State law for the highway and education departments or other such amounts as established by law. Subject to the policies and procedures of the committee, "biddable items" means any need of the County where more than one (1) bidder or contractor on the County's trade area can provide the material or service. Specifications shall not be written to exclude vendors and contractors or limit the bidding to a specific vendor or contractor.

Finding 05-03 Director - Deputy

Observation

In accordance with Section 8 – Director - Deputy, a person employed by the finance department shall be recommended by the Director and approved by the County's Board of Commissioners to serve as deputy director of finance. The County currently is operating without this position.

Recommendation and Benefit

We recommend that the County fill the deputy director of finance position and the person hired should meet at least the minimum educational/experience requirements that have been established for the Director. The deputy director of finance shall perform the following tasks, among others:

- The person employed for this position shall perform such duties and responsibilities as assigned by the Director; and
- In the absence of the Director, the deputy director shall perform the duties of the Director necessary to continue operation of the finance department, including, but not limited to, the cosigning of warrants, payroll checks and purchase orders.

SUMNER COUNTY, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
YEAR ENDED JUNE 30, 2005

Finding 05-04 Purchasing Agent and Purchasing System

Observation

In accordance with Section 18 – Director as Purchasing Agent and Section 19 – Purchasing System, the Director or a deputy appointed by the Director shall assist the purchasing committee in developing policies and procedures for implementing an economical and efficient purchasing system. The County currently does not have a centralized purchasing system or purchasing agent. All purchasing performed by the County is decentralized and authority is given to each department to purchase items as needed. Upon the recommendation of the purchasing committee and approval of the County legislative body or as authorized by the County legislative body, a separate purchasing department may be established with a person hired as purchasing agent for the County.

Recommendation and Benefit

We recommend that the County develop a centralized purchasing system for the County. Such a purchasing system shall provide, among other procedures, the following:

- A review of all contracts or purchases for biddable supplies, materials, equipment, and other needs of the County, shall be made by the purchasing agent;
- No purchase or contract shall be made when the bid prices exceed the current market price for the same merchandise or service;
- Purchases and contracts shall be awarded based on the lowest and best bid;
- Specifications development shall be made by the department, agency or official to receive the merchandise, construction or service.
- Emergency purchases, total cost bidding, blanket purchases for small orders, grouping of purchases of the various departments, and other methods for receiving the most competitive price and best bid. Emergency purchases shall be limited to needs arising which are not normally foreseeable. Emergency purchases shall not be permissible if a department or agency fails to properly plan for the need, proper purchasing procedures, and delivery time.

The purchasing agent shall:

- Review specifications and changes to allow for maximum competition and prospective bidders;
- Prepare formal and informal bids;
- Collect sealed bids;
- Open bids through a procedure open to the public;

SUMNER COUNTY, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
YEAR ENDED JUNE 30, 2005

- Evaluate, compare and submit bids for approval by the committee, if so deemed by the committee;
- Issue purchase orders and contracts; and
- Verify receiving the merchandise or service.

The director shall:

- Accept requisitions by the department, agency or official, and if such supplies are not currently on hand, transmit such requisition to the purchasing agent;
- Verify budget appropriations before authorizing a purchase;
- Approve invoices for payment;
- Pay invoices and obligations of the County as provided herein;

Finding 05-05 Disbursement Warrants

Observation

In accordance with Section 16 – Disbursement Warrants, all disbursement warrants, except as provided for in subsection (e) of Section 3, shall be prepared in the finance department and provided to each department for signing. Upon signing of such warrant by the finance department, the department head signing the warrant shall keep one copy for filing and return the original and all other copies of such warrant to the director for such director's signature as a cosigner and for filing and mailing from the finance department. Currently, the County Executive signs all disbursement warrants, except as provided for in subsection (e) of Section 3, and the warrants are returned to the finance department for mailing and filing.

Recommendation and Benefit

The County's current method appears adequate to properly and efficiently process and record the disbursements of the County. We recommend the County consider revising the provisions of the Financial Management System Section 16(b)(2) & (3) to reflect the current disbursement process.

SUMNER COUNTY, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
YEAR ENDED JUNE 30, 2005

*Finding 05-06 State of Tennessee, Comptroller of the Treasury, Division
of County Audit Report*

Observation

As a result of certain allegations made concerning the County's Office of Sheriff, the State of Tennessee's Comptroller of the Treasury, Division of County Audit has performed a limited review of the Office of Sheriff's operations for the period July 1, 2003 through June 30, 2005. The areas reviewed by the Division of County Audit included purchasing procedures, a telephone contract, the construction of a maintenance garage, administration of drug control funds and certain internal control procedures. The results of this review and the associated findings are documented in the Division of County Audit's report dated September 22, 2005 and entitled "Limited Review of the Office of Sheriff, Financial Management Committee, and Finance Director." Several of the findings in the report relate to the State of Tennessee's "Private Act of 2002, an Act to Create the Financial Management System" and related purchasing procedures which we have also noted during our audit and have documented in items 05-01 through 05-05. Other findings included deficiencies related to the administration of drug control funds and controls over work performed by inmates of the Sheriff's Department.

As a result of certain allegations made during fiscal 2005 and the State's review discussed above, various federal authorities are investigating the County's Office of Sheriff. As of the date of issuance of the County's 2005 Comprehensive Annual Financial Report, the investigations have not been completed and results of the investigations have not been made available. In the opinion of the County's management, the outcome of the investigations is not expected to have a material adverse effect on the financial position or results of operations of the County.

Recommendation and Benefit

We recommend that the County's Finance Department, in conjunction with the County Executive and the Board of Commissioners Financial Management Committee, review the Division of County Audit's report and consider implementation of the recommendations made therein. Implementation of the recommendations in a timely manner will ensure that the County has appropriately responded to the Division of County Audit and the findings in its report.

SUMNER COUNTY, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
YEAR ENDED JUNE 30, 2005

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported

SUMNER COUNTY, TENNESSEE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2005

Finding 04 - 01

This item remains a finding for the year ended June 30, 2005. See Item 05-01.

Finding 04 - 02

This item remains a finding for the year ended June 30, 2005. See Item 05-02.

Finding 04-03

This item remains a finding for the year ended June 30, 2005. See Item 05-03.

Finding 04-04

This item remains a finding for the year ended June 30, 2005. See Item 05-04.

Finding 04-05

This item remains a finding for the year ended June 30, 2005. See Item 05-05.

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

Independent Auditors' Report on Compliance
And On Internal Control Over Financial Reporting
Based On An Audit of Financial Statements Performed
In Accordance With Government Auditing Standards

To the Board of County Commissioners
and County Executive
Sumner County, Tennessee

We have audited the financial statements of Sumner County, Tennessee (the "County"), as of and for the year ended June 30, 2005, and have issued our report thereon dated November 28, 2005. We did not audit the financial statements of the Sumner County Regional Airport Authority, Sumner County Emergency Communications District and the Resource Authority in Sumner County, Tennessee. We also did not audit the financial statements of the Sumner County Schools' Activity funds. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the discrete presentation of the Sumner County Regional Airport Authority, the Sumner County Emergency Communications District, the Resource Authority in Sumner County, Tennessee and the Sumner County Schools' Activity Funds is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County'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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

To the Board of County Commissioners
and County Executive

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 05-01 through 05-06.

This report is intended solely for the information and use of management, the Board of Commissioners of the Sumner County, Federal and State agencies and is not intended to be and should not be used by anyone other than these specified parties.

Crosslin, Vaden & Associates, P.C.

Nashville, Tennessee
November 28, 2005

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

Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control Over
Compliance in Accordance with OMB Circular A-133

To the Board of County Commissioners
and County Executive
Sumner County, Tennessee

Compliance

We have audited the compliance of Sumner County, Tennessee (the "County") 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 its major federal programs for the year ended June 30, 2005. The County's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, Sumner County, Tennessee complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

To the Board of County Commissioners
and County Executive

Internal Control Over Compliance

The management of Sumner County, Tennessee 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 the County'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 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 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.

This report is intended solely for the information of the Board of Commissioners of Sumner County, Tennessee, 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.

Crosslin, Vaden & Associates, P.C.

Nashville, Tennessee
November 28, 2005