

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

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**SINGLE AUDIT REPORT**



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

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

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

*DEPARTMENT OF AUDIT*  
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*Comptroller of the Treasury*

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*State Auditors*

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

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***Audit Highlights***  
Annual Financial Report  
Cumberland County, Tennessee  
For the Year Ended June 30, 2006

***Scope***

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

***Results***

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

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

***Findings***

The following are summaries of the audit findings:

**CUMBERLAND COUNTY**

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

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**OFFICE OF FINANCE DIRECTOR**

- ◆ Inventory records were not maintained for assets owned by the general county government.
  - ◆ Ambulance Service cash collections totaling \$2,716.80 were not deposited to the office bank account or otherwise accounted for. Also, numerous collections received by checks were not deposited to the office bank account, but were returned to the payer if the account had already been paid. In several instances, we noted collections that were deposited to the bank account and posted to the accounts receivable system; however, receipts had not been issued for these collections. Furthermore, duties were not adequately segregated at the Ambulance Service.
  - ◆ All financial activity of the Art Circle Public Library was not audited and subject to the budgetary control of the County Commission.
-

## **OFFICE OF COUNTY CLERK**

- ◆ Bank statements were not reconciled with the accounting records monthly.
  - ◆ Collections were not deposited to the office bank account within three days.
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## **OTHER FINDING**

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

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# INTRODUCTORY SECTION

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# Cumberland County Officials

## June 30, 2006

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### **Officials**

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

### **Board of County Commissioners**

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

### **Finance Committee**

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

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## FINANCIAL SECTION

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

**INDEPENDENT AUDITOR'S REPORT**

February 26, 2007

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of Cumberland County, Tennessee, as of and for the year ended June 30, 2006, as shown on pages 15 through 51, which collectively comprise a portion of the county's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Cumberland County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

financial statements for the county's governmental activities, business-type activities, and discretely presented component units are not reasonably determinable.

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

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

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

In accordance with Government Auditing Standards, we have also issued our report dated February 26, 2007, on our consideration of Cumberland County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 55 through 61 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

Very truly yours,

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

John G. Morgan  
Comptroller of the Treasury

JGM/rc

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

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

	Major Funds			Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>ASSETS</u>					
Cash	\$ 200	\$ 0	\$ 0	\$ 72,660	\$ 72,860
Equity in Pooled Cash and Investments	3,224,775	576,712	16,838,146	992,720	21,632,353
Accounts Receivable	2,539,064	0	0	3,928	2,542,992
Allowance for Uncollectibles	(1,686,758)	0	0	0	(1,686,758)
Due from Other Governments	636,209	575,522	317,959	6,319	1,536,009
Due from Other Funds	141,588	0	0	0	141,588
Due from Component Units	45,064	0	0	0	45,064
Property Taxes Receivable	7,320,189	0	3,708,896	0	11,029,085
Allowance for Uncollectible Property Taxes	(244,342)	0	(123,800)	0	(368,142)
Total Assets	<u>\$ 11,975,989</u>	<u>\$ 1,152,234</u>	<u>\$ 20,741,201</u>	<u>\$ 1,075,627</u>	<u>\$ 34,945,051</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 748,310	\$ 36,895	\$ 0	\$ 147,114	\$ 932,319
Due to Other Funds	0	0	0	76,588	76,588
Due to State of Tennessee	16,543	0	0	0	16,543
Matured Bonds Payable	0	0	30,000	0	30,000
Matured Interest on Bonds	0	0	8,058	0	8,058
Current Liabilities Payable from Restricted Assets:					
Customer Deposits Payable	1,815	0	0	0	1,815
Deferred Revenue - Current Property Taxes	6,939,109	0	3,515,815	0	10,454,924
Deferred Revenue - Delinquent Property Taxes	120,501	0	61,054	0	181,555
Other Deferred Revenues	667,524	192,614	173,318	0	1,033,456
Total Liabilities	<u>\$ 8,493,802</u>	<u>\$ 229,509</u>	<u>\$ 3,788,245</u>	<u>\$ 223,702</u>	<u>\$ 12,735,258</u>
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 0	\$ 220,376	\$ 0	\$ 0	\$ 220,376
Reserved for Computer System - Register	145,073	0	0	0	145,073
Reserved for Automation Purposes - Circuit Court	640	0	0	0	640
Reserved for Automation Purposes - General Sessions Court	31,535	0	0	0	31,535
Reserved for Automation Purposes - Chancery Court	4,566	0	0	0	4,566
Reserved for Automation Purposes - Sheriff	22,686	0	0	0	22,686
Reserved for Capital Outlay	0	0	0	259,500	259,500
Unreserved, Reported In:					
General Fund	3,277,687	0	0	0	3,277,687
Special Revenue Funds	0	702,349	0	592,425	1,294,774
Debt Service Funds	0	0	16,952,956	0	16,952,956
Total Fund Balances	<u>\$ 3,482,187</u>	<u>\$ 922,725</u>	<u>\$ 16,952,956</u>	<u>\$ 851,925</u>	<u>\$ 22,209,793</u>
Total Liabilities and Fund Balances	<u>\$ 11,975,989</u>	<u>\$ 1,152,234</u>	<u>\$ 20,741,201</u>	<u>\$ 1,075,627</u>	<u>\$ 34,945,051</u>

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

Exhibit B

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

	Major Funds				Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Education Capital Projects	Other Govern- mental Funds	
<b>Revenues</b>						
Local Taxes	\$ 9,033,893	\$ 125,383	\$ 5,267,784	\$ 0	\$ 73,779	\$ 14,500,839
Licenses and Permits	153,020	0	0	0	0	153,020
Fines, Forfeitures, and Penalties	218,810	0	0	0	35,777	254,587
Charges for Current Services	1,899,095	0	0	0	60	1,899,155
Other Local Revenues	1,283,207	156,799	0	0	184,400	1,624,406
Fees Received from County Officials	2,387,662	0	0	0	0	2,387,662
State of Tennessee	1,639,104	2,387,997	0	0	51,620	4,078,721
Federal Government	977,867	0	0	0	0	977,867
Other Governments and Citizens Groups	557,803	0	0	0	0	557,803
<b>Total Revenues</b>	<b>\$ 18,150,461</b>	<b>\$ 2,670,179</b>	<b>\$ 5,267,784</b>	<b>\$ 0</b>	<b>\$ 345,636</b>	<b>\$ 26,434,060</b>
<b>Expenditures</b>						
Current:						
General Government	\$ 2,528,547	\$ 0	\$ 0	\$ 0	\$ 202,418	\$ 2,730,965
Finance	1,466,974	0	0	0	60	1,467,034
Administration of Justice	1,173,822	0	0	0	0	1,173,822
Public Safety	6,339,985	0	0	0	13,809	6,353,794
Public Health and Welfare	2,968,864	0	0	0	1,105,146	4,074,010
Social, Cultural, and Recreational Services	668,247	0	0	0	0	668,247
Agricultural and Natural Resources	119,138	0	0	0	0	119,138
Other Operations	1,312,806	0	0	0	41,891	1,354,697
Highways	0	2,147,245	0	0	63,777	2,211,022
Debt Service:						
Principal on Debt	0	111,111	2,050,500	0	0	2,161,611
Interest on Debt	0	16,889	1,790,992	0	0	1,807,881
Other Debt Service	9,276	0	91,334	45,064	0	145,674
Capital Projects - Donated	0	0	0	16,688,668	0	16,688,668
<b>Total Expenditures</b>	<b>\$ 16,587,659</b>	<b>\$ 2,275,245</b>	<b>\$ 3,932,826</b>	<b>\$ 16,733,732</b>	<b>\$ 1,427,101</b>	<b>\$ 40,956,563</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,562,802	\$ 394,934	\$ 1,334,958	\$ (16,733,732)	\$ (1,081,465)	\$ (14,522,503)
<b>Other Financing Sources (Uses)</b>						
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 338,828	\$ 338,828
Other Loans Issued	54,340	0	0	16,733,732	0	16,788,072

(Continued)

Exhibit B

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

	Major Funds				Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Education Capital Projects	Other Govern- mental Funds	
<u>Other Financing Sources (Uses) (Cont.)</u>						
Transfers In	\$ 0	\$ 0	\$ 0	\$ 0	\$ 895,000	\$ 895,000
Transfers Out	(895,000)	0	0	0	0	(895,000)
Total Other Financing Sources (Uses)	<u>\$ (840,660)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 16,733,732</u>	<u>\$ 1,233,828</u>	<u>\$ 17,126,900</u>
Net Change in Fund Balances	\$ 722,142	\$ 394,934	\$ 1,334,958	\$ 0	\$ 152,363	\$ 2,604,397
Fund Balance, July 1, 2005	<u>2,760,045</u>	<u>527,791</u>	<u>15,617,998</u>	<u>0</u>	<u>699,562</u>	<u>19,605,396</u>
Fund Balance, June 30, 2006	<u>\$ 3,482,187</u>	<u>\$ 922,725</u>	<u>\$ 16,952,956</u>	<u>\$ 0</u>	<u>\$ 851,925</u>	<u>\$ 22,209,793</u>

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

Exhibit C-1

Cumberland County, Tennessee  
Statement of Net Assets  
Proprietary Fund  
June 30, 2006

	Business-type Activities
	<u>Major Fund</u>
	Solid Waste
	<u>Disposal Fund</u>
<u>ASSETS</u>	
Current Assets:	
Cash	\$ 200
Equity in Pooled Cash and Investments	634,983
Accounts Receivable	29,836
Due from Component Units	980
Total Current Assets	<u>\$ 665,999</u>
Noncurrent Assets:	
Capital Assets (Net of Accumulated Depreciation):	
Land	\$ 46,840
Landfill Facilities and Development	1,186,707
Buildings and Improvements	5,015
Machinery and Equipment	11,837
Other Capital Assets	12,251
Total Noncurrent Assets	<u>\$ 1,262,650</u>
Total Assets	<u>\$ 1,928,649</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	\$ 57,427
Retainage Payable	29,212
Total Current Liabilities	<u>\$ 86,639</u>
Noncurrent Liabilities:	
Accrued Liability for Landfill Closure/Postclosure Care Costs	<u>\$ 2,206,583</u>
Total Noncurrent Liabilities	<u>\$ 2,206,583</u>
Total Liabilities	<u>\$ 2,293,222</u>
<u>NET ASSETS</u>	
Invested in Capital Assets	\$ 1,262,650
Unrestricted	<u>(1,627,223)</u>
Total Net Assets	<u>\$ (364,573)</u>

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

Exhibit C-2

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

	Business-type Activities
	<u>Major Fund</u>
	<u>Solid Waste</u>
	<u>Disposal Fund</u>
<hr/>	
<u>Operating Revenues</u>	
Charges for Current Services	\$ 870,997
Total Operating Revenues	<u>\$ 870,997</u>
<u>Operating Expenses</u>	
Public Health and Welfare	\$ 776,485
Depreciation	461,957
Other Charges	4,340
Employee Benefits	15,583
Total Operating Expenses	<u>\$ 1,258,365</u>
Operating Loss	<u>\$ (387,368)</u>
<u>Nonoperating Revenues</u>	
Solid Waste Grants	\$ 40,735
Total Nonoperating Revenue	<u>\$ 40,735</u>
Change in Net Assets	\$ (346,633)
Net Assets, July 1, 2005	(559,587)
Prior Period Adjustment	<u>541,647</u>
Net Assets, June 30, 2006	<u><u>\$ (364,573)</u></u>

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

Exhibit C-3

Cumberland County, Tennessee  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2006

	Business-type Activities
	<u>Major Fund</u>
	Solid Waste
	<u>Disposal Fund</u>
 <u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Receipts from Customers and Users	\$ 859,534
Payments to Suppliers	(114,508)
Payments to Employees	(216,967)
Other Payments	(407,657)
Net Cash Provided By (Used In) Operating Activities	<u>\$ 120,402</u>
 <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Purchase of Capital Assets	\$ (104,203)
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>\$ (104,203)</u>
 <u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>	
Grants Received	\$ 40,735
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>\$ 40,735</u>
Net Increase (Decrease) in Cash	\$ 56,934
Cash, July 1, 2005	<u>578,249</u>
Cash, June 30, 2006	<u><u>\$ 635,183</u></u>
 <u>Reconciliation of Operating Income to Net Cash Provided</u>	
Operating Income (Loss)	\$ (387,368)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:	
Depreciation	461,957
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(11,463)
Increase (Decrease) in Accounts Payable	(35,707)
Increase (Decrease) in Accrued Liability for Landfill Closure Cost	<u>92,983</u>
Net Cash Provided By Operating Activities	<u><u>\$ 120,402</u></u>

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

Exhibit D

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

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 2,201,527
Equity in Pooled Cash and Investments	144,895
Due from Other Governments	<u>1,247,023</u>
Total Assets	<u>\$ 3,593,445</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 144,895
Due to Litigants, Heirs, and Others	2,201,527
Due to Other Taxing Units	<u>1,247,023</u>
Total Liabilities	<u>\$ 3,593,445</u>

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

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

**A. Reporting Entity**

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

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

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

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

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

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

The Cumberland County School Department, the Cumberland County Railroad Authority, and the Cumberland County Emergency Communications District issue separate financial statements from those of the county. The School Department’s and Railroad Authority’s financial statements are published as separate reports, but under the same cover as the county’s financial statements. The Cumberland County Emergency Communications District’s financial statements are published as a separate report. Complete financial statements of the Cumberland County Emergency Communications

District can be obtained from its administrative office at the following address:

Administrative Office:

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

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

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

Separate financial statements are provided for governmental funds, the proprietary fund, and fiduciary funds. Major individual governmental funds and the major enterprise fund are reported as separate columns in the fund financial statements. All other governmental funds are aggregated into a single column on the fund financial statements. The fiduciary funds in total are reported in a single column.

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

Property taxes for the period levied, in-lieu-of tax payments, sales taxes, interest, and miscellaneous taxes are all considered to be susceptible to accrual and have been recognized as revenues of the current period.

Applicable business taxes, litigation taxes, state-shared excise taxes, fines, forfeitures, and penalties are not susceptible to accrual since they are not measurable (reasonably estimable). All other revenue items are considered to be measurable and available only when the county receives cash.

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

Cumberland County reports the following major governmental funds:

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

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

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

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

Cumberland County reports the following major enterprise fund:

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

Additionally, Cumberland County reports the following fund type:

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. The county has one proprietary fund, an enterprise fund used to account for transactions at the county's landfill. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the county's enterprise fund are charges for services. Operating expenses for the enterprise fund include landfill operations and maintenance costs.

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

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

**1. Deposits and Investments**

For purposes of the statement of cash flows, cash includes cash on hand and cash on deposit with the county trustee.

State statutes authorize the government to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; the county's own legally issued bonds or notes; the State Treasurer's Investment Pool; and repurchase agreements.

The county trustee maintains a cash and internal investment pool that is used by all Cumberland County, Cumberland County School Department, and Cumberland County Railroad Authority funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the county's General Fund. Cumberland County, the Cumberland County School Department, and the Cumberland County Railroad Authority have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's

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

## **2. Receivables and Payables**

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

All ambulance and property taxes receivable are shown with an allowance for uncollectibles. Ambulance receivables allowance for uncollectibles is based on historical collection data. The allowance for uncollectible property taxes is equal to 1.76 percent of total taxes levied.

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

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

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current fiscal year. These property taxes receivable are presented on the balance sheet with offsetting deferred revenue to reflect amounts not available as of June 30. Property taxes collected within 30 days after year-end are considered available and accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court

for collection are not included in taxes receivable since they are neither measurable nor available.

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

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

**3. Capital Assets**

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

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

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

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

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

4. **Compensated Absences**

Cumberland County permits employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to governmental employees upon separation of service or annually upon request if certain circumstances apply. The cost of vacation benefits is recognized when payments are made to employees. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Vested or accumulated vacation leave is required to be accrued when incurred in proprietary funds using the accrual basis of accounting. However, these amounts would be immaterial to the financial statements of Cumberland County. The granting of sick leave has no guaranteed payment attached and therefore is not required to be accrued or recorded.

5. **Long-term Obligations**

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

Long-term obligations for landfill closure and postclosure care costs are reported as liabilities in the proprietary fund financial statements.

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

6. **Net Assets and Fund Equity**

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

- a. Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

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

## **7. Prior-period Adjustment**

The beginning fund balance of the Solid Waste Disposal Fund was restated and increased by \$541,647. This adjustment was necessary to correct the beginning balance of estimated closure and postclosure care costs and properly reflect the liability at July 1, 2005.

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

### **A. Budgetary Information**

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

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

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

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

**B. Net Assets Deficit**

The Solid Waste Disposal Fund (enterprise fund) had an unrestricted net assets deficit of \$1,627,223 and a total net assets deficit of \$364,573 at June 30, 2006. This deficit primarily resulted from the recognition of a liability (\$2,206,583) in the financial statements for costs associated with closing the county's landfill and monitoring the landfill for 30 years after its closure. Generally accepted accounting principles and state statutes require that such costs be reflected in the financial statements.

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

Cumberland County, the Cumberland County School Department, and the Cumberland County Railroad Authority participate in an internal cash and investment pool through the Office of Trustee. The Cumberland County School Department and the Cumberland County Railroad Authority meet the criteria for discretely presented component units of Cumberland County. Since Cumberland County is presenting fund financial statements only, the financial information for the Cumberland County School Department and the Cumberland County Railroad Authority is not included in these fund financial statements. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, depositing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Cash and investments reflected in the fund financial statements represent nonpooled amounts held separately by individual funds.

**Deposits**

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

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

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

**Investments**

**Legal Provisions.** Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and the county’s own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer’s Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state director of Local Finance and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government, or obligations guaranteed by the U.S. government, or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the market value of the securities on the day of purchase.

**Investment Balances.** As of June 30, 2006, Cumberland County had the following investments carried at cost. All investments are in the State Treasurer’s Investment Pool. Separate disclosures concerning pooled investments cannot be made for Cumberland County, the Cumberland County School Department, and the Cumberland County Railroad Authority since all pool their deposits and investments through the county trustee.

<u>Investments</u>	<u>Maturities</u>	<u>Cost</u>
State Treasurer's Investment Pool	Daily	\$ 105,809

**Interest Rate Risk.** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State statutes limit the maturities of certain investments as previously disclosed. Cumberland County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Cumberland County has no investment policy that would further limit its investment choices. As of June 30, 2006, Cumberland County's investments in State Treasurer's Investment pool were unrated.

**B. Capital Assets**

Capital assets activity of the proprietary fund for the year ended June 30, 2006, was as follows:

**Business-type Activities:**

	Balance 7-1-05	Increases	Decreases	Balance 6-30-06
Capital Assets Not Depreciated:				
Land	\$ 46,840	\$ 0	\$ 0	\$ 46,840
Construction in Progress	647,680	0	(647,680)	0
<b>Total Capital Assets Not Depreciated</b>	<b>\$ 694,520</b>	<b>\$ 0</b>	<b>\$ (647,680)</b>	<b>\$ 46,840</b>
Capital Assets Depreciated:				
Landfill Facilities and Development	\$ 2,875,957	\$ 633,731	\$ 0	\$ 3,509,688
Buildings and Improvements	13,825	0	0	13,825
Machinery and Equipment	225,704	0	0	225,704
Other Capital Assets	33,800	0	0	33,800
<b>Total Capital Assets Depreciated</b>	<b>\$ 3,149,286</b>	<b>\$ 633,731</b>	<b>\$ 0</b>	<b>\$ 3,783,017</b>
Less Accumulated Depreciation For:				
Landfill Facilities and Development	\$ 1,869,338	\$ 0	\$ 453,643	\$ 2,322,981
Buildings and Improvements	8,119	0	691	8,810
Machinery and Equipment	207,934	0	5,933	213,867
Other Capital Assets	19,859	0	1,690	21,549
<b>Total Accumulated Depreciation</b>	<b>\$ 2,105,250</b>	<b>\$ 0</b>	<b>\$ 461,957</b>	<b>\$ 2,567,207</b>
<b>Total Capital Assets Depreciated, Net</b>	<b>\$ 1,044,036</b>	<b>\$ 633,731</b>	<b>\$ (461,957)</b>	<b>\$ 1,215,810</b>
<b>Business-type Activities Capital Assets, Net</b>	<b>\$ 1,738,556</b>	<b>\$</b>	<b>\$ (1,109,637)</b>	<b>\$ 1,262,650</b>

**C. Construction Commitments**

At June 30, 2006, the Highway Department had uncompleted construction contracts of approximately \$220,376 for work on four roads. Funding for these future expenditures is expected to be received from state grants.

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

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

**Due to/from other funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 141,588

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

A portion of the receivable in the General Fund (\$65,000) was in transit from the Solid Waste/Sanitation Fund at June 30, 2006.

**Due to/from primary government and component units:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary government:	Component Unit:	
General	Education Capital Projects	\$ 45,064
Solid Waste Disposal	General Purpose School	980

**Interfund Transfers:**

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

<u>Transfers Out</u>	<u>Transfers In</u> Nonmajor Govern- mental Funds
General Fund	\$ <u>895,000</u>

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

**E. Long-term Debt**

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

**General Obligation Bonds, Notes, and Other Loans**

The county issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities. In addition, general obligation bonds have been issued to refund other general obligation bonds. Capital outlay notes are also issued to fund capital facilities and other capital outlay purchases, such as equipment.

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to seven years for bonds, up to seven years for notes, and up to 35 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds, other loans, and notes included in long-term debt as of June 30, 2006, will be retired from the General Debt Service, Courthouse and Jail Maintenance, or Highway/Public Works Funds.

General obligation bonds, capital outlay notes, and other loans outstanding as of June 30, 2006, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-06
General Obligation Bonds -			
Refunding	4 %	\$ 3,085,000	\$ 2,325,000
Capital Outlay Notes	2.66 to 4.6	2,714,495	1,623,773
Other Loans	Variable	27,854,340	26,309,340
Other Loans - Synthetic			
Fixed by Swap	3.702 to 4.3	24,150,166	24,150,166

Cumberland County has entered into various loan agreements with the Sevier County Public Building Authority and the Blount County Public Building Authority (PBAs) to finance various capital projects for the discretely presented Cumberland County School Department. Under the loan agreements, the PBAs issued revenue bonds and made the proceeds available for loan to Cumberland County. In addition to repaying the loans, the county pays various other fees (trustee, debt remarketing, etc.) in connection with these loans. The following table summarizes loan agreements outstanding at June 30, 2006:

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-06	Interest Type	Approximate	
				Interest Rates as of 6-30-06	Fee Rates as of 6-30-06
Sevier County PBA:					
Series III-B-4	\$ 6,000,000	\$ 4,455,000	Variable	4 %	0.49%
Series IV-F-2	7,500,000	7,500,000	Synthetic	4.07	0.445
			Fixed by Swap		
Series IV-H-2	6,650,166	6,650,166	Synthetic	4.30	0.45
			Fixed by Swap		
Series A-7-A	5,000,000	5,000,000	Variable	4	0.46
Series VI-C-2	10,000,000	10,000,000	Synthetic	3.702	0.45
			Fixed by Swap		
Blount County PBA:					
Series D-1-C	10,000,000	10,000,000	Variable	3.907	0.45
Series D-5-B	6,854,340	6,854,340	Variable	3.907	0.45

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

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2007	\$ 750,000	\$ 93,000	\$ 1,008,349	\$ 37,821
2008	775,000	63,000	210,904	13,195
2009	800,000	32,000	210,904	6,597
2010	0	0	48,404	0
2011	0	0	48,404	0
2012-2013	0	0	96,808	0
Total	\$ 2,325,000	\$ 188,000	\$ 1,623,773	\$ 57,613

Year Ending June 30	Other Loan (\$6,000,000)			Total
	Principal	Interest	Other Fees	
2007	\$ 270,000	\$ 240,000	\$ 30,900	\$ 540,900
2008	285,000	229,200	29,509	543,709
2009	305,000	217,800	28,042	550,842
2010	320,000	205,600	26,471	552,071
2011	335,000	192,800	24,823	552,623
2012-2016	1,985,000	746,800	96,151	2,827,951
2017-2018	955,000	181,400	23,355	1,159,755
Total	\$ 4,455,000	\$ 2,013,600	\$ 259,251	\$ 6,727,851

Year Ending June 30	Other Loan (\$7,500,000)			Total
	Principal	Interest	Other Fees	
2007	\$ 0	\$ 305,250	\$ 33,375	\$ 338,625
2008	0	305,250	33,375	338,625
2009	0	305,250	33,375	338,625
2010	450,000	305,250	33,375	788,625
2011	475,000	286,935	31,372	793,307
2012-2016	2,750,000	1,125,762	123,087	3,998,849
2017-2020	3,825,000	440,171	48,127	4,313,298
Total	\$ 7,500,000	\$ 3,073,868	\$ 336,086	\$ 10,909,954

Year Ending June 30	Other Loan (\$6,650,166)			Total
	Principal	Interest	Other Fees	
2007	\$ 0	\$ 285,950	\$ 29,926	\$ 315,876
2008	0	285,950	29,926	315,876
2009	0	285,950	29,926	315,876
2010	0	285,950	29,926	315,876
2011	0	285,950	29,926	315,876
2012-2016	0	1,429,750	149,629	1,579,379
2017-2021	530,000	1,429,750	149,629	2,109,379
2022-2026	4,945,000	915,678	95,831	5,956,509
2027	1,175,166	50,532	5,286	1,230,984
Total	\$ 6,650,166	\$ 5,255,460	\$ 550,005	\$ 12,455,631

Year Ending June 30	Other Loan (\$5,000,000)			
	Principal	Interest	Other Fees	Total
2007	\$ 0	\$ 200,000	\$ 23,000	\$ 223,000
2008	0	200,000	23,000	223,000
2009	0	200,000	23,000	223,000
2010	0	200,000	23,000	223,000
2011	0	200,000	23,000	223,000
2012-2016	0	1,000,000	115,000	1,115,000
2017-2021	0	1,000,000	115,000	1,115,000
2022-2026	0	1,000,000	115,000	1,115,000
2027-2031	5,000,000	713,600	82,064	5,795,664
Total	\$ 5,000,000	\$ 4,713,600	\$ 542,064	\$ 10,255,664

Year Ending June 30	Other Loan (\$10,000,000)			
	Principal	Interest	Other Fees	Total
2007	\$ 0	\$ 370,200	\$ 45,000	\$ 415,200
2008	0	370,200	45,000	415,200
2009	0	370,200	45,000	415,200
2010	0	370,200	45,000	415,200
2011	0	370,200	45,000	415,200
2012-2016	0	1,851,000	225,000	2,076,000
2017-2021	0	1,851,000	225,000	2,076,000
2022-2026	0	1,851,000	225,000	2,076,000
2027-2031	0	1,851,000	225,000	2,076,000
2032-2036	5,800,000	1,442,855	175,387	7,418,242
2037-2039	4,200,000	316,521	38,475	4,554,996
Total	\$ 10,000,000	\$ 11,014,376	\$ 1,338,862	\$ 22,353,238

Year Ending June 30	Other Loan (\$10,000,000)			
	Principal	Interest	Other Fees	Total
2007	\$ 0	\$ 390,700	\$ 45,000	\$ 435,700
2008	0	390,700	45,000	435,700
2009	0	390,700	45,000	435,700
2010	0	390,700	45,000	435,700
2011	0	390,700	45,000	435,700
2012-2016	0	1,953,500	225,000	2,178,500
2017-2021	0	1,953,500	225,000	2,178,500
2022-2026	3,550,000	1,742,522	200,700	5,493,222
2027-2031	5,000,000	881,029	101,475	5,982,504
2032	1,450,000	56,651	6,525	1,513,176
Total	\$ 10,000,000	\$ 8,540,702	\$ 983,700	\$ 19,524,402

Year Ending June 30	Other Loan (\$8,200,000)			
	Principal	Interest	Other Fees	Total
2007	\$ 50,000	\$ 320,374	\$ 36,900	\$ 407,274
2008	300,000	318,421	36,675	655,096
2009	325,000	306,699	35,325	667,024
2010	425,000	294,002	33,863	752,865
2011	425,000	277,397	31,950	734,347
2012-2016	2,400,000	1,124,239	129,487	3,653,726
2017-2021	2,929,340	621,213	71,550	3,622,103
Total	\$ 6,854,340	\$ 3,262,345	\$ 375,750	\$ 10,492,435

There is \$16,952,956 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$50, based on the 2000 federal census. Debt per capita, including bonds, other loans, and notes, totaled \$1,163, based on the 2000 federal census.

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

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

**Terms.** Under the swap, the authority pays the counterparty a fixed payment of 3.9 percent and receives a variable payment computed as 70 percent of the one-month London Interbank Offered Rate (LIBOR). The swap has a notional amount of \$7.5 million and the associated variable-rate bond has a \$7.5 million principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the Series IV-F-2 bonds. The bonds' variable-rates have historically approximated the Bond Market Association Municipal Index (BMA). The bonds and the related swap agreement mature on June 1, 2020. As of June 30, 2006, rates were as follows:

	Terms	Rates
Interest rate swap:		
Fixed payment to counterparty	Fixed	3.90 %
Variable payment from counterparty	70% of LIBOR	3.74
Net interest rate swap payments		0.16 %
Variable-rate bond payments		3.91
Synthetic interest rate on bonds		4.07 %

**Fair value.** As of June 30, 2006, the swap had a negative fair value of \$101,415. The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the rates on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates and then discounts those cash flows at their present value.

**Credit risk.** As of June 30, 2006, the county was not exposed to credit risk because the swap had a negative fair value. However, if interest rates change and the fair value of the swap becomes positive, the county would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was unrated at the time of the swap. In order to mitigate the potential for credit risk, the authority, on behalf of the county, received a Financial Guarantee Insurance Policy for the swap agreement from Ambac Assurance Corporation, which was rated AAA by Standard and Poor's and Fitch and Aaa by Moody's Investor Service as of June 30, 2006. If Ambac's credit rating is downgraded, the counterparty is required to post collateral with a third-party custodian.

**Basis risk.** As noted above, the swap exposes the county to basis risk if BMA increases to above 70 percent of LIBOR, thus increasing the synthetic rate on the bonds. If a change occurs that results in the BMA to be below 70 percent of LIBOR, then the synthetic rate on the bonds will decrease. The effect of this difference in basis points is indicated by the difference between the rate paid to the counterparty of 3.9 percent and the synthetic rate of 4.07 percent as of June 30, 2006. Also, as of June 30, 2006, the BMA rate was 3.91 percent whereas 70 percent of LIBOR was 3.74 percent.

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

**Swap payments and associated debt.** As of June 30, 2006, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Variable Rate Bonds		Net Interest Rate Swap		Total
	Principal	Interest	Payment		
2007	\$ 0	\$ 293,250	\$ 12,000	\$	305,250
2008	0	293,250	12,000		305,250
2009	0	293,250	12,000		305,250
2010	450,000	293,250	12,000		755,250
2011	475,000	275,655	11,280		761,935
2012-2016	2,750,000	1,081,506	44,256		3,875,762
2017-2020	3,825,000	422,867	17,304		4,265,171
<b>Total</b>	<b>\$ 7,500,000</b>	<b>\$ 2,953,028</b>	<b>\$ 120,840</b>	<b>\$</b>	<b>10,573,868</b>

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

**Objective of the interest rate swap.** In order to protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the county requested the authority, on its behalf, to enter into an interest rate swap in connection with its \$6.95 million Series IV-H-2 variable-rate bonds. The intention of the swap was to effectively change the county's variable interest rate on the bonds to a synthetic fixed rate.

**Terms.** Under the swap, the authority pays the counterparty a fixed payment of 4.13 percent and receives a variable payment computed as 70 percent of the one-month London Interbank Offered Rate (LIBOR). The swap has a notional amount of \$6,650,166, and the associated variable-rate bond has a \$6,650,166 principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the Series IV-H-2 bonds. The bonds' variable-rates have historically approximated the Bond Market Association Municipal Index (BMA). The bonds and the related swap agreement mature on June 1, 2027. As of June 30, 2006, rates were as follows:

	Terms	Rates
Interest rate swap:		
Fixed payment to counterparty	Fixed	4.13 %
Variable payment from counterparty	70% of LIBOR	3.73
Net interest rate swap payments		0.40 %
Variable-rate bond payments		3.90
Synthetic interest rate on bonds		4.30 %

**Fair value.** As of June 30, 2006, the swap had a negative fair value of \$268,858. The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the rates on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates, and then discounts those cash flows at their present value.

**Credit risk.** As of June 30, 2006, the county was not exposed to credit risk because the swap had a negative fair value. However, if interest rates change and the fair value of the swap becomes positive, the county would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was unrated at the time of the swap. In order to mitigate the potential for credit risk, the authority, on behalf of the county, received a Financial Guarantee Insurance Policy for the swap agreement from Ambac Assurance Corporation, which was rated AAA by Standard and Poor's and Fitch and Aaa by Moody's Investor Service as of June 30, 2006. If Ambac's credit rating is downgraded, the counterparty is required to post collateral with a third-party custodian.

**Basis risk.** As noted above, the swap exposes the county to basis risk if BMA increases to above 70 percent of LIBOR, thus increasing the synthetic rate on the bonds. If a change occurs that results in the BMA to be below 70 percent of LIBOR, then the synthetic rate on the bonds will decrease. The effect of this difference in basis points is indicated by the difference between the rate paid to the counterparty of 4.13 percent and the synthetic rate of 4.3 percent as of June 30, 2006. Also, as of June 30, 2006, the BMA rate was 3.9 percent whereas 70 percent of LIBOR was 3.73 percent.

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

**Swap payments and associated debt.** As of June 30, 2006, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Variable Rate Bonds		Net Interest	Total
	Principal	Interest	Rate Swap Payment	
2007	\$ 0	\$ 260,015	\$ 25,935	\$ 285,950
2008	0	260,015	25,935	285,950
2009	0	260,015	25,935	285,950
2010	0	260,015	25,935	285,950
2011	0	260,015	25,935	285,950
2012-2016	0	1,300,075	129,675	1,429,750
2017-2021	530,000	1,300,075	129,675	1,959,750
2022-2027	6,120,166	878,577	87,633	7,086,376
<b>Total</b>	<b>\$ 6,650,166</b>	<b>\$ 4,778,802</b>	<b>\$ 476,658</b>	<b>\$ 11,905,626</b>

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

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

**Terms.** Under the swap, the authority pays the counterparty a fixed payment of 3.293 percent and receives a variable payment computed as 59 percent of the one-month London Interbank Offered Rate (LIBOR) plus 35 basis points. The swap has a notional amount of \$10 million, and the associated variable-rate bond has a \$10 million principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the Series VI-C-2 bonds. The bonds' variable-rates have historically approximated the Bond Market Association Municipal Index (BMA). The bonds and the related swap agreement mature on June 1, 2039. As of June 30, 2006, rates were as follows:

	Terms	Rates
Interest rate swap:		
Fixed payment to counterparty	Fixed	3.293 %
Variable payment from counterparty	59% of LIBOR + 35 basis points	-3.501
Net interest rate swap payments		0.208 %
Variable-rate bond payments		3.910
Synthetic interest rate on bonds		3.702 %

**Fair value.** As of June 30, 2006, the swap had a positive fair value of \$357,016. The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the rates on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates, and then discounts those cash flows at their present value.

**Credit risk.** As of June 30, 2006, the county was not exposed to credit risk because the swap had a negative fair value. However, if interest rates change and the fair value of the swap becomes positive, the county would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was unrated at the time of the swap. In order to mitigate the potential for credit risk, the authority, on behalf of the county, received a Financial Guarantee Insurance Policy for the swap agreement from Ambac Assurance Corporation, which was rated AAA by Standard and Poor's and Fitch and Aaa by Moody's Investor Service as of June 30, 2006. If Ambac's credit rating is downgraded, the counterparty is required to post collateral with a third-party custodian.

**Basis risk.** As noted above, the swap exposes the county to basis risk if BMA increases to above 59 percent of LIBOR plus the 35 basis points, thus increasing the synthetic rate on the bonds. If a change occurs that results in the BMA to be below 59 percent of LIBOR plus the 35 basis points, then the synthetic rate on the bonds will decrease. The effect of this difference in basis points is indicated by the difference between the rate paid to the counterparty of 3.293 percent and the synthetic rate of 3.702 percent as of June 30, 2006. Also, as of June 30, 2006, the BMA rate was 3.91 percent whereas 59 percent of LIBOR plus 35 basis points was 3.501 percent.

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

**Swap payments and associated debt.** As of June 30, 2006, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Variable Rate Bonds		Net Interest	Total
	Principal	Interest	Rate Swap Payment	
2007	\$ 0	\$ 391,000	\$ (20,800)	\$ 370,200
2008	0	391,000	(20,800)	370,200
2009	0	391,000	(20,800)	370,200
2010	0	391,000	(20,800)	370,200
2011	0	391,000	(20,800)	370,200
2012-2016	0	1,955,000	(104,000)	1,851,000
2017-2021	0	1,955,000	(104,000)	1,851,000
2022-2027	0	2,346,000	(124,800)	2,221,200
2028-2032	1,050,000	1,955,000	(104,000)	2,901,000
2033-2037	6,075,000	1,297,143	(69,004)	7,303,139
2038-2039	2,875,000	170,085	(9,048)	3,036,037
<b>Total</b>	<b>\$ 10,000,000</b>	<b>\$ 11,633,228</b>	<b>\$ (618,852)</b>	<b>\$ 21,014,376</b>

#### Changes in Long-term Liabilities

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

##### Governmental Activities:

	Bonds	Notes	Other Loans
Balance, July 1, 2005	\$ 3,600,000	\$ 1,911,556	\$ 33,931,434
Additions	0	338,828	16,788,072
Deductions	(1,275,000)	(626,611)	(260,000)
Balance, June 30, 2006	<u>\$ 2,325,000</u>	<u>\$ 1,623,773</u>	<u>\$ 50,459,506</u>
Balance Due Within One Year	<u>\$ 750,000</u>	<u>\$ 1,008,349</u>	<u>\$ 320,000</u>

#### Cumberland County Solid Waste Disposal Fund (Enterprise Fund)

Long-term liability activity for the Solid Waste Disposal Fund (enterprise fund) for the year ended June 30, 2006, was as follows:

##### Business-type Activities:

	Closure/ Postclosure Care Costs
Balance, July 1, 2005	\$ 2,655,247
Additions	113,051
Deductions	(20,068)
Prior-Period Adjustment	(541,647)
Balance, June 30, 2006	<u>\$ 2,206,583</u>
Balance Due Within One Year	<u>\$ 12,700</u>

#### IV. OTHER INFORMATION

##### A. Risk Management

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

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

##### B. Accounting Changes

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

The provisions of GASB Statement No. 44, Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1) became effective for the year ended June 30, 2006. GASB Statement No. 44 applies to the preparation of the statistical section. State and local governments

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

The provisions of GASB Statement No. 46, Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34 became effective for the year ended June 30, 2006. GASB Statement No. 46 provides guidance to determine when net assets have been restricted to a particular use by the passage of enabling legislation and specifies how those net assets should be reported in financial statements when there are changes in the circumstances surrounding such legislation. The statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation as of the end of the reporting period. Cumberland County had no net assets restricted by enabling legislation to disclose as of June 30, 2006. But it is reasonably expected that Cumberland County will be required to disclose net assets restricted by enabling legislation in subsequent years.

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

### **C. Subsequent Event**

On September 31, 2006, Brenda Hyder left the Office of County Clerk and was succeeded by Jule Bryson.

**D. Contingent Liabilities**

The county attorney is not aware of any pending or threatened lawsuits.

**E. Landfill Closure/Postclosure Care Costs**

State and federal laws and regulations require the county to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. These closure and postclosure care costs generally are paid near or after the date that the landfill stops accepting waste. The Solid Waste Disposal Fund reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$2,206,583 reported as landfill closure and postclosure care liability at June 30, 2006, represents the cumulative amount reported to date based on the use of 100 percent of the capacity of the old landfill (\$296,258), which was closed during the 1999-2000 year; 64 percent of the estimated capacity of the new Class I landfill (\$904,408); and 64 percent of the capacity of the Class III/IV landfill (\$1,005,917). The new Class I (\$508,729) and the Class III/IV (\$541,647) landfills will recognize the remaining estimated cost of closure care as the remaining estimated capacity is filled. The county expects to close the new Class I landfill in October 2009 and the Class III/IV landfill in August 2009. These amounts are based on what it would cost to perform all closure and postclosure care in 2006. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

**F. Retirement Commitments**

**Plan Description**

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

plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

### **Funding Policy**

Cumberland County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2006, was 6.98 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Cumberland County is established and may be amended by the TCRS Board of Trustees.

### **Annual Pension Cost**

For the year ended June 30, 2006, Cumberland County's annual pension cost of \$996,695 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2003, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Cumberland County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was ten years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

**Trend Information**

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-06	\$996,695	100%	\$0
6-30-05	932,548	100	0
6-30-04	743,038	100	0

**Schedule of Funding Progress**

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-05	\$23,091	\$25,256	\$2,165	91.43%	\$13,251	16.34%
6-30-03	19,399	21,840	2,441	88.82	12,116	20.15
6-30-01	16,286	19,020	2,734	85.63	10,585	25.83

**G. Office of Central Accounting and Budgeting**

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

**H. Purchasing Law**

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

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 9,033,893	\$ 0	\$ 9,033,893	\$ 8,780,765	\$ 8,786,765	\$ 247,128
Licenses and Permits	153,020	0	153,020	153,000	153,000	20
Fines, Forfeitures, and Penalties	218,810	0	218,810	247,200	247,200	(28,390)
Charges for Current Services	1,899,095	0	1,899,095	2,043,600	2,043,600	(144,505)
Other Local Revenues	1,283,207	0	1,283,207	584,900	584,900	698,307
Fees Received from County Officials	2,387,662	0	2,387,662	2,238,000	2,238,000	149,662
State of Tennessee	1,639,104	0	1,639,104	1,688,815	1,585,815	53,289
Federal Government	977,867	0	977,867	1,491,893	1,899,178	(921,311)
Other Governments and Citizens Groups	557,803	0	557,803	494,426	494,426	63,377
Total Revenues	\$ 18,150,461	\$ 0	\$ 18,150,461	\$ 17,722,599	\$ 18,032,884	\$ 117,577
<u>Expenditures</u>						
<u>General Government</u>						
County Commission	\$ 243,413	\$ 0	\$ 243,413	\$ 2,780,486	\$ 2,785,486	\$ 2,542,073
Board of Equalization	2,800	0	2,800	2,800	2,800	0
Beer Board	2,478	0	2,478	3,939	3,939	1,461
County Mayor/Executive	163,894	(5,860)	158,034	173,927	173,402	15,368
County Attorney	45,688	0	45,688	60,000	60,000	14,312
Election Commission	505,799	0	505,799	256,091	525,218	19,419
Register of Deeds	251,639	0	251,639	300,725	299,739	48,100
County Buildings	887,247	(16,034)	871,213	902,025	915,609	44,396
Other General Administration	425,589	0	425,589	401,570	432,748	7,159
<u>Finance</u>						
Accounting and Budgeting	368,598	0	368,598	404,682	404,218	35,620
Property Assessor's Office	400,059	0	400,059	428,869	427,705	27,646
Reappraisal Program	119,828	0	119,828	124,689	124,340	4,512
County Trustee's Office	241,780	0	241,780	246,002	246,712	4,932

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Finance (Cont.)</u>						
County Clerk's Office	\$ 336,709	\$ 0	\$ 336,709	\$ 388,176	\$ 388,176	\$ 51,467
<u>Administration of Justice</u>						
Circuit Court	441,085	0	441,085	471,994	469,651	28,566
General Sessions Court	174,175	0	174,175	177,688	177,553	3,378
Chancery Court	167,138	0	167,138	174,728	175,219	8,081
Juvenile Court	80,224	0	80,224	84,056	83,442	3,218
Judicial Commissioners	154,262	0	154,262	173,766	172,630	18,368
Probate Court	156,938	0	156,938	170,123	168,941	12,003
<u>Public Safety</u>						
Sheriff's Department	2,141,601	0	2,141,601	2,264,893	2,248,242	106,641
Drug Enforcement	0	0	0	0	28,200	28,200
Jail	2,350,798	0	2,350,798	3,942,840	3,957,165	1,606,367
Juvenile Services	108,987	0	108,987	122,299	121,070	12,083
Fire Prevention and Control	745,192	(42,044)	703,148	700,749	783,602	80,454
Civil Defense	174,075	(123)	173,952	184,349	218,175	44,223
Rescue Squad	8,500	0	8,500	8,500	8,500	0
Other Emergency Management	727,106	0	727,106	760,054	752,730	25,624
County Coroner/Medical Examiner	61,690	0	61,690	52,000	62,000	310
Other Public Safety	22,036	0	22,036	22,247	22,247	211
<u>Public Health and Welfare</u>						
Local Health Center	520,222	0	520,222	788,060	779,400	259,178
Rabies and Animal Control	101,860	0	101,860	103,276	102,569	709
Ambulance/Emergency Medical Services	2,206,536	0	2,206,536	2,518,853	2,523,326	316,790
Alcohol and Drug Programs	82,746	0	82,746	83,026	82,887	141
Appropriation to State	57,500	0	57,500	57,500	57,500	0

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Social, Cultural, and Recreational Services</u>						
Senior Citizens Assistance	\$ 28,000	\$ 0	\$ 28,000	\$ 28,000	\$ 28,000	\$ 0
Libraries	338,795	0	338,795	346,892	346,691	7,896
Parks and Fair Boards	254,652	0	254,652	207,288	283,848	29,196
Other Social, Cultural, and Recreational	46,800	0	46,800	46,800	46,800	0
<u>Agriculture &amp; Natural Resources</u>						
Agriculture Extension Service	82,593	0	82,593	84,391	84,391	1,798
Soil Conservation	36,545	0	36,545	38,002	37,780	1,235
<u>Other Operations</u>						
Tourism	84,861	0	84,861	885,000	885,000	800,139
Other Economic and Community Development	465,818	0	465,818	466,006	476,006	10,188
Veterans' Services	4,950	0	4,950	4,950	4,950	0
Other Charges	370,542	0	370,542	450,000	450,000	79,458
Contributions to Other Agencies	28,212	0	28,212	25,000	35,000	6,788
Employee Benefits	300,821	0	300,821	283,000	300,000	(821)
Miscellaneous	57,602	0	57,602	60,500	60,500	2,898
<u>Other Debt Service</u>						
General Government	9,276	0	9,276	0	9,276	0
<u>Capital Projects</u>						
Other General Government Projects	0	0	0	100,000	0	0
Total Expenditures	\$ 16,587,659	\$ (64,061)	\$ 16,523,598	\$ 22,360,811	\$ 22,833,383	\$ 6,309,785
Excess (Deficiency) of Revenues						
Over Expenditures	\$ 1,562,802	\$ 64,061	\$ 1,626,863	\$ (4,638,212)	\$ (4,800,499)	\$ 6,427,362
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 4,012,300	\$ 4,012,300	\$ (4,012,300)

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Other Financing Sources (Uses) (Cont.)</u>						
Other Loans Issued	\$ 54,340	\$ 0	\$ 54,340	\$ 0	\$ 54,340	\$ 0
Transfers Out	(895,000)	0	(895,000)	(895,000)	(895,000)	0
Total Other Financing Sources (Uses)	\$ (840,660)	\$ 0	\$ (840,660)	\$ 3,117,300	\$ 3,171,640	\$ (4,012,300)
Net Change in Fund Balance	\$ 722,142	\$ 64,061	\$ 786,203	\$ (1,520,912)	\$ (1,628,859)	\$ 2,415,062
Fund Balance, July 1, 2005	2,760,045	(64,061)	2,695,984	2,623,295	2,623,295	72,689
Fund Balance, June 30, 2006	\$ 3,482,187	\$ 0	\$ 3,482,187	\$ 1,102,383	\$ 994,436	\$ 2,487,751

Exhibit E-2

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 125,383	\$ 0	\$ 125,383	\$ 155,000	\$ 155,000	\$ (29,617)
Other Local Revenues	156,799	0	156,799	1,000	105,300	51,499
State of Tennessee	2,387,997	0	2,387,997	2,503,013	2,503,013	(115,016)
Federal Government	0	0	0	37,600	37,600	(37,600)
<b>Total Revenues</b>	<b>\$ 2,670,179</b>	<b>\$ 0</b>	<b>\$ 2,670,179</b>	<b>\$ 2,696,613</b>	<b>\$ 2,800,913</b>	<b>\$ (130,734)</b>
<u>Expenditures</u>						
<u>Highways</u>						
Administration	\$ 130,884	\$ 0	\$ 130,884	\$ 137,749	\$ 137,749	\$ 6,865
Highway and Bridge Maintenance	1,313,698	0	1,313,698	1,757,940	1,770,740	457,042
Operation and Maintenance of Equipment	288,105	0	288,105	288,460	292,960	4,855
Other Charges	105,256	0	105,256	119,700	120,900	15,644
Employee Benefits	70,596	0	70,596	71,000	71,000	404
Capital Outlay	238,706	220,376	459,082	403,800	508,100	49,018
<u>Principal on Debt</u>						
Highways and Streets	111,111	0	111,111	111,111	111,111	0
<u>Interest on Debt</u>						
Highways and Streets	16,889	0	16,889	20,000	20,000	3,111
<b>Total Expenditures</b>	<b>\$ 2,275,245</b>	<b>\$ 220,376</b>	<b>\$ 2,495,621</b>	<b>\$ 2,909,760</b>	<b>\$ 3,032,560</b>	<b>\$ 536,939</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 394,934	\$ (220,376)	\$ 174,558	\$ (213,147)	\$ (231,647)	\$ 406,205
Net Change in Fund Balance	\$ 394,934	\$ (220,376)	\$ 174,558	\$ (213,147)	\$ (231,647)	\$ 406,205
Fund Balance, July 1, 2005	527,791	0	527,791	525,177	525,177	2,614
<b>Fund Balance, June 30, 2006</b>	<b>\$ 922,725</b>	<b>\$ (220,376)</b>	<b>\$ 702,349</b>	<b>\$ 312,030</b>	<b>\$ 293,530</b>	<b>\$ 408,819</b>

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

**BUDGETARY INFORMATION**

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

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

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

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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

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

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

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

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

Exhibit F-1

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

	<u>Special Revenue Funds</u>				
	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees	Total Nonmajor Governmental Funds
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 72,660	\$ 72,660
Equity in Pooled Cash and Investments	558,545	276,859	157,316	0	992,720
Accounts Receivable	0	0	0	3,928	3,928
Due from Other Governments	0	6,319	0	0	6,319
Total Assets	<u>\$ 558,545</u>	<u>\$ 283,178</u>	<u>\$ 157,316</u>	<u>\$ 76,588</u>	<u>\$ 1,075,627</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 79,328	\$ 59,519	\$ 8,267	\$ 0	\$ 147,114
Due to Other Funds	0	0	0	76,588	76,588
Total Liabilities	<u>\$ 79,328</u>	<u>\$ 59,519</u>	<u>\$ 8,267</u>	<u>\$ 76,588</u>	<u>\$ 223,702</u>
<u>Fund Balances</u>					
Reserved for Capital Outlay	\$ 259,500	\$ 0	\$ 0	\$ 0	\$ 259,500
Unreserved	219,717	223,659	149,049	0	592,425
Total Fund Balances	<u>\$ 479,217</u>	<u>\$ 223,659</u>	<u>\$ 149,049</u>	<u>\$ 0</u>	<u>\$ 851,925</u>
Total Liabilities and Fund Balances	<u>\$ 558,545</u>	<u>\$ 283,178</u>	<u>\$ 157,316</u>	<u>\$ 76,588</u>	<u>\$ 1,075,627</u>

Exhibit F-2

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

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees	
<u>Revenues</u>					
Local Taxes	\$ 73,779	\$ 0	\$ 0	\$ 0	\$ 73,779
Fines, Forfeitures, and Penalties	0	400	35,377	0	35,777
Charges for Current Services	0	0	0	60	60
Other Local Revenues	0	184,400	0	0	184,400
State of Tennessee	0	51,620	0	0	51,620
Total Revenues	<u>\$ 73,779</u>	<u>\$ 236,420</u>	<u>\$ 35,377</u>	<u>\$ 60</u>	<u>\$ 345,636</u>
<u>Expenditures</u>					
Current:					
General Government	\$ 202,418	\$ 0	\$ 0	\$ 0	\$ 202,418
Finance	0	0	0	60	60
Public Safety	0	0	13,809	0	13,809
Public Health and Welfare	0	1,105,146	0	0	1,105,146
Other Operations	749	40,890	252	0	41,891
Highways	0	63,777	0	0	63,777
Total Expenditures	<u>\$ 203,167</u>	<u>\$ 1,209,813</u>	<u>\$ 14,061</u>	<u>\$ 60</u>	<u>\$ 1,427,101</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (129,388)</u>	<u>\$ (973,393)</u>	<u>\$ 21,316</u>	<u>\$ 0</u>	<u>\$ (1,081,465)</u>
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 338,828	\$ 0	\$ 0	\$ 0	\$ 338,828
Transfers In	0	895,000	0	0	895,000
Total Other Financing Sources (Uses)	<u>\$ 338,828</u>	<u>\$ 895,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,233,828</u>
Net Change in Fund Balances	\$ 209,440	\$ (78,393)	\$ 21,316	\$ 0	\$ 152,363
Fund Balance, July 1, 2005	269,777	302,052	127,733	0	699,562
Fund Balance, June 30, 2006	<u>\$ 479,217</u>	<u>\$ 223,659</u>	<u>\$ 149,049</u>	<u>\$ 0</u>	<u>\$ 851,925</u>

Exhibit F-3

Cumberland County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Courthouse & Jail Maintenance Fund  
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 73,779	\$ 89,000	\$ 89,000	\$ (15,221)
Total Revenues	\$ 73,779	\$ 89,000	\$ 89,000	\$ (15,221)
<u>Expenditures</u>				
<u>General Government</u>				
County Buildings	\$ 202,418	\$ 127,500	\$ 466,328	\$ 263,910
<u>Other Operations</u>				
Other Charges	749	1,500	1,500	751
Total Expenditures	\$ 203,167	\$ 129,000	\$ 467,828	\$ 264,661
Excess (Deficiency) of Revenues Over Expenditures	\$ (129,388)	\$ (40,000)	\$ (378,828)	\$ 249,440
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 338,828	\$ 0	\$ 338,828	\$ 0
Total Other Financing Sources (Uses)	\$ 338,828	\$ 0	\$ 338,828	\$ 0
Net Change in Fund Balance	\$ 209,440	\$ (40,000)	\$ (40,000)	\$ 249,440
Fund Balance, July 1, 2005	269,777	269,777	269,777	0
Fund Balance, June 30, 2006	\$ 479,217	\$ 229,777	\$ 229,777	\$ 249,440

Exhibit F-4

Cumberland County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Solid Waste/Sanitation Fund  
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 400	\$ 400	\$ 400	\$ 0
Other Local Revenues	184,400	165,000	165,000	19,400
State of Tennessee	51,620	36,749	36,749	14,871
<b>Total Revenues</b>	<b>\$ 236,420</b>	<b>\$ 202,149</b>	<b>\$ 202,149</b>	<b>\$ 34,271</b>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Waste Pickup	\$ 377,691	\$ 399,760	\$ 398,720	\$ 21,029
Convenience Centers	537,653	606,679	606,021	68,368
Recycling Center	189,802	236,815	236,267	46,465
<u>Other Operations</u>				
Other Charges	1,893	2,000	2,000	107
Employee Benefits	38,997	39,000	39,000	3
<u>Highways</u>				
Litter and Trash Collection	63,777	63,642	63,051	(726)
<b>Total Expenditures</b>	<b>\$ 1,209,813</b>	<b>\$ 1,347,896</b>	<b>\$ 1,345,059</b>	<b>\$ 135,246</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (973,393)	\$ (1,145,747)	\$ (1,142,910)	\$ 169,517
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 895,000	\$ 895,000	\$ 895,000	\$ 0
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 895,000</b>	<b>\$ 895,000</b>	<b>\$ 895,000</b>	<b>\$ 0</b>
Net Change in Fund Balance	\$ (78,393)	\$ (250,747)	\$ (247,910)	\$ 169,517
Fund Balance, July 1, 2005	302,052	319,286	319,286	(17,234)
<b>Fund Balance, June 30, 2006</b>	<b>\$ 223,659</b>	<b>\$ 68,539</b>	<b>\$ 71,376</b>	<b>\$ 152,283</b>

Exhibit F-5

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 35,377	\$ 29,000	\$ 29,000	\$ 6,377
Total Revenues	\$ 35,377	\$ 29,000	\$ 29,000	\$ 6,377
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 13,809	\$ 28,900	\$ 28,900	\$ 15,091
<u>Other Operations</u>				
Other Charges	252	300	300	48
Total Expenditures	\$ 14,061	\$ 29,200	\$ 29,200	\$ 15,139
Excess (Deficiency) of Revenues Over Expenditures	\$ 21,316	\$ (200)	\$ (200)	\$ 21,516
Net Change in Fund Balance	\$ 21,316	\$ (200)	\$ (200)	\$ 21,516
Fund Balance, July 1, 2005	127,733	127,731	127,731	2
Fund Balance, June 30, 2006	\$ 149,049	\$ 127,531	\$ 127,531	\$ 21,518

# Major Governmental Fund

## General Debt Service Fund

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

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Exhibit G

Cumberland County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Debt Service Fund  
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 5,267,784	\$ 5,084,684	\$ 5,084,684	\$ 183,100
Total Revenues	\$ 5,267,784	\$ 5,084,684	\$ 5,084,684	\$ 183,100
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 1,790,500	\$ 1,790,500	\$ 1,790,500	\$ 0
Education	260,000	260,000	260,000	0
<u>Interest on Debt</u>				
General Government	173,586	173,062	173,062	(524)
Education	1,617,406	2,039,125	2,039,125	421,719
<u>Other Debt Service</u>				
General Government	91,334	95,000	95,000	3,666
Total Expenditures	\$ 3,932,826	\$ 4,357,687	\$ 4,357,687	\$ 424,861
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,334,958	\$ 726,997	\$ 726,997	\$ 607,961
Net Change in Fund Balance	\$ 1,334,958	\$ 726,997	\$ 726,997	\$ 607,961
Fund Balance, July 1, 2005	15,617,998	15,617,994	15,617,994	4
Fund Balance, June 30, 2006	\$ 16,952,956	\$ 16,344,991	\$ 16,344,991	\$ 607,965

# Fiduciary Funds

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

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

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

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

Exhibit H-1

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

	<u>Agency Funds</u>			
	Constitu- tional Officers - Agency	Delinquent Tax Agency	Cities - Sales Tax	Total
<u>ASSETS</u>				
Cash	\$ 2,201,527	\$ 0	\$ 0	\$ 2,201,527
Equity in Pooled Cash and Investments	0	144,895	0	144,895
Due from Other Governments	0	0	1,247,023	1,247,023
Total Assets	<u>\$ 2,201,527</u>	<u>\$ 144,895</u>	<u>\$ 1,247,023</u>	<u>\$ 3,593,445</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 0	\$ 144,895	\$ 0	\$ 144,895
Due to Litigants, Heirs, and Others	2,201,527	0	0	2,201,527
Due to Other Taxing Units	0	0	1,247,023	1,247,023
Total Liabilities	<u>\$ 2,201,527</u>	<u>\$ 144,895</u>	<u>\$ 1,247,023</u>	<u>\$ 3,593,445</u>

Exhibit H-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 966,454	\$ 20,780,340	\$ 19,545,267	\$ 2,201,527
Total Assets	\$ 966,454	\$ 20,780,340	\$ 19,545,267	\$ 2,201,527
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 966,454	\$ 20,780,340	\$ 19,545,267	\$ 2,201,527
Total Liabilities	\$ 966,454	\$ 20,780,340	\$ 19,545,267	\$ 2,201,527
<u>Delinquent Tax Agency Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 59,017	\$ 144,994	\$ 59,116	\$ 144,895
Total Assets	\$ 59,017	\$ 144,994	\$ 59,116	\$ 144,895
<u>Liabilities</u>				
Accounts Payable	\$ 59,017	\$ 144,994	\$ 59,116	\$ 144,895
Total Liabilities	\$ 59,017	\$ 144,994	\$ 59,116	\$ 144,895
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 6,924,840	\$ 6,924,840	\$ 0
Due from Other Governments	1,174,816	1,247,023	1,174,816	1,247,023
Total Assets	\$ 1,174,816	\$ 8,171,863	\$ 8,099,656	\$ 1,247,023
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 1,174,816	\$ 8,171,863	\$ 8,099,656	\$ 1,247,023
Total Liabilities	\$ 1,174,816	\$ 8,171,863	\$ 8,099,656	\$ 1,247,023

(Continued)

Exhibit H-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 966,454	\$ 20,780,340	\$ 19,545,267	\$ 2,201,527
Equity in Pooled Cash and Investments	59,017	7,069,834	6,983,956	144,895
Due from Other Governments	1,174,816	1,247,023	1,174,816	1,247,023
Total Assets	<u>\$ 2,200,287</u>	<u>\$ 29,097,197</u>	<u>\$ 27,704,039</u>	<u>\$ 3,593,445</u>
<u>Liabilities</u>				
Accounts Payable	\$ 59,017	\$ 144,994	\$ 59,116	\$ 144,895
Due to Litigants, Heirs, and Others	966,454	20,780,340	19,545,267	2,201,527
Due to Other Taxing Units	1,174,816	8,171,863	8,099,656	1,247,023
Total Liabilities	<u>\$ 2,200,287</u>	<u>\$ 29,097,197</u>	<u>\$ 27,704,039</u>	<u>\$ 3,593,445</u>

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## MISCELLANEOUS SCHEDULES

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Exhibit I-1

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

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-05	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-06
<b>NOTES PAYABLE</b>								
<u>Payable through General Debt Service Fund</u>								
Fire, Sanitation, and Community Complex	\$ 1,059,000	2.66 %	12-29-03	12-29-06	\$ 706,000	\$ 0	\$ 353,000	\$ 353,000
Landfill Expansion	650,000	4.06	4-19-05	4-19-09	650,000	0	162,500	487,500
<u>Payable through Courthouse and Jail Maintenance Fund</u>								
Jail Lighting and HVAC	338,828	0	5-1-06	5-1-13	0	338,828	0	338,828
<u>Payable through Highway/Public Works Fund</u>								
Refunding Road Improvements	666,667	3	6-28-04	6-28-07	555,556	0	111,111	444,445
Total Notes Payable					<u>\$ 1,911,556</u>	<u>\$ 338,828</u>	<u>\$ 626,611</u>	<u>\$ 1,623,773</u>
<b>OTHER LOANS PAYABLE</b>								
<u>Public Building Authority Loan Agreement</u>								
<u>Payable through General Debt Service Fund</u>								
Stone Elementary - Series III-B-4	6,000,000	Variable	7-23-1998	6-1-18	\$ 4,715,000	\$ 0	\$ 260,000	\$ 4,455,000
School Renovations - Series IV-F-2	7,500,000	4.07	12-28-00	6-1-20	7,500,000	0	0	7,500,000
Brown Elementary School - Series IV-H-2	6,650,166	4.30	10-25-01	6-1-27	6,650,166	0	0	6,650,166
Homestead Elementary - Series A-7-A	5,000,000	Variable	10-24-02	6-1-31	5,000,000	0	0	5,000,000
School Construction & Renovations - Series VI-C-2	10,000,000	3.702	10-21-04	6-1-39	10,000,000	0	0	10,000,000
School Construction & Renovations - Series D-1-C	10,000,000	Variable	3-17-05	6-1-32	66,268	9,933,732	0	10,000,000
School Construction & Renovations - Series D-5-B	(1)	Variable	12-28-05	6-1-22	0	6,854,340	0	6,854,340
Total Other Loans Payable					<u>\$ 33,931,434</u>	<u>\$ 16,788,072</u>	<u>\$ 260,000</u>	<u>\$ 50,459,506</u>
<b>BONDS PAYABLE</b>								
<u>Payable through General Debt Service Fund</u>								
Refunding Bonds	5,735,000	3.55 to 3.85	11-18-1998	12-1-05	\$ 550,000	\$ 0	\$ 550,000	\$ 0
Refunding Bonds	3,085,000	4	3-31-05	6-1-09	3,050,000	0	725,000	2,325,000
Total Bonds Payable					<u>\$ 3,600,000</u>	<u>\$ 0</u>	<u>\$ 1,275,000</u>	<u>\$ 2,325,000</u>

(1) The county has drawn loan proceeds of \$6,854,340. Total amount available from a loan agreement with the Public Building Authority is \$8,200,000.

Exhibit I-2

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

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2007	\$ 750,000	\$ 93,000	\$ 843,000
2008	775,000	63,000	838,000
2009	800,000	32,000	832,000
Total	<u>\$ 2,325,000</u>	<u>\$ 188,000</u>	<u>\$ 2,513,000</u>

Exhibit I-3

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

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Solid Waste/Sanitation	Operations	<u>\$ 895,000</u>
Total Transfers			<u><u>\$ 895,000</u></u>

Exhibit I-4

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

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 64,734	\$ 50,000	Travelers Casualty and Surety Company of America
Highway Superintendent	Section 8-24-102, <u>TCA</u>	61,652	100,000	"
Trustee	Section 8-24-102, <u>TCA</u>	56,048	1,384,520	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	56,048	10,000	"
Director of Finance	County Commission	57,729 (1)	50,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	56,048	50,000	"
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	56,048	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u> , and Chancery Court Judge	68,597 (2)	75,000	"
Register	Section 8-24-102, <u>TCA</u>	56,048	25,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	61,652	25,000	"
Employee Blanket Bond Coverage - All County Departments: Employee Dishonesty				150,000 Local Government Insurance Pool

(1) Includes longevity pay of \$1,681.

(2) Includes special commissioner fees of \$12,549.

Exhibit I-5

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

	Special Revenue Funds						Debt Service Fund	Total
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Local Taxes</u>								
<u>County Property Taxes</u>								
Current Property Tax	\$ 6,581,283	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,334,517	\$ 9,915,800
Trustee's Collections - Prior Year	167,881	0	0	0	0	0	85,060	252,941
Circuit/Clerk & Master Collections - Prior Years	68,573	0	0	0	0	0	32,575	101,148
Interest and Penalty	69,666	0	0	0	0	0	37,496	107,162
Payments in-Lieu-of Taxes - Local Utilities	4,711	0	0	0	0	0	0	4,711
Payments in-Lieu-of Taxes - Other	154,817	0	0	0	0	0	0	154,817
<u>County Local Option Taxes</u>								
Local Option Sales Tax	443,440	0	0	0	0	0	1,705,094	2,148,534
Hotel/Motel Tax	463,321	0	0	0	0	0	0	463,321
Litigation Tax - General	135,397	0	0	0	0	0	0	135,397
Litigation Tax - Special Purpose	0	73,779	0	0	0	0	0	73,779
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0	0	73,042	73,042
Business Tax	520,323	0	0	0	0	0	0	520,323
Mineral Severance Tax	30	0	0	0	0	125,383	0	125,413
<u>Statutory Local Taxes</u>								
Bank Excise Tax	104,569	0	0	0	0	0	0	104,569
Wholesale Beer Tax	308,709	0	0	0	0	0	0	308,709
Interstate Telecommunications Tax	6,007	0	0	0	0	0	0	6,007
Other Statutory Local Taxes	5,166	0	0	0	0	0	0	5,166
Total Local Taxes	\$ 9,033,893	\$ 73,779	\$ 0	\$ 0	\$ 0	\$ 125,383	\$ 5,267,784	\$ 14,500,839
<u>Licenses and Permits</u>								
<u>Licenses</u>								
Cable TV Franchise	\$ 148,507	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 148,507
<u>Permits</u>								
Beer Permits	4,513	0	0	0	0	0	0	4,513
Total Licenses and Permits	\$ 153,020	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 153,020
<u>Fines, Forfeitures, and Penalties</u>								
<u>Circuit Court</u>								
Fines	\$ 11,363	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,363
Officers Costs	4,865	0	0	0	0	0	0	4,865

(Continued)

Exhibit I-5

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

	Special Revenue Funds						Debt Service Fund	Total
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>								
<u>Circuit Court (Cont.)</u>								
Jail Fees	\$ 5,076	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	5,076
DUI Treatment Fines	2,626	0	0	0	0	0	0	2,626
Data Entry Fee - Circuit Court	640	0	0	0	0	0	0	640
<u>General Sessions Court</u>								
Fines	49,935	0	400	0	0	0	0	50,335
Officers Costs	61,190	0	0	0	0	0	0	61,190
Jail Fees	29,380	0	0	0	0	0	0	29,380
DUI Treatment Fines	7,697	0	0	0	0	0	0	7,697
Data Entry Fee - General Sessions Court	10,184	0	0	0	0	0	0	10,184
<u>Juvenile Court</u>								
Fines	2,602	0	0	0	0	0	0	2,602
Jail Fees	5,594	0	0	0	0	0	0	5,594
<u>Chancery Court</u>								
Officers Costs	23,092	0	0	0	0	0	0	23,092
Data Entry Fee - Chancery Court	4,566	0	0	0	0	0	0	4,566
<u>Other Courts - In-county</u>								
Drug Control Fines	0	0	0	29,749	0	0	0	29,749
<u>Other Fines, Forfeitures, and Penalties</u>								
Proceeds from Confiscated Property	0	0	0	5,628	0	0	0	5,628
<b>Total Fines, Forfeitures, and Penalties</b>	<b>\$ 218,810</b>	<b>\$ 0</b>	<b>\$ 400</b>	<b>\$ 35,377</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>254,587</b>
<u>Charges for Current Services</u>								
<u>General Service Charges</u>								
Patient Charges	\$ 1,806,438	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	1,806,438
<u>Fees</u>								
Copy Fees	4,276	0	0	0	0	0	0	4,276
Telephone Commissions	26,804	0	0	0	0	0	0	26,804
Vending Machine Collections	4,125	0	0	0	0	0	0	4,125
Constitutional Officers' Fees and Commissions	0	0	0	0	60	0	0	60
Data Processing Fee - Register	47,934	0	0	0	0	0	0	47,934
Data Processing Fee - Sheriff	5,958	0	0	0	0	0	0	5,958
Sexual Offender Registration Fees - Sheriff	3,560	0	0	0	0	0	0	3,560
<b>Total Charges for Current Services</b>	<b>\$ 1,899,095</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 60</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>1,899,155</b>

(Continued)

Exhibit I-5

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

	Special Revenue Funds						Debt Service Fund	Total
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Other Local Revenues</u>								
<u>Recurring Items</u>								
Investment Income	\$ 1,133,863	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,133,863
Lease/Rentals	39,414	0	0	0	0	0	0	39,414
Sale of Materials and Supplies	0	0	0	0	0	1,095	0	1,095
Commissary Sales	15,526	0	0	0	0	0	0	15,526
Sale of Recycled Materials	0	0	180,685	0	0	0	0	180,685
Miscellaneous Refunds	93,854	0	0	0	0	51,404	0	145,258
<u>Nonrecurring Items</u>								
Sale of Equipment	0	0	3,715	0	0	104,300	0	108,015
Sale of Property	550	0	0	0	0	0	0	550
Total Other Local Revenues	\$ 1,283,207	\$ 0	\$ 184,400	\$ 0	\$ 0	\$ 156,799	\$ 0	\$ 1,624,406
<u>Fees Received from County Officials</u>								
<u>Fees-In-Lieu of Salary</u>								
County Clerk	\$ 427,840	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 427,840
Circuit Court Clerk	110,980	0	0	0	0	0	0	110,980
General Sessions Court Clerk	332,603	0	0	0	0	0	0	332,603
Clerk and Master	360,814	0	0	0	0	0	0	360,814
Register	534,337	0	0	0	0	0	0	534,337
Sheriff	17,373	0	0	0	0	0	0	17,373
Trustee	603,715	0	0	0	0	0	0	603,715
Total Fees Received from County Officials	\$ 2,387,662	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,387,662
<u>State of Tennessee</u>								
<u>General Government Grants</u>								
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,000
<u>Public Safety Grants</u>								
Law Enforcement Training Programs	2,450	0	0	0	0	0	0	2,450
<u>Health and Welfare Grants</u>								
Health Department Programs	402,468	0	0	0	0	0	0	402,468
<u>Public Works Grants</u>								
State Aid Program	0	0	0	0	0	233,707	0	233,707
Litter Program	0	0	51,620	0	0	0	0	51,620

(Continued)

Exhibit I-5

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

	Special Revenue Funds						Debt Service Fund	Total
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	Highway / Public Works	General Debt Service	
<u>State of Tennessee (Cont.)</u>								
<u>Other State Revenues</u>								
Income Tax	\$ 269,306	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	269,306
Beer Tax	17,212	0	0	0	0	0	0	17,212
Alcoholic Beverage Tax	62,967	0	0	0	0	0	0	62,967
Mixed Drink Tax	17,168	0	0	0	0	0	0	17,168
State Revenue Sharing - T.V.A.	593,628	0	0	0	0	0	0	593,628
Contracted Prisoner Boarding	209,290	0	0	0	0	0	0	209,290
Gasoline and Motor Fuel Tax	0	0	0	0	0	2,116,641	0	2,116,641
Petroleum Special Tax	0	0	0	0	0	37,649	0	37,649
Reappraisal Program Reimbursement	39,235	0	0	0	0	0	0	39,235
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	16,380
Total State of Tennessee	\$ 1,639,104	\$ 0	\$ 51,620	\$ 0	\$ 0	\$ 2,387,997	\$ 0	\$ 4,078,721
<u>Federal Government</u>								
<u>Federal Through State</u>								
Community Development	\$ 465,818	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	465,818
Civil Defense Reimbursement	11,049	0	0	0	0	0	0	11,049
Homeland Security Grants	212,741	0	0	0	0	0	0	212,741
Other Federal through State	273,199	0	0	0	0	0	0	273,199
<u>Direct Federal Revenue</u>								
Public Safety Partnership and Community Policing - COPS	15,060	0	0	0	0	0	0	15,060
Total Federal Government	\$ 977,867	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 977,867
<u>Other Governments and Citizens Groups</u>								
<u>Other Governments</u>								
Contracted Services	\$ 556,303	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	556,303
<u>Citizens Groups</u>								
Donations	1,500	0	0	0	0	0	0	1,500
Total Other Governments and Citizens Groups	\$ 557,803	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 557,803
Total	\$ 18,150,461	\$ 73,779	\$ 236,420	\$ 35,377	\$ 60	\$ 2,670,179	\$ 5,267,784	\$ 26,434,060

Exhibit I-6

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

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	27,000	
Social Security		2,065	
State Retirement		1,256	
Employee and Dependent Insurance		76,340	
Life Insurance		972	
Dental Insurance		3,702	
Audit Services		11,273	
Consultants		2,005	
Contracts with Government Agencies		20,540	
Dues and Memberships		6,500	
Legal Notices, Recording, and Court Costs		424	
Travel		1,892	
Other Charges		124	
Communication Equipment		89,320	
Total County Commission			\$ 243,413

Board of Equalization

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

Beer Board

Board and Committee Members Fees	\$	2,220	
Social Security		165	
State Retirement		53	
Legal Notices, Recording, and Court Costs		40	
Total Beer Board			2,478

County Mayor/Executive

County Official/Administrative Officer	\$	64,734	
Secretary(ies)		41,074	
Longevity Pay		810	
Overtime Pay		104	
Social Security		7,434	
State Retirement		7,449	
Employee and Dependent Insurance		15,257	
Life Insurance		147	
Dental Insurance		706	
Communication		5,123	
Dues and Memberships		2,146	
Maintenance & Repair Services - Office Equipment		520	

(Continued)

Exhibit I-6

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

General Fund (Cont.)

General Government (Cont.)

County Mayor/Executive (Cont.)

Printing, Stationery, and Forms	\$	700	
Travel		2,621	
Other Contracted Services		10,845	
Office Supplies		1,200	
Premiums on Corporate Surety Bonds		88	
Other Charges		1,088	
Office Equipment		1,848	
Total County Mayor/Executive			\$ 163,894

County Attorney

County Official/Administrative Officer	\$	45,688	
Total County Attorney			45,688

Election Commission

County Official/Administrative Officer	\$	47,641	
Clerical Personnel		69,588	
Part-time Personnel		1,880	
Longevity Pay		1,538	
Election Commission		7,975	
Election Workers		24,530	
In-Service Training		3,240	
Social Security		8,989	
State Retirement		8,290	
Employee and Dependent Insurance		20,342	
Life Insurance		183	
Dental Insurance		941	
Communication		3,620	
Dues and Memberships		275	
Legal Notices, Recording, and Court Costs		470	
Maintenance & Repair Services - Equipment		7,954	
Printing, Stationery, and Forms		10,824	
Rentals		850	
Travel		1,361	
Other Contracted Services		11,597	
Office Supplies		1,936	
Other Charges		1,550	
Data Processing Equipment		680	
Voting Machines		269,545	
Total Election Commission			505,799

(Continued)

Exhibit I-6

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

General Fund (Cont.)

General Government (Cont.)

Register of Deeds

County Official/Administrative Officer	\$	56,048	
Deputy(ies)		97,769	
Part-time Personnel		10,463	
Longevity Pay		2,599	
Social Security		11,997	
State Retirement		11,021	
Employee and Dependent Insurance		25,535	
Life Insurance		222	
Dental Insurance		1,196	
Communication		2,285	
Dues and Memberships		567	
Maintenance Agreements		18,281	
Printing, Stationery, and Forms		7,881	
Office Supplies		2,710	
Premiums on Corporate Surety Bonds		65	
Office Equipment		3,000	
Total Register of Deeds			\$ 251,639

County Buildings

Supervisor/Director	\$	33,100	
Custodial Personnel		136,291	
Longevity Pay		2,332	
Overtime Pay		2,732	
Social Security		13,685	
State Retirement		12,028	
Employee and Dependent Insurance		39,756	
Life Insurance		327	
Dental Insurance		1,726	
Other Fringe Benefits		4,539	
Maintenance & Repair Services - Buildings		41,991	
Travel		505	
Disposal Fees		425,000	
Office Supplies		460	
Uniforms		1,311	
Utilities		85,120	
Building Improvements		86,344	
Total County Buildings			887,247

Other General Administration

Supervisor/Director	\$	28,687	
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(Continued)

Exhibit I-6

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

General Fund (Cont.)

General Government (Cont.)

Other General Administration (Cont.)

Mechanic(s)	\$	26,780	
Longevity Pay		842	
Social Security		4,357	
State Retirement		4,005	
Employee and Dependent Insurance		9,966	
Life Insurance		111	
Dental Insurance		471	
Other Fringe Benefits		1,071	
Communication		637	
Gasoline		331,851	
Uniforms		1,095	
Utilities		8,049	
Other Supplies and Materials		4,567	
Maintenance Equipment		3,100	
Total Other General Administration	\$		425,589

Finance

Accounting and Budgeting

County Official/Administrative Officer	\$	56,048	
Accountants/Bookkeepers		189,173	
Longevity Pay		7,290	
Social Security		19,164	
State Retirement		17,838	
Employee and Dependent Insurance		38,819	
Life Insurance		318	
Dental Insurance		1,824	
Other Fringe Benefits		3,051	
Communication		3,403	
Data Processing Services		1,000	
Legal Notices, Recording, and Court Costs		2,928	
Maintenance Agreements		6,402	
Printing, Stationery, and Forms		6,991	
Travel		1,364	
Office Supplies		5,460	
Periodicals		25	
Office Equipment		7,500	
Total Accounting and Budgeting			368,598

Property Assessor's Office

County Official/Administrative Officer	\$	56,048	
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(Continued)

Exhibit I-6

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Assistant(s)	\$	164,032	
Longevity Pay		3,986	
In-Service Training		382	
Social Security		16,981	
State Retirement		14,688	
Employee and Dependent Insurance		38,094	
Life Insurance		271	
Dental Insurance		1,804	
Communication		1,070	
Data Processing Services		33,509	
Dues and Memberships		1,280	
Maintenance Agreements		569	
Travel		6,821	
Other Contracted Services		54,520	
Office Supplies		1,491	
Premiums on Corporate Surety Bonds		100	
Other Charges		3,926	
Office Equipment		487	
Total Property Assessor's Office			\$ 400,059

Reappraisal Program

Clerical Personnel	\$	69,958	
Longevity Pay		1,750	
In-Service Training		135	
Social Security		5,486	
State Retirement		5,005	
Employee and Dependent Insurance		15,050	
Life Insurance		108	
Dental Insurance		706	
Data Processing Services		12,094	
Postal Charges		1,677	
Travel		5,904	
Office Supplies		995	
Office Equipment		960	
Total Reappraisal Program			119,828

County Trustee's Office

County Official/Administrative Officer	\$	56,048	
Deputy(ies)		94,074	
Part-time Personnel		11,353	

(Continued)

Exhibit I-6

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office (Cont.)

Longevity Pay	\$	3,533	
Social Security		11,953	
State Retirement		10,725	
Employee and Dependent Insurance		25,428	
Life Insurance		219	
Dental Insurance		1,177	
Communication		1,505	
Dues and Memberships		567	
Maintenance & Repair Services - Office Equipment		4,200	
Printing, Stationery, and Forms		3,754	
Travel		526	
Office Supplies		1,500	
Premiums on Corporate Surety Bonds		4,990	
Other Charges		609	
Office Equipment		9,619	
Total County Trustee's Office			\$ 241,780

County Clerk's Office

County Official/Administrative Officer	\$	56,048	
Deputy(ies)		165,101	
Part-time Personnel		3,323	
Longevity Pay		3,088	
Overtime Pay		622	
Social Security		16,458	
State Retirement		15,410	
Employee and Dependent Insurance		49,423	
Life Insurance		396	
Dental Insurance		2,334	
Communication		1,566	
Dues and Memberships		432	
Maintenance & Repair Services - Office Equipment		16,091	
Printing, Stationery, and Forms		2,424	
Travel		27	
Office Supplies		2,889	
Premiums on Corporate Surety Bonds		105	
Office Equipment		972	
Total County Clerk's Office			336,709

(Continued)

Exhibit I-6

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

General Fund (Cont.)

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	56,048	
Deputy(ies)		229,185	
Guards		6,975	
Part-time Personnel		522	
Longevity Pay		4,529	
Board and Committee Members Fees		50	
Jury and Witness Fees		13,399	
Social Security		22,554	
State Retirement		20,225	
Employee and Dependent Insurance		55,709	
Life Insurance		422	
Dental Insurance		2,589	
Communication		4,142	
Dues and Memberships		432	
Maintenance & Repair Services - Office Equipment		7,255	
Printing, Stationery, and Forms		4,825	
Travel		302	
Office Supplies		3,870	
Premiums on Corporate Surety Bonds		1,260	
Other Charges		300	
Data Processing Equipment		6,492	
Total Circuit Court			\$ 441,085

General Sessions Court

Judge(s)	\$	110,953
Secretary(ies)		26,915
Longevity Pay		673
Social Security		9,237
State Retirement		9,670
Employee and Dependent Insurance		10,171
Life Insurance		111
Dental Insurance		471
Communication		1,111
Consultants		402
Dues and Memberships		1,200
Printing, Stationery, and Forms		55
Travel		1,800
Office Supplies		447
Periodicals		750
Other Charges		60

(Continued)

Exhibit I-6

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Court (Cont.)

Office Equipment	\$ 149	
Total General Sessions Court		\$ 174,175

Chancery Court

County Official/Administrative Officer	\$ 56,048	
Deputy(ies)	53,500	
Longevity Pay	2,095	
Social Security	8,386	
State Retirement	7,793	
Employee and Dependent Insurance	15,257	
Life Insurance	147	
Dental Insurance	706	
Communication	1,455	
Dues and Memberships	432	
Maintenance & Repair Services - Office Equipment	8,588	
Printing, Stationery, and Forms	5,309	
Office Supplies	2,040	
Premiums on Corporate Surety Bonds	375	
Other Charges	7	
Office Equipment	5,000	
Total Chancery Court		167,138

Juvenile Court

Youth Service Officer(s)	\$ 53,947	
Longevity Pay	1,004	
In-Service Training	500	
Social Security	4,204	
State Retirement	3,836	
Employee and Dependent Insurance	10,068	
Life Insurance	111	
Dental Insurance	471	
Communication	782	
Travel	973	
Office Supplies	328	
Other Charges	4,000	
Total Juvenile Court		80,224

Judicial Commissioners

County Official/Administrative Officer	\$ 61,360
Supervisor/Director	29,706

(Continued)

Exhibit I-6

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

General Fund (Cont.)

Administration of Justice (Cont.)

Judicial Commissioners (Cont.)

Part-time Personnel	\$	23,450	
Longevity Pay		1,864	
In-Service Training		260	
Social Security		8,898	
State Retirement		5,045	
Employee and Dependent Insurance		20,138	
Life Insurance		116	
Dental Insurance		863	
Communication		167	
Printing, Stationery, and Forms		226	
Travel		360	
Office Supplies		170	
Premiums on Corporate Surety Bonds		500	
Other Charges		100	
Office Equipment		1,039	
Total Judicial Commissioners			\$ 154,262

Probate Court

Secretary(ies)	\$	113,501	
Longevity Pay		2,223	
Social Security		8,323	
State Retirement		7,197	
Employee and Dependent Insurance		24,182	
Life Insurance		182	
Dental Insurance		1,196	
Office Equipment		134	
Total Probate Court			156,938

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	61,652	
Deputy(ies)		1,229,254	
Salary Supplements		18,673	
Secretary(ies)		84,937	
Longevity Pay		23,679	
In-Service Training		9,873	
Social Security		107,828	
State Retirement		95,995	
Employee and Dependent Insurance		213,910	
Life Insurance		1,637	

(Continued)

Exhibit I-6

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Dental Insurance	\$	10,197	
Communication		16,739	
Evaluation and Testing		2,155	
Maintenance & Repair Services - Equipment		7,030	
Maintenance & Repair Services - Vehicles		37,011	
Printing, Stationery, and Forms		4,500	
Travel		9,827	
Drug Treatment		2,028	
Other Contracted Services		9,831	
Office Supplies		8,983	
Uniforms		14,096	
Premiums on Corporate Surety Bonds		125	
Other Charges		1,770	
Communication Equipment		3,181	
Law Enforcement Equipment		39,371	
Motor Vehicles		120,009	
Office Equipment		7,310	
Total Sheriff's Department			\$ 2,141,601

Jail

Medical Personnel	\$	26,278
Bus Drivers		35,596
Guards		967,173
Clerical Personnel		95,558
Cafeteria Personnel		104,255
Part-time Personnel		36,171
Longevity Pay		22,434
In-Service Training		2,830
Social Security		94,513
State Retirement		74,374
Employee and Dependent Insurance		206,922
Life Insurance		1,479
Dental Insurance		10,021
Evaluation and Testing		2,276
Medical and Dental Services		173,289
Travel		2,990
Food Supplies		154,552
Office Supplies		6,637
Uniforms		9,523
Utilities		147,590

(Continued)

Exhibit I-6

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Other Supplies and Materials	\$	58,478	
Building Construction		46,677	
Food Service Equipment		21,490	
Law Enforcement Equipment		24,101	
Motor Vehicles		20,000	
Office Equipment		5,591	
Total Jail			\$ 2,350,798

Juvenile Services

Guards	\$	53,786	
Part-time Personnel		30,000	
Longevity Pay		547	
Social Security		6,788	
State Retirement		3,793	
Employee and Dependent Insurance		6,896	
Life Insurance		72	
Dental Insurance		471	
Communication		790	
Travel		84	
Office Supplies		459	
Utilities		907	
Office Equipment		4,394	
Total Juvenile Services			108,987

Fire Prevention and Control

Supervisor/Director	\$	39,537	
Salary Supplements		2,450	
Part-time Personnel		13,360	
Longevity Pay		8,143	
Overtime Pay		38,613	
Other Salaries & Wages		263,355	
In-Service Training		8,436	
Social Security		27,281	
State Retirement		24,283	
Employee and Dependent Insurance		50,622	
Life Insurance		399	
Dental Insurance		2,353	
Other Fringe Benefits		1,320	
Communication		2,253	
Contracts with Government Agencies		2,000	

(Continued)

Exhibit I-6

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

General Fund (Cont.)

Public Safety (Cont.)

Fire Prevention and Control (Cont.)

Evaluation and Testing	\$	2,465	
Maintenance & Repair Services - Buildings		14,267	
Maintenance & Repair Services - Equipment		7,963	
Maintenance & Repair Services - Vehicles		24,293	
Travel		2,558	
Office Supplies		992	
Uniforms		2,787	
Utilities		45,807	
Other Supplies and Materials		1,349	
Communication Equipment		411	
Other Equipment		115,851	
Other Capital Outlay		42,044	
Total Fire Prevention and Control			\$ 745,192

Civil Defense

Assistant(s)	\$	23,175	
Supervisor/Director		37,984	
Longevity Pay		1,793	
Social Security		5,002	
State Retirement		4,564	
Employee and Dependent Insurance		10,171	
Life Insurance		111	
Dental Insurance		471	
Other Fringe Benefits		2,437	
Communication		2,619	
Consultants		2,700	
Travel		392	
Office Supplies		999	
Other Charges		1,033	
Office Equipment		1,200	
Other Equipment		1,970	
Other Capital Outlay		77,454	
Total Civil Defense			174,075

Rescue Squad

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

Other Emergency Management

Supervisor/Director	\$	35,858	
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(Continued)

Exhibit I-6

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

General Fund (Cont.)

Public Safety (Cont.)

Other Emergency Management (Cont.)

Dispatchers/Radio Operators	\$	473,529	
Part-time Personnel		16,550	
Longevity Pay		8,289	
Overtime Pay		7,500	
In-Service Training		4,631	
Social Security		41,205	
State Retirement		34,976	
Employee and Dependent Insurance		91,147	
Life Insurance		729	
Dental Insurance		4,530	
Other Fringe Benefits		1,763	
Maintenance Agreements		1,500	
Office Supplies		3,164	
Office Equipment		1,735	
Total Other Emergency Management	\$		727,106

County Coroner/Medical Examiner

Other Per Diem & Fees	\$	61,690	
Total County Coroner/Medical Examiner			61,690

Other Public Safety

Deputy(ies)	\$	11,098	
In-Service Training		5,089	
Social Security		849	
Law Enforcement Equipment		5,000	
Total Other Public Safety			22,036

Public Health and Welfare

Local Health Center

Maintenance Personnel	\$	21,962	
Longevity Pay		3,550	
Other Salaries & Wages		287,152	
Social Security		23,540	
State Retirement		18,708	
Employee and Dependent Insurance		58,396	
Life Insurance		418	
Dental Insurance		2,710	
Communication		20,588	
Maintenance & Repair Services - Buildings		2,000	
Postal Charges		6,996	

(Continued)

Exhibit I-6

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

Travel	\$	10,682	
Other Contracted Services		4,393	
Drugs and Medical Supplies		9,914	
Office Supplies		10,434	
Utilities		18,391	
Other Supplies and Materials		8,992	
Other Charges		1,364	
Building Improvements		7,657	
Office Equipment		2,375	
Total Local Health Center			\$ 520,222

Rabies and Animal Control

Deputy(ies)	\$	44,009	
Longevity Pay		680	
Other Salaries & Wages		5,337	
Social Security		3,896	
State Retirement		2,971	
Employee and Dependent Insurance		10,171	
Life Insurance		72	
Dental Insurance		471	
Other Fringe Benefits		892	
Contracts with Private Agencies		30,000	
Uniforms		822	
Other Supplies and Materials		2,539	
Total Rabies and Animal Control			101,860

Ambulance/Emergency Medical Services

Supervisor/Director	\$	48,977	
Medical Personnel		836,663	
Secretary(ies)		39,010	
Part-time Personnel		14,777	
Longevity Pay		21,561	
Overtime Pay		499,686	
In-Service Training		4,834	
Social Security		109,837	
State Retirement		95,418	
Employee and Dependent Insurance		207,523	
Life Insurance		1,536	
Dental Insurance		9,648	
Other Fringe Benefits		4,654	

(Continued)

Exhibit I-6

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services (Cont.)

Communication	\$	6,765	
Consultants		2,400	
Debt Collection Services		4,709	
Maintenance & Repair Services - Buildings		3,532	
Maintenance & Repair Services - Office Equipment		1,119	
Maintenance & Repair Services - Vehicles		27,076	
Travel		555	
Other Contracted Services		4,436	
Drugs and Medical Supplies		66,127	
Office Supplies		6,147	
Uniforms		11,497	
Utilities		13,806	
Other Supplies and Materials		8,547	
Other Charges		3,448	
Motor Vehicles		138,208	
Office Equipment		185	
Other Equipment		13,855	
Total Ambulance/Emergency Medical Services			\$ 2,206,536

Alcohol and Drug Programs

Assistant(s)	\$	28,032	
Supervisor/Director		31,515	
Longevity Pay		1,646	
Social Security		4,780	
State Retirement		4,385	
Employee and Dependent Insurance		10,171	
Life Insurance		111	
Dental Insurance		471	
Other Fringe Benefits		1,635	
Total Alcohol and Drug Programs			82,746

Appropriation to State

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

Social, Cultural, and Recreational Services

Senior Citizens Assistance

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

(Continued)

Exhibit I-6

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Libraries

Supervisor/Director	\$	28,840	
Deputy(ies)		24,205	
Secretary(ies)		13,586	
Clerical Personnel		20,693	
Part-time Personnel		40,451	
Longevity Pay		2,612	
In-Service Training		5,157	
Social Security		9,972	
State Retirement		6,240	
Employee and Dependent Insurance		22,419	
Life Insurance		198	
Dental Insurance		1,039	
Other Fringe Benefits		904	
Communication		7,640	
Contracts with Government Agencies		5,000	
Maintenance & Repair Services - Buildings		4,218	
Maintenance & Repair Services - Office Equipment		4,499	
Postal Charges		1,600	
Printing, Stationery, and Forms		1,370	
Other Contracted Services		10,496	
Library Books/Media		74,965	
Periodicals		4,360	
Utilities		15,000	
Other Supplies and Materials		10,982	
Building Improvements		6,358	
Office Equipment		15,991	
Total Libraries			\$ 338,795

Parks and Fair Boards

Supervisor/Director	\$	21,605
Custodial Personnel		14,830
Part-time Personnel		25,180
Longevity Pay		706
Social Security		4,596
State Retirement		2,237
Employee and Dependent Insurance		9,238
Life Insurance		105
Dental Insurance		431
Other Fringe Benefits		807
Forest Resource Services		3,673

(Continued)

Exhibit I-6

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Parks and Fair Boards (Cont.)

Uniforms	\$	809	
Utilities		41,500	
Other Supplies and Materials		22,485	
Building Improvements		36,250	
Other Equipment		70,200	
Total Parks and Fair Boards			\$ 254,652

Other Social, Cultural, and Recreational

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

Agriculture & Natural Resources

Agriculture Extension Service

Salary Supplements	\$	78,148	
Communication		3,149	
Office Supplies		1,296	
Total Agriculture Extension Service			82,593

Soil Conservation

Secretary(ies)	\$	22,188	
Longevity Pay		444	
Social Security		1,731	
State Retirement		1,580	
Employee and Dependent Insurance		4,983	
Life Insurance		36	
Dental Insurance		235	
Dues and Memberships		1,370	
Legal Notices, Recording, and Court Costs		700	
Travel		2,413	
Office Supplies		505	
Office Equipment		360	
Total Soil Conservation			36,545

Other Operations

Tourism

Contracts with Private Agencies	\$	35,000	
Contributions		49,861	
Total Tourism			84,861

(Continued)

Exhibit I-6

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

General Fund (Cont.)

Other Operations (Cont.)

Other Economic and Community Development

Other Construction	\$ 465,818	
Total Other Economic and Community Development		\$ 465,818

Veterans' Services

Contracts with Government Agencies	\$ 4,950	
Total Veterans' Services		4,950

Other Charges

Liability Insurance	\$ 159,819	
Trustee's Commission	187,517	
Other Charges	23,206	
Total Other Charges		370,542

Contributions to Other Agencies

Contributions	\$ 28,212	
Total Contributions to Other Agencies		28,212

Employee Benefits

Unemployment Compensation	\$ 27,932	
Medical and Dental Services	225	
Workers' Compensation Insurance	272,664	
Total Employee Benefits		300,821

Miscellaneous

Postal Charges	\$ 57,431	
Other Charges	171	
Total Miscellaneous		57,602

Other Debt Service

General Government

Other Debt Issuance Charges	\$ 9,276	
Total General Government		9,276

Total General Fund		\$ 16,587,659
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Courthouse & Jail Maintenance Fund

General Government

County Buildings

Maintenance & Repair Services - Buildings	\$ 118,908	
Building Improvements	4,682	

(Continued)

Exhibit I-6

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

Courthouse & Jail Maintenance Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Heating and Air Conditioning Equipment	\$ 78,828	
Total County Buildings		\$ 202,418

Other Operations

Other Charges

Trustee's Commission	\$ 749	
Total Other Charges		<u>749</u>

Total Courthouse & Jail Maintenance Fund		\$ 203,167
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Solid Waste/Sanitation Fund

Public Health and Welfare

Waste Pickup

Laborers	\$ 106,481	
Part-time Personnel	6,654	
Longevity Pay	2,154	
Overtime Pay	1,178	
Social Security	8,899	
State Retirement	7,322	
Employee and Dependent Insurance	24,602	
Life Insurance	146	
Dental Insurance	1,157	
Other Fringe Benefits	1,745	
Diesel Fuel	65,421	
Uniforms	1,245	
Other Supplies and Materials	38,478	
Motor Vehicles	<u>112,209</u>	
Total Waste Pickup		\$ 377,691

Convenience Centers

Guards	\$ 102,637
Part-time Personnel	257,476
Longevity Pay	2,288
Overtime Pay	495
Social Security	27,884
State Retirement	7,282
Employee and Dependent Insurance	30,928
Life Insurance	166
Dental Insurance	1,432
Other Fringe Benefits	841

(Continued)

Exhibit I-6

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Convenience Centers (Cont.)

Operating Lease Payments	\$	5,500	
Uniforms		7,085	
Utilities		26,988	
Other Supplies and Materials		12,916	
Other Equipment		53,735	
Total Convenience Centers			\$ 537,653

Recycling Center

Laborers	\$	86,087	
Part-time Personnel		21,603	
Longevity Pay		2,088	
Overtime Pay		923	
Social Security		8,451	
State Retirement		6,217	
Employee and Dependent Insurance		19,927	
Life Insurance		123	
Dental Insurance		922	
Travel		387	
Diesel Fuel		1,923	
Office Supplies		2,006	
Uniforms		2,132	
Utilities		7,666	
Other Supplies and Materials		29,347	
Total Recycling Center			189,802

Other Operations

Other Charges

Trustee's Commission	\$	1,893	
Total Other Charges			1,893

Employee Benefits

Unemployment Compensation	\$	3,997	
Workers' Compensation Insurance		35,000	
Total Employee Benefits			38,997

Highways

Litter and Trash Collection

Deputy(ies)	\$	44,065	
Longevity Pay		636	
Social Security		2,936	

(Continued)

Exhibit I-6

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

Solid Waste/Sanitation Fund (Cont.)

Highways (Cont.)

Litter and Trash Collection (Cont.)

State Retirement	\$	3,120	
Employee and Dependent Insurance		10,137	
Life Insurance		65	
Dental Insurance		471	
Communication		96	
Travel		16	
Office Supplies		137	
Uniforms		326	
Other Supplies and Materials		1,772	
Total Litter and Trash Collection			\$ 63,777

Total Solid Waste/Sanitation Fund \$ 1,209,813

Drug Control Fund

Public Safety

Drug Enforcement

In-Service Training	\$	200	
Communication		561	
Maintenance & Repair Services - Vehicles		558	
Other Supplies and Materials		1,136	
Law Enforcement Equipment		11,354	
Total Drug Enforcement			\$ 13,809

Other Operations

Other Charges

Trustee's Commission	\$	252	
Total Other Charges			252

Total Drug Control Fund 14,061

Constitutional Officers - Fees Fund

Finance

County Clerk's Office

Constitutional Officers' Operating Expenses	\$	60	
Total County Clerk's Office			\$ 60

Total Constitutional Officers - Fees Fund 60

(Continued)

Exhibit I-6

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

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	61,652	
Assistant(s)		34,331	
Longevity Pay		789	
Social Security		7,346	
State Retirement		6,791	
Employee and Dependent Insurance		10,171	
Life Insurance		111	
Dental Insurance		471	
Other Fringe Benefits		516	
Dues and Memberships		4,017	
Printing, Stationery, and Forms		94	
Travel		2,195	
Office Supplies		1,554	
Other Charges		846	
Total Administration			\$ 130,884

Highway and Bridge Maintenance

Equipment Operators - Heavy	\$	282,083	
Truck Drivers		143,536	
Laborers		62,795	
Longevity Pay		11,449	
Overtime Pay		35,620	
Social Security		44,551	
State Retirement		33,819	
Employee and Dependent Insurance		98,737	
Life Insurance		679	
Dental Insurance		4,216	
Other Fringe Benefits		8,232	
Other Contracted Services		126,192	
Asphalt - Cold Mix		8,851	
Asphalt - Hot Mix		48,635	
Asphalt - Liquid		294,541	
Crushed Stone		87,281	
Pipe - Metal		9,957	
Road Signs		9,604	
Salt		2,771	
Wood Products		149	
Total Highway and Bridge Maintenance			1,313,698

(Continued)

Exhibit I-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment

Mechanic(s)	\$	76,880	
Longevity Pay		3,168	
Overtime Pay		1,937	
Social Security		6,423	
State Retirement		5,860	
Employee and Dependent Insurance		15,156	
Life Insurance		108	
Dental Insurance		706	
Other Fringe Benefits		1,971	
Laundry Service		1,476	
Diesel Fuel		70,000	
Equipment and Machinery Parts		52,152	
Gasoline		33,999	
Lubricants		6,364	
Tires and Tubes		11,905	
Total Operation and Maintenance of Equipment			\$ 288,105

Other Charges

Communication	\$	6,149	
Electricity		3,981	
Natural Gas		5,284	
Water and Sewer		3,236	
Premiums on Corporate Surety Bonds		175	
Trustee's Commission		22,820	
Vehicle and Equipment Insurance		49,777	
Other Charges		13,834	
Total Other Charges			105,256

Employee Benefits

Unemployment Compensation	\$	4,596	
Workers' Compensation Insurance		66,000	
Total Employee Benefits			70,596

Capital Outlay

Bridge Construction	\$	3,014	
State Aid Projects		96,347	
Other Equipment		139,345	
Total Capital Outlay			238,706

(Continued)

Exhibit I-6

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

Highway/Public Works Fund (Cont.)

Principal on Debt

Highways and Streets

Principal on Notes	\$ 111,111	
Total Highways and Streets		\$ 111,111

Interest on Debt

Highways and Streets

Interest on Notes	\$ 16,889	
Total Highways and Streets		<u>16,889</u>

Total Highway/Public Works Fund		\$ 2,275,245
---------------------------------	--	--------------

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$ 1,275,000	
Principal on Notes	515,500	
Total General Government		\$ 1,790,500

Education

Principal on Other Loans	\$ 260,000	
Total Education		260,000

Interest on Debt

General Government

Interest on Bonds	\$ 132,588	
Interest on Notes	40,998	
Total General Government		173,586

Education

Interest on Other Loans	\$ 1,617,406	
Total Education		1,617,406

Other Debt Service

General Government

Financial Advisory Services	\$ 4,306	
Trustee's Commission	87,028	
Total General Government		<u>91,334</u>

Total General Debt Service Fund		3,932,826
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(Continued)

Exhibit I-6

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

<u>Education Capital Projects Fund</u>		
<u>Other Debt Service</u>		
<u>Education</u>		
Other Debt Issuance Charges	<u>\$ 45,064</u>	
Total Education		\$ 45,064
 <u>Capital Projects - Donated</u>		
<u>Capital Projects Donated to School Department</u>		
Contributions	<u>\$ 16,688,668</u>	
Total Capital Projects Donated to School Department		<u>16,688,668</u>
 Total Education Capital Projects Fund		 <u>\$ 16,733,732</u>
Total Governmental Funds - Primary Government		<u>\$ 40,956,563</u>

Exhibit I-7

Cumberland County, Tennessee  
Schedule of Detailed Revenues and Expenses  
Proprietary Fund  
For the Year Ended June 30, 2006

	Enterprise Fund <u>Solid Waste Disposal Fund</u>
<u>Operating Revenues</u>	
<u>Charges of Current Services</u>	
Tipping Fees	\$ 870,997
Total Operating Revenues	<u>\$ 870,997</u>
<u>Nonoperating Revenues</u>	
Solid Waste Grants	\$ 40,735
Total Nonoperating Revenues	<u>\$ 40,735</u>
Total Revenues	<u>\$ 911,732</u>
<u>Operating Expenses</u>	
<u>Public Health and Welfare</u>	
<u>Landfill Operation and Maintenance</u>	
Supervisor/Director	\$ 39,199
Equipment Operators	99,844
Part-time Personnel	7,734
Longevity Pay	2,673
Overtime Pay	365
Social Security	11,580
State Retirement	10,047
Employee and Dependent Insurance	25,327
Life Insurance	232
Dental Insurance	1,177
Other Fringe Benefits	1,974
Travel	1,232
Contracts for Landfill Facilities	63,525
Diesel Fuel	47,789
Office Supplies	1,870
Uniforms	1,324
Utilities	6,151
Other Supplies and Materials	161,228
Depreciation	461,957
Landfill Closure/Postclosure Care Costs	92,983
Other Charges	200,231
Total Landfill Operation and Maintenance	<u>\$ 1,238,442</u>
<u>Other Operations</u>	
<u>Other Charges</u>	
Trustees' Commission	\$ 4,340
<u>Employee Benefits</u>	
Unemployment Compensation	\$ 583
Workers' Compensation Insurance	15,000
Total Employee Benefits	<u>\$ 15,583</u>
Total Expenses	<u>\$ 1,258,365</u>

Exhibit I-8

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

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 6,924,840
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 6,855,592
Trustee's Commission	69,248
Total Cash Disbursements	<u>\$ 6,924,840</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0
Cash Balance, July 1, 2005	<u>0</u>
Cash Balance, June 30, 2006	<u><u>\$ 0</u></u>

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

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

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

***ARTHUR L. ALEXANDER***  
***Director***

***CARL LOWE, CGFM***  
***Audit Manager***

***ANITA SCARLETT, CPA***  
***Auditor 4***

***GARY RAMSEY, CPA***  
***JIMMY HODGES, CFE***  
***STEPHEN ALRED***  
***KELLEY McNEAL, CPA, CGFM***  
***State Auditors***

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

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

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

## ***Scope***

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

## ***Results***

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

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

## ***Finding***

The following is a summary of the audit finding:

### **CUMBERLAND COUNTY SCHOOL DEPARTMENT**

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

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# INTRODUCTORY SECTION

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Cumberland County School Officials  
June 30, 2006

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**Official**

Dr. Patricia Ragsdale, Director of Schools

**Board of Education**

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

James Perry  
Robert Safdie  
Dan Schlafer  
Mary Smith

**Finance Committee**

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

Thom Hassler  
R. Donathan Ivey  
Pete Stubbs

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## FINANCIAL SECTION

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

INDEPENDENT AUDITOR'S REPORT

February 26, 2007

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

To the Director of Schools and Board of Education:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Cumberland County School Department, a component unit of Cumberland County, Tennessee, as of and for the year ended June 30, 2006, as shown on pages 15 through 29, which collectively comprise a portion of the Cumberland County School Department's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Cumberland County School Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities.

Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the School Department's governmental activities are not reasonably determinable.

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

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

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

In accordance with Government Auditing Standards, we have also issued our report dated February 26, 2007, on our consideration of the Cumberland County School Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 33 through 35 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cumberland County School Department's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds, and

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

Very truly yours,

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

John G. Morgan  
Comptroller of the Treasury

JGM/rc

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

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

	Major Funds		Nonmajor	Total
	General Purpose School	Education Capital Projects	Other Governmental Funds	
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 100	\$ 100
Equity in Pooled Cash and Investments	7,210,854	2,937,372	1,334,177	11,482,403
Inventories	0	0	44,355	44,355
Accounts Receivable	1,970	0	0	1,970
Due from Other Governments	1,426,743	0	172,304	1,599,047
Property Taxes Receivable	4,977,728	0	0	4,977,728
Allowance for Uncollectible Property Taxes	(166,153)	0	0	(166,153)
Total Assets	<u>\$ 13,451,142</u>	<u>\$ 2,937,372</u>	<u>\$ 1,550,936</u>	<u>\$ 17,939,450</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 500,920	\$ 0	\$ 0	\$ 500,920
Accrued Payroll	20,169	0	1,941	22,110
Retainage Payable	0	189,920	0	189,920
Due to Primary Government	980	45,064	0	46,044
Deferred Revenue - Current Property Taxes	4,718,594	0	0	4,718,594
Deferred Revenue - Delinquent Property Taxes	81,940	0	0	81,940
Other Deferred Revenues	726,948	0	0	726,948
Total Liabilities	<u>\$ 6,049,551</u>	<u>\$ 234,984</u>	<u>\$ 1,941</u>	<u>\$ 6,286,476</u>
<u>Fund Balances</u>				
Reserved for Encumbrances	\$ 1,365,982	\$ 2,157,732	\$ 0	\$ 3,523,714
Reserved for Inventory	0	0	44,355	44,355
Reserved for Career Ladder - Extended Contract	9,087	0	0	9,087
Reserved for Career Ladder Program	757	0	0	757
Reserved for Basic Education Program	1,463,055	0	0	1,463,055
Reserved for Title I Grants to Local Education Agencies	0	0	101,433	101,433
Reserved for Innovative Education Program Strategies	0	0	14,139	14,139
Reserved for Special Education - Grants to States	0	0	185,423	185,423
Other Federal Reserves	0	0	36,591	36,591
Unreserved, Reported In:				
General Fund	4,562,710	0	0	4,562,710
Special Revenue Funds	0	0	1,167,054	1,167,054
Capital Projects Funds	0	544,656	0	544,656
Total Fund Balances	<u>\$ 7,401,591</u>	<u>\$ 2,702,388</u>	<u>\$ 1,548,995</u>	<u>\$ 11,652,974</u>
Total Liabilities and Fund Balances	<u>\$ 13,451,142</u>	<u>\$ 2,937,372</u>	<u>\$ 1,550,936</u>	<u>\$ 17,939,450</u>

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

Exhibit B

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

	Major Funds		Nonmajor	Total
	General Purpose School	Education Capital Projects	Other Governmental Funds	
<u>Revenues</u>				
Local Taxes	\$ 11,921,679	\$ 0	\$ 0	\$ 11,921,679
Charges for Current Services	114,466	0	1,085,133	1,199,599
Other Local Revenues	65,214	0	36,208	101,422
State of Tennessee	24,942,725	0	40,640	24,983,365
Federal Government	146,616	0	6,228,476	6,375,092
Other Governments and Citizens Groups	0	16,688,668	0	16,688,668
Total Revenues	\$ 37,190,700	\$ 16,688,668	\$ 7,390,457	\$ 61,269,825
<u>Expenditures</u>				
Current:				
Instruction	\$ 23,489,773	\$ 0	\$ 3,872,896	\$ 27,362,669
Support Services	11,192,480	0	713,852	11,906,332
Operation of Non-Instructional Services	581,366	0	2,982,702	3,564,068
Capital Outlay	895,309	0	0	895,309
Capital Projects	0	14,901,778	0	14,901,778
Total Expenditures	\$ 36,158,928	\$ 14,901,778	\$ 7,569,450	\$ 58,630,156
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,031,772	\$ 1,786,890	\$ (178,993)	\$ 2,639,669
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 15,764	\$ 792,142	\$ 0	\$ 807,906
Transfers Out	(792,142)	0	(15,764)	(807,906)
Total Other Financing Sources (Uses)	\$ (776,378)	\$ 792,142	\$ (15,764)	\$ 0
Net Change in Fund Balances	\$ 255,394	\$ 2,579,032	\$ (194,757)	\$ 2,639,669
Fund Balance, July 1, 2005	7,146,197	123,356	1,743,752	9,013,305
Fund Balance, June 30, 2006	\$ 7,401,591	\$ 2,702,388	\$ 1,548,995	\$ 11,652,974

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

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

**A. Reporting Entity**

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

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

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

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All other governmental funds are aggregated into a single column on the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School Department considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. The School Department considers grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

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

The School Department reports the following major governmental funds:

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

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

Additionally, the School Department reports the following fund type:

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

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

1. **Deposits and Investments**

State statutes authorize Cumberland County, the School Department's primary government, to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; the county's own legally issued bonds or notes; the State Treasurer's Investment Pool; and repurchase agreements.

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

## 2. Receivables and Payables

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

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 1.76 percent of total taxes levied.

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

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

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

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

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

**3. Inventories**

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

**4. Capital Assets**

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

**5. Compensated Absences**

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

**6. Fund Equity**

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

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

**Budgetary Information**

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

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

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Purpose School Fund major categories: Regular Instruction Program, Special Education Program, Vocational Education Program, Adult Education Program, etc.). Management may make revisions within major categories, but only the Cumberland County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

### **III. DETAILED NOTES ON ALL FUNDS**

#### **A. Deposits and Investments**

Cumberland County, the School Department, and the Railroad Authority participate in an internal cash and investment pool through the Office of Trustee. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, depositing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets as Equity in Pooled Cash and Investments. Cash reflected on the balance sheet represents nonpooled amounts held separately by individual funds.

#### **Deposits**

**Legal Provisions.** All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for the purposes of credit risk disclosure.

For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured

amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the county.

**Investments**

**Legal Provisions.** Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and the county’s own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer’s Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state director of Local Finance and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government, or obligations guaranteed by the U.S. government, or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the market value of the securities on the day of purchase.

**Investment Balances.** As of June 30, 2006, Cumberland County had the following investments carried at cost. All investments are in the State Treasurer’s Investment Pool. Separate disclosures concerning pooled investments cannot be made for Cumberland County, the Cumberland County School Department, and the Cumberland County Railroad Authority since all pool their deposits and investments through the county trustee.

Investments	Maturities	Cost
State Treasurer's Investment Pool	Daily	\$ 105,809

**Interest Rate Risk.** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State statutes limit the maturities of certain investments as previously disclosed. Cumberland County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Cumberland County has no investment policy that would further limit its investment choices. As of June 30, 2006, Cumberland County’s investment in the State Treasurer’s Investment Pool was unrated.

**B. Construction Commitments**

At June 30, 2006, the Education Capital Projects Fund had uncompleted construction contracts of approximately \$2,157,732 for school construction and renovations. Funding for these future expenditures is expected to be received from other loans.

**C. Interfund Payables and Transfers**

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

**Due to/from primary government and component units:**

Receivable Fund	Payable Fund	Amount
Primary government:	Component Unit:	
General	Education Capital Projects	\$ 45,064
Solid Waste Disposal	General Purpose School	980

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

**Interfund Transfers:**

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

Transfers Out	Transfers In	
	General Purpose School Fund	Education Capital Projects Fund
General Purpose School Fund	\$ 0	\$ 792,142
Nonmajor governmental funds	15,764	0
<b>Total</b>	<b>\$ 15,764</b>	<b>\$ 792,142</b>

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

The School Department made a one-time transfer of \$792,142 from the General Purpose School Fund to subsidize construction costs administered through the Education Capital Projects Fund.

#### IV. OTHER INFORMATION

##### A. Risk Management

The School Department joined the Tennessee School Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by the Tennessee School Boards Association, an association of member school districts. The School Department pays an annual premium to the TSB-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of the TSB-RMT provides for it to be self-sustaining through member premiums.

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

##### B. Accounting Changes

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

The provisions of GASB Statement No. 44, Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1) became effective for the year ended June 30, 2006. GASB Statement No. 44 applies to the preparation of the statistical section. State and local governments

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

The provisions of GASB Statement No. 46, Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34 became effective for the year ended June 30, 2006. GASB Statement No. 46 provides guidance to determine when net assets have been restricted to a particular use by the passage of enabling legislation and specifies how those net assets should be reported in financial statements when there are changes in the circumstances surrounding such legislation. The statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation as of the end of the reporting period. The School Department had no net assets restricted by enabling legislation to disclose as of June 30, 2006. But it is reasonably expected that the School Department will be required to disclose net assets restricted by enabling legislation in subsequent years.

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

### **C. Subsequent Event**

On October 5, 2006, Dr. Patricia Ragsdale left her position as director of schools. Aarona VanWinkle served as interim director of schools until her appointment as the director of schools effective January 5, 2007.

**D. Contingent Liabilities**

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

**E. Retirement Commitments**

**Plan Description**

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

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

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

## SCHOOL TEACHERS

### **Plan Description**

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

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

### **Funding Policy**

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the Cumberland County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2006, was 5.5 percent of annual covered payroll. The employer contribution requirement for the Cumberland County School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2006, 2005, and 2004, were \$1,055,754, \$1,009,710, and \$579,909, respectively, equal to the required contributions for each year.

**F. Other Post-employment Benefits**

In addition to the retirement commitments described above, the School Department provides post-employment health care benefits to a maximum of 25 certified employees who retire in any one year and who were hired prior to July 8, 2005. Persons employed on or after July 8, 2005, are not entitled to this program. Employees must give written notification to the board of their retirement no later than March 1 of the school year prior to the requested retirement year, they must have a minimum of 20 years of credible Tennessee Consolidated Retirement System service with the Cumberland County Schools, they must submit an application for continuation of insurance and maintain payroll deductions for premiums until their actual retirement date, and they must comply with all eligibility requirements established by the health insurance plan. Currently 52 retirees are receiving benefits under this policy. The School Department pays a portion (45 percent for employees with 20 to 29 years of service and 55 percent for employees with 30 or more years of service) of the health insurance premiums not covered by the State of Tennessee until the employee is eligible for Social Security benefits. During the year, expenditures totaling \$131,710 were recognized for post-employment health care.

**G. Office of Central Accounting, Budgeting, and Purchasing**

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

**H. Purchasing Law**

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

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit C

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 11,921,679	\$ 0	\$ 0	\$ 11,921,679	\$ 11,365,000	\$ 11,365,000	\$ 556,679
Charges for Current Services	114,466	0	0	114,466	586,730	110,000	4,466
Other Local Revenues	65,214	0	0	65,214	403,500	403,500	(338,286)
State of Tennessee	24,942,725	0	0	24,942,725	24,469,301	25,004,192	(61,467)
Federal Government	146,616	0	0	146,616	91,500	89,339	57,277
<b>Total Revenues</b>	<b>\$ 37,190,700</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 37,190,700</b>	<b>\$ 36,916,031</b>	<b>\$ 36,972,031</b>	<b>\$ 218,669</b>
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 19,886,430	\$ (3,000)	\$ 0	\$ 19,883,430	\$ 20,771,063	\$ 20,798,564	\$ 915,134
Alternative Instruction Program	88,469	0	0	88,469	110,428	110,428	21,959
Special Education Program	2,426,674	0	0	2,426,674	2,527,460	2,539,960	113,286
Vocational Education Program	1,088,200	0	0	1,088,200	1,151,622	1,151,622	63,422
<u>Support Services</u>							
Attendance	63,150	0	0	63,150	70,163	70,163	7,013
Health Services	137,841	0	0	137,841	163,735	163,735	25,894
Other Student Support	690,739	0	0	690,739	708,667	709,667	18,928
Regular Instruction Program	975,074	0	0	975,074	1,023,597	1,023,597	48,523
Special Education Program	448,317	0	0	448,317	460,050	460,050	11,733
Vocational Education Program	87,645	0	0	87,645	88,761	88,761	1,116
Board of Education	713,912	0	0	713,912	766,318	766,318	52,406
Director of Schools	230,291	0	0	230,291	247,545	247,545	17,254
Office of the Principal	1,885,274	0	0	1,885,274	1,903,052	1,903,052	17,778
Operation of Plant	3,023,745	0	0	3,023,745	3,018,109	3,018,109	(5,636)
Maintenance of Plant	688,427	(500)	25,500	713,427	748,139	748,139	34,712
Transportation	1,947,416	0	0	1,947,416	2,004,462	2,004,462	57,046

(Continued)

Exhibit C

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Central and Other	\$ 300,649	\$ 0	\$ 0	\$ 300,649	\$ 307,881	\$ 307,881	\$ 7,232
<u>Operation of Non-Instructional Services</u>							
Community Services	114,810	0	0	114,810	98,777	113,777	(1,033)
Early Childhood Education	466,556	0	0	466,556	491,730	491,730	25,174
<u>Capital Outlay</u>							
Regular Capital Outlay	895,309	(83,875)	1,340,482	2,151,916	3,210,275	2,418,133	266,217
Total Expenditures	\$ 36,158,928	\$ (87,375)	\$ 1,365,982	\$ 37,437,535	\$ 39,871,834	\$ 39,135,693	\$ 1,698,158
<u>Excess (Deficiency) of Revenues</u>							
Over Expenditures	\$ 1,031,772	\$ 87,375	\$ (1,365,982)	\$ (246,835)	\$ (2,955,803)	\$ (2,163,662)	\$ 1,916,827
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 15,764	\$ 0	\$ 0	\$ 15,764	\$ 5,000	\$ 5,000	\$ 10,764
Transfers Out	(792,142)	0	0	(792,142)	0	(792,142)	0
Total Other Financing Sources (Uses)	\$ (776,378)	\$ 0	\$ 0	\$ (776,378)	\$ 5,000	\$ (787,142)	\$ 10,764
<u>Net Change in Fund Balance</u>							
Fund Balance, July 1, 2005	\$ 7,146,197	(87,375)	0	7,058,822	7,016,955	7,016,955	41,867
Fund Balance, June 30, 2006	\$ 7,401,591	\$ 0	\$ (1,365,982)	\$ 6,035,609	\$ 4,066,152	\$ 4,066,151	\$ 1,969,458

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

**BUDGETARY INFORMATION**

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

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Purpose School Fund major categories: Regular Instruction Program, Special Education Program, Board of Education, Director of Schools, etc.). Management may make revisions within major categories, but only the Cumberland County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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

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

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

Exhibit D-1

Cumberland County, Tennessee  
Combining Balance Sheet - Nonmajor Governmental Funds  
Cumberland County School Department  
June 30, 2006

	<u>Special Revenue Funds</u>		
	School Federal Projects	Central Cafeteria	Total Nonmajor Governmental Funds
<u>ASSETS</u>			
Cash	\$ 0	\$ 100	\$ 100
Equity in Pooled Cash and Investments	189,098	1,145,079	1,334,177
Inventories	0	44,355	44,355
Due from Other Governments	150,429	21,875	172,304
Total Assets	<u>\$ 339,527</u>	<u>\$ 1,211,409</u>	<u>\$ 1,550,936</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accrued Payroll	\$ 1,941	\$ 0	\$ 1,941
Total Liabilities	<u>\$ 1,941</u>	<u>\$ 0</u>	<u>\$ 1,941</u>
<u>Fund Balances</u>			
Reserved for Inventory	\$ 0	\$ 44,355	\$ 44,355
Reserved for Title I Grants to Local Education Agencies	101,433	0	101,433
Reserved for Innovative Education Program Strategies	14,139	0	14,139
Reserved for Special Education - Grants to States	185,423	0	185,423
Other Federal Reserves	36,591	0	36,591
Unreserved	0	1,167,054	1,167,054
Total Fund Balances	<u>\$ 337,586</u>	<u>\$ 1,211,409</u>	<u>\$ 1,548,995</u>
Total Liabilities and Fund Balances	<u>\$ 339,527</u>	<u>\$ 1,211,409</u>	<u>\$ 1,550,936</u>

Exhibit D-2

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

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 1,085,133	\$ 1,085,133
Other Local Revenues	404	35,804	36,208
State of Tennessee	0	40,640	40,640
Federal Government	4,376,587	1,851,889	6,228,476
Total Revenues	<u>\$ 4,376,991</u>	<u>\$ 3,013,466</u>	<u>\$ 7,390,457</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 3,872,896	\$ 0	\$ 3,872,896
Support Services	713,852	0	713,852
Operation of Non-Instructional Services	9,626	2,973,076	2,982,702
Total Expenditures	<u>\$ 4,596,374</u>	<u>\$ 2,973,076</u>	<u>\$ 7,569,450</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (219,383)</u>	<u>\$ 40,390</u>	<u>\$ (178,993)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	\$ (15,764)	\$ 0	\$ (15,764)
Total Other Financing Sources (Uses)	<u>\$ (15,764)</u>	<u>\$ 0</u>	<u>\$ (15,764)</u>
Net Change in Fund Balances	\$ (235,147)	\$ 40,390	\$ (194,757)
Fund Balance, July 1, 2005	572,733	1,171,019	1,743,752
Fund Balance, June 30, 2006	<u>\$ 337,586</u>	<u>\$ 1,211,409</u>	<u>\$ 1,548,995</u>

Exhibit D-3

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 404	\$ 0	\$ 0	\$ 404
Federal Government	4,376,587	4,655,238	4,674,238	(297,651)
<b>Total Revenues</b>	<b>\$ 4,376,991</b>	<b>\$ 4,655,238</b>	<b>\$ 4,674,238</b>	<b>\$ (297,247)</b>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 2,334,835	\$ 2,774,681	\$ 2,798,629	\$ 463,794
Special Education Program	1,337,830	1,672,401	1,672,400	334,570
Vocational Education Program	200,231	198,758	200,232	1
<u>Support Services</u>				
Other Student Support	94,138	124,700	115,603	21,465
Regular Instruction Program	443,129	535,999	535,918	92,789
Special Education Program	30,323	12,200	31,200	877
Vocational Education Program	8,322	8,322	8,322	0
Operation of Plant	8,108	6,314	8,108	0
Transportation	129,832	144,960	130,551	719
<u>Operation of Non-Instructional Services</u>				
Food Service	9,626	13,360	9,768	142
<b>Total Expenditures</b>	<b>\$ 4,596,374</b>	<b>\$ 5,491,695</b>	<b>\$ 5,510,731</b>	<b>\$ 914,357</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (219,383)	\$ (836,457)	\$ (836,493)	\$ 617,110
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 153,300	\$ 153,300	\$ (153,300)
Transfers Out	(15,764)	(170,681)	(170,644)	154,880
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (15,764)</b>	<b>\$ (17,381)</b>	<b>\$ (17,344)</b>	<b>\$ 1,580</b>
Net Change in Fund Balance	\$ (235,147)	\$ (853,838)	\$ (853,837)	\$ 618,690
Fund Balance, July 1, 2005	572,733	853,838	853,838	(281,105)
<b>Fund Balance, June 30, 2006</b>	<b>\$ 337,586</b>	<b>\$ 0</b>	<b>\$ 1</b>	<b>\$ 337,585</b>

Exhibit D-4

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 1,085,133	\$ 1,133,000	\$ 1,133,000	\$ (47,867)
Other Local Revenues	35,804	27,000	27,000	8,804
State of Tennessee	40,640	40,000	40,000	640
Federal Government	1,851,889	1,675,000	1,675,000	176,889
Total Revenues	<u>\$ 3,013,466</u>	<u>\$ 2,875,000</u>	<u>\$ 2,875,000</u>	<u>\$ 138,466</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 2,973,076	\$ 3,266,940	\$ 3,266,940	\$ 293,864
Total Expenditures	<u>\$ 2,973,076</u>	<u>\$ 3,266,940</u>	<u>\$ 3,266,940</u>	<u>\$ 293,864</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 40,390</u>	<u>\$ (391,940)</u>	<u>\$ (391,940)</u>	<u>\$ 432,330</u>
Net Change in Fund Balance	\$ 40,390	\$ (391,940)	\$ (391,940)	\$ 432,330
Fund Balance, July 1, 2005	<u>1,171,019</u>	<u>1,151,503</u>	<u>1,151,503</u>	<u>19,516</u>
Fund Balance, June 30, 2006	<u>\$ 1,211,409</u>	<u>\$ 759,563</u>	<u>\$ 759,563</u>	<u>\$ 451,846</u>

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## MISCELLANEOUS SCHEDULES

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Exhibit E-1

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

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
School Federal Projects	General Purpose School	Indirect costs	\$ 15,764
General Purpose School	Education Capital Projects	School construction	<u>792,142</u>
Total Transfers			<u>\$ 807,906</u>

Exhibit E-2

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

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Director of Schools	State Board of Education and Cumberland County Board of Education	\$ 93,205 (1)	\$ 100,000	Travelers Casualty and Surety Company of America
Employee Blanket Bond Coverage: School Department Employees			150,000	Tennessee School Boards Risk Management Trust

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

## Exhibit E-3

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

	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Total
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 4,502,098	\$ 0	\$ 0	\$ 0	\$ 4,502,098
Trustee's Collections - Prior Year	87,334	0	0	0	87,334
Circuit/Clerk & Master Collections - Prior Years	61,412	0	0	0	61,412
Interest and Penalty	24,186	0	0	0	24,186
<u>County Local Option Taxes</u>					
Local Option Sales Tax	7,237,411	0	0	0	7,237,411
Business Tax	5,085	0	0	0	5,085
Mineral Severance Tax	3,135	0	0	0	3,135
<u>Statutory Local Taxes</u>					
Coal Severance Tax	1,018	0	0	0	1,018
Total Local Taxes	\$ 11,921,679	\$ 0	\$ 0	\$ 0	\$ 11,921,679
<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Tuition - Other	\$ 72,719	\$ 0	\$ 0	\$ 0	\$ 72,719
Lunch Payments - Children	0	0	565,220	0	565,220
Lunch Payments - Adults	0	0	68,587	0	68,587
Income from Breakfast	0	0	82,353	0	82,353
A la carte Sales	0	0	362,715	0	362,715
Receipts from Individual Schools	41,747	0	0	0	41,747
<u>Other Charges for Services</u>					
Other Charges for Services	0	0	6,258	0	6,258
Total Charges for Current Services	\$ 114,466	\$ 0	\$ 1,085,133	\$ 0	\$ 1,199,599
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	\$ 21,078	\$ 0	\$ 21,078
Retirees' Insurance Payments	1,584	0	0	0	1,584
Miscellaneous Refunds	33,005	404	14,726	0	48,135
<u>Nonrecurring Items</u>					
Sale of Equipment	7,287	0	0	0	7,287
Sale of Property	8,555	0	0	0	8,555
Damages Recovered from Individuals	739	0	0	0	739
Contributions & Gifts	1,863	0	0	0	1,863
<u>Other Local Revenues</u>					
Other Local Revenues	12,181	0	0	0	12,181
Total Other Local Revenues	\$ 65,214	\$ 404	\$ 35,804	\$ 0	\$ 101,422
<u>State of Tennessee</u>					
<u>Public Safety Grants</u>					
Safe and Drug - Free Schools and Communities	\$ 43,161	\$ 0	\$ 0	\$ 0	\$ 43,161
<u>State Education Funds</u>					
Basic Education Program	23,814,761	0	0	0	23,814,761
Early Childhood Education	491,730	0	0	0	491,730
School Food Service	0	0	40,640	0	40,640
Driver Education	6,505	0	0	0	6,505
Career Ladder Program	415,489	0	0	0	415,489
Career Ladder - Extended Contract	130,360	0	0	0	130,360

(Continued)

Exhibit E-3

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

	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Total
<u>State of Tennessee (Cont.)</u>					
<u>Other State Revenues</u>					
Other State Grants	\$ 33,300	\$ 0	\$ 0	\$ 0	\$ 33,300
Other State Revenues	7,419	0	0	0	7,419
Total State of Tennessee	\$ 24,942,725	\$ 0	\$ 40,640	\$ 0	\$ 24,983,365
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	\$ 0	\$ 0	\$ 1,383,993	\$ 0	\$ 1,383,993
Breakfast	0	0	467,896	0	467,896
Vocational Education - Basic Grants to States	0	224,246	0	0	224,246
Title I Grants to Local Education Agencies	0	1,784,580	0	0	1,784,580
Innovative Education Program Strategies	0	249,472	0	0	249,472
Special Education - Grants to States	19,233	1,213,917	0	0	1,233,150
Special Education Preschool Grants	0	44,531	0	0	44,531
Eisenhower Professional Development State Grants	0	454,093	0	0	454,093
Other Federal through State	86,531	405,748	0	0	492,279
<u>Direct Federal Revenue</u>					
Other Direct Federal Revenue	40,852	0	0	0	40,852
Total Federal Government	\$ 146,616	\$ 4,376,587	\$ 1,851,889	\$ 0	\$ 6,375,092
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 0	\$ 0	\$ 0	\$ 16,688,668	\$ 16,688,668
Total Other Governments and Citizens Groups	\$ 0	\$ 0	\$ 0	\$ 16,688,668	\$ 16,688,668
Total	\$ 37,190,700	\$ 4,376,991	\$ 3,013,466	\$ 16,688,668	\$ 61,269,825

Exhibit E-4

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

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 12,571,300	
Career Ladder Program	263,845	
Career Ladder Extended Contracts	90,000	
Educational Assistants	705,499	
Certified Substitute Teachers	32,761	
Non-certified Substitute Teachers	180,896	
Social Security	1,038,378	
State Retirement	755,451	
Life Insurance	28,734	
Medical Insurance	2,873,760	
Dental Insurance	92,891	
Maintenance & Repair Services - Equipment	158,958	
Other Contracted Services	121,361	
Instructional Supplies and Materials	283,739	
Textbooks	377,545	
Other Supplies and Materials	20,091	
Fee Waivers	2,324	
Other Charges	31,659	
Regular Instruction Equipment	257,238	
Total Regular Instruction Program		\$ 19,886,430

Alternative Instruction Program

Teachers	\$ 67,092	
Social Security	5,131	
State Retirement	3,690	
Life Insurance	111	
Medical Insurance	10,503	
Dental Insurance	353	
Other Contracted Services	930	
Instructional Supplies and Materials	347	
Other Supplies and Materials	312	
Total Alternative Instruction Program		88,469

Special Education Program

Teachers	\$ 1,467,557
Career Ladder Program	35,370
Career Ladder Extended Contracts	14,000
Homebound Teachers	110,940
Educational Assistants	43,134

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Other Salaries & Wages	\$	44,535	
Certified Substitute Teachers		6,500	
Non-certified Substitute Teachers		15,142	
Social Security		128,966	
State Retirement		95,239	
Life Insurance		3,250	
Medical Insurance		422,345	
Dental Insurance		11,060	
Maintenance & Repair Services - Equipment		990	
Instructional Supplies and Materials		14,920	
Textbooks		3,741	
Other Supplies and Materials		2,482	
Other Charges		1,675	
Special Education Equipment		4,828	
Total Special Education Program			\$ 2,426,674

Vocational Education Program

Teachers	\$	697,999	
Career Ladder Program		20,000	
Career Ladder Extended Contracts		6,000	
Educational Assistants		10,813	
Certified Substitute Teachers		395	
Non-certified Substitute Teachers		2,722	
Social Security		56,424	
State Retirement		41,214	
Life Insurance		1,289	
Medical Insurance		110,979	
Dental Insurance		4,236	
Maintenance & Repair Services - Equipment		7,212	
Other Contracted Services		51,060	
Instructional Supplies and Materials		38,371	
T&I Construction Materials		13,384	
Textbooks		6,114	
Other Supplies and Materials		2,836	
Other Charges		3,279	
Vocational Instruction Equipment		13,873	
Total Vocational Education Program			1,088,200

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Support Services

Attendance

Supervisor/Director	\$	49,939	
Career Ladder Program		500	
Social Security		3,859	
State Retirement		2,774	
Life Insurance		74	
Medical Insurance		4,859	
Dental Insurance		235	
Travel		258	
Other Supplies and Materials		402	
Other Charges		250	
Total Attendance			\$ 63,150

Health Services

Medical Personnel	\$	93,171	
Social Security		6,935	
State Retirement		3,917	
Life Insurance		160	
Medical Insurance		24,817	
Dental Insurance		1,172	
Travel		2,796	
Other Contracted Services		2,634	
Drugs and Medical Supplies		703	
Other Supplies and Materials		1,332	
Health Equipment		204	
Total Health Services			137,841

Other Student Support

Career Ladder Program	\$	6,740	
Guidance Personnel		481,000	
Career Ladder Extended Contracts		1,000	
Social Security		37,182	
State Retirement		26,914	
Life Insurance		940	
Medical Insurance		92,464	
Dental Insurance		3,059	
Evaluation and Testing		24,055	
Travel		1,000	
Other Supplies and Materials		359	
In Service/Staff Development		500	

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Other Charges	\$ 15,526	
Total Other Student Support		\$ 690,739

Regular Instruction Program

Supervisor/Director	\$ 74,254	
Career Ladder Program	19,500	
Career Ladder Extended Contracts	13,000	
Librarians	401,201	
Instructional Computer Personnel	172,740	
Secretary(ies)	15,323	
Social Security	52,043	
State Retirement	40,568	
Life Insurance	1,059	
Medical Insurance	101,711	
Dental Insurance	4,236	
Travel	9,769	
Library Books/Media	42,367	
Other Supplies and Materials	1,304	
In Service/Staff Development	25,999	
Total Regular Instruction Program		975,074

Special Education Program

Supervisor/Director	\$ 79,728	
Career Ladder Program	9,000	
Psychological Personnel	140,996	
Career Ladder Extended Contracts	8,000	
Secretary(ies)	27,912	
Clerical Personnel	17,698	
Other Salaries & Wages	60,196	
Social Security	25,876	
State Retirement	19,600	
Life Insurance	343	
Medical Insurance	37,511	
Dental Insurance	1,530	
Maintenance & Repair Services - Equipment	464	
Travel	16,810	
Other Supplies and Materials	1,432	
Other Charges	791	
Other Equipment	430	
Total Special Education Program		448,317

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Vocational Education Program

Supervisor/Director	\$	32,849	
Clerical Personnel		28,069	
Social Security		4,601	
State Retirement		3,763	
Life Insurance		72	
Medical Insurance		7,436	
Dental Insurance		353	
Travel		7,830	
Other Supplies and Materials		695	
In Service/Staff Development		1,578	
Other Charges		399	
Total Vocational Education Program			\$ 87,645

Board of Education

Board and Committee Members Fees	\$	28,800	
Social Security		2,203	
State Retirement		1,347	
Life Insurance		636	
Medical Insurance		131,710	
Dental Insurance		1,373	
Unemployment Compensation		30,452	
Audit Services		6,000	
Dues and Memberships		9,125	
Legal Services		32,176	
Travel		13,376	
Other Contracted Services		9,151	
Other Supplies and Materials		199	
Premiums on Corporate Surety Bonds		350	
Trustee's Commission		229,866	
Workers' Compensation Insurance		215,224	
Other Charges		1,924	
Total Board of Education			713,912

Director of Schools

County Official/Administrative Officer	\$	92,205
Career Ladder Program		1,000
Social Security		7,009
State Retirement		5,133
Life Insurance		74

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools (Cont.)

Medical Insurance	\$	4,859	
Dental Insurance		235	
Communication		74,528	
Dues and Memberships		13,969	
Postal Charges		3,999	
Travel		2,520	
Other Contracted Services		2,553	
Office Supplies		6,123	
Criminal Investigation of Applicants - TBI		9,264	
Other Charges		4,216	
Administration Equipment		2,604	
Total Director of Schools			\$ 230,291

Office of the Principal

Principals	\$	643,547	
Career Ladder Program		18,000	
Career Ladder Extended Contracts		20,000	
Assistant Principals		241,000	
Secretary(ies)		407,982	
Clerical Personnel		97,000	
Social Security		106,958	
State Retirement		84,894	
Life Insurance		2,157	
Medical Insurance		234,999	
Dental Insurance		10,648	
Communication		3,500	
In Service/Staff Development		3,993	
Other Charges		10,596	
Total Office of the Principal			1,885,274

Operation of Plant

Custodial Personnel	\$	889,816
Social Security		68,030
State Retirement		55,537
Life Insurance		1,629
Medical Insurance		221,319
Dental Insurance		11,060
Janitorial Services		15,900
Rentals		15,000

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Other Contracted Services	\$	77,668	
Custodial Supplies		109,408	
Electricity		1,018,874	
Natural Gas		239,994	
Water and Sewer		82,019	
Building and Contents Insurance		207,430	
Other Charges		199	
Plant Operation Equipment		9,862	
Total Operation of Plant			\$ 3,023,745

Maintenance of Plant

Supervisor/Director	\$	38,000	
Secretary(ies)		18,619	
Maintenance Personnel		237,570	
Part-time Personnel		16,433	
Social Security		23,114	
State Retirement		18,297	
Life Insurance		372	
Medical Insurance		49,013	
Dental Insurance		2,471	
Maintenance & Repair Services - Buildings		142,318	
Other Contracted Services		73,686	
Equipment and Machinery Parts		7,931	
Other Supplies and Materials		41,894	
Other Charges		14,745	
Maintenance Equipment		3,964	
Total Maintenance of Plant			688,427

Transportation

Supervisor/Director	\$	36,200	
Mechanic(s)		86,050	
Bus Drivers		761,327	
Clerical Personnel		19,337	
Attendants		8,746	
Overtime Pay		1,000	
Other Salaries & Wages		24,500	
Social Security		71,640	
State Retirement		65,389	
Life Insurance		2,584	

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Medical Insurance	\$	350,000	
Dental Insurance		15,747	
Maintenance & Repair Services - Vehicles		3,539	
Travel		1,439	
Other Contracted Services		4,826	
Equipment and Machinery Parts		16,617	
Gasoline		190,491	
Lubricants		8,466	
Office Supplies		407	
Tires and Tubes		15,306	
Vehicle Parts		54,537	
Other Supplies and Materials		4,148	
In Service/Staff Development		1,796	
Other Charges		1,935	
Transportation Equipment		201,389	
Total Transportation			\$ 1,947,416

Central and Other

Assistant(s)	\$	73,470	
Supervisor/Director		106,500	
Career Ladder Extended Contracts		2,000	
Secretary(ies)		28,555	
Clerical Personnel		24,825	
Social Security		17,981	
State Retirement		15,044	
Life Insurance		252	
Medical Insurance		28,459	
Dental Insurance		1,294	
Other Charges		2,269	
Total Central and Other			300,649

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	12,999	
Social Workers		31,999	
Other Salaries & Wages		34,708	
Social Security		6,701	
State Retirement		4,385	
Life Insurance		71	

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Community Services (Cont.)

Medical Insurance	\$	9,718	
Dental Insurance		400	
Travel		2,619	
Food Supplies		3,172	
Other Supplies and Materials		5,600	
Other Charges		2,438	
Total Community Services			\$ 114,810

Early Childhood Education

Teachers	\$	172,844	
Career Ladder Extended Contracts		1,000	
Educational Assistants		53,543	
Non-certified Substitute Teachers		1,350	
Social Security		17,201	
State Retirement		11,107	
Life Insurance		378	
Medical Insurance		41,144	
Dental Insurance		1,981	
Instructional Supplies and Materials		59,275	
Other Supplies and Materials		1,422	
Regular Instruction Equipment		105,311	
Total Early Childhood Education			466,556

Capital Outlay

Regular Capital Outlay

Communication	\$	3,565	
Engineering Services		19,411	
Building Construction		103,177	
Building Improvements		134,252	
Site Development		35,172	
Other Capital Outlay		599,732	
Total Regular Capital Outlay			895,309

Total General Purpose School Fund \$ 36,158,928

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	875,332	
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(Continued)

Exhibit E-4

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Regular Instruction Program (Cont.)

Educational Assistants	\$	507,118	
Other Salaries & Wages		146,155	
Certified Substitute Teachers		1,595	
Non-certified Substitute Teachers		11,362	
Social Security		115,083	
State Retirement		84,895	
Life Insurance		2,964	
Medical Insurance		249,578	
Dental Insurance		14,213	
Unemployment Compensation		7,910	
Other Fringe Benefits		5,364	
Maintenance & Repair Services - Equipment		40,938	
Travel		777	
Instructional Supplies and Materials		194,176	
Other Charges		3,096	
Regular Instruction Equipment		74,279	
Total Regular Instruction Program			\$ 2,334,835

Special Education Program

Teachers	\$	303,845	
Educational Assistants		472,246	
Other Salaries & Wages		90,747	
Certified Substitute Teachers		745	
Non-certified Substitute Teachers		6,682	
Social Security		64,032	
State Retirement		50,438	
Life Insurance		1,772	
Medical Insurance		212,548	
Dental Insurance		10,001	
Unemployment Compensation		4,904	
Contracts with Private Agencies		36,053	
Instructional Supplies and Materials		11,415	
Other Supplies and Materials		72,402	
Total Special Education Program			1,337,830

Vocational Education Program

Instructional Supplies and Materials	\$	1,802	
Other Charges		1,800	
Vocational Instruction Equipment		196,629	
Total Vocational Education Program			200,231

(Continued)

Exhibit E-4

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

School Federal Projects Fund (Cont.)

Support Services

Other Student Support

Medical Personnel	\$	14,000	
Evaluation and Testing		807	
Travel		11,936	
In Service/Staff Development		3,627	
Other Charges		63,768	
Total Other Student Support			\$ 94,138

Regular Instruction Program

Supervisor/Director	\$	73,618	
Secretary(ies)		31,550	
Other Salaries & Wages		15,000	
Social Security		8,013	
State Retirement		6,251	
Life Insurance		109	
Medical Insurance		9,512	
Dental Insurance		471	
Maintenance & Repair Services - Equipment		661	
Travel		289	
Other Contracted Services		17,465	
Other Supplies and Materials		8,414	
In Service/Staff Development		270,124	
Other Charges		399	
Other Equipment		1,253	
Total Regular Instruction Program			443,129

Special Education Program

Psychological Personnel	\$	7,200	
In Service/Staff Development		23,123	
Total Special Education Program			30,323

Vocational Education Program

Other Charges	\$	8,322	
Total Vocational Education Program			8,322

Operation of Plant

Custodial Personnel	\$	7,572	
Social Security		536	
Total Operation of Plant			8,108

(Continued)

Exhibit E-4

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Transportation

Other Charges	\$ 29,832	
Transportation Equipment	100,000	
Total Transportation	\$ 129,832	

Operation of Non-Instructional Services

Food Service

Food Supplies	\$ 9,626	
Total Food Service		9,626

Total School Federal Projects Fund \$ 4,596,374

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$ 35,006
Accountants/Bookkeepers	34,570
Clerical Personnel	31,304
Cafeteria Personnel	791,293
Maintenance Personnel	33,530
Longevity Pay	1,400
Other Salaries & Wages	7,110
Social Security	71,276
State Retirement	42,355
Life Insurance	1,297
Medical Insurance	181,065
Dental Insurance	9,048
Unemployment Compensation	2,716
Communication	7,132
Maintenance & Repair Services - Office Equipment	1,062
Pest Control	3,300
Transportation - Other than Students	15,523
Travel	4,925
Disposal Fees	24,772
Contracts for Landfill Facilities	16,122
Other Contracted Services	3,654
Equipment and Machinery Parts	27,810
Food Supplies	1,440,927
Office Supplies	4,990
Uniforms	1,888

(Continued)

Exhibit E-4

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

<u>Central Cafeteria Fund (Cont.)</u>		
<u>Operation of Non-Instructional Services (Cont.)</u>		
<u>Food Service (Cont.)</u>		
Utilities	\$	3,423
Other Supplies and Materials		119,362
In Service/Staff Development		1,901
Other Charges		13,185
Food Service Equipment		41,130
Total Food Service		<u>2,973,076</u>
Total Central Cafeteria Fund	\$	2,973,076
<u>Education Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>Education Capital Projects</u>		
Building Improvements	\$	14,901,778
Total Education Capital Projects		<u>14,901,778</u>
Total Education Capital Projects Fund		<u>14,901,778</u>
Total Governmental Funds - Cumberland County School Department	\$	<u>58,630,156</u>

**ANNUAL FINANCIAL REPORT**  
**CUMBERLAND COUNTY RAILROAD AUTHORITY**  
**A COMPONENT UNIT OF CUMBERLAND COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2006**

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

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

*ARTHUR L. ALEXANDER*  
*Director*

*CARL LOWE, CGFM*  
*Audit Manager*

*ANITA SCARLETT, CPA*  
*Auditor 4*

*GARY RAMSEY, CPA*  
*State Auditor*

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**CUMBERLAND COUNTY RAILROAD AUTHORITY  
A COMPONENT UNIT OF CUMBERLAND COUNTY, TENNESSEE  
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***Audit Highlights***  
Annual Financial Report  
Cumberland County Railroad Authority  
For the Year Ended June 30, 2006

***Scope***

We have audited the basic financial statements of the Cumberland County Railroad Authority as of and for the year ended June 30, 2006.

***Results***

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

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# INTRODUCTORY SECTION

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Cumberland County Railroad Authority Officials  
June 30, 2006

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**Board of Directors**

Brock Hill, Chairman  
George Adcock

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## FINANCIAL SECTION

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

INDEPENDENT AUDITOR'S REPORT

February 26, 2007

Cumberland County Railroad Authority  
Cumberland County, Tennessee

To the Board of Directors:

We have audited the accompanying financial statements of the governmental activities and the major fund of the Cumberland County Railroad Authority, a component unit of Cumberland County, Tennessee, as of and for the year ended June 30, 2006, as shown on pages 13 through 21, which collectively comprise the Cumberland County Railroad Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Cumberland County Railroad Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Cumberland County Railroad Authority as of June 30, 2006, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 26, 2007, on our consideration of the Cumberland County Railroad Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cumberland County Railroad Authority's basic financial statements. The introductory section and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,

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

John G. Morgan  
Comptroller of the Treasury

JGM/rc

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

Cumberland County, Tennessee  
Statement of Net Assets and Governmental Fund Balance Sheet  
Cumberland County Railroad Authority  
June 30, 2006

	General Fund	Adjustments	Statement of Net Assets
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 16,510	\$ 0	\$ 16,510
Due from Other Governments	274,061	0	274,061
Total Assets	<u>\$ 290,571</u>	<u>\$ 0</u>	<u>\$ 290,571</u>
<u>LIABILITIES</u>			
Contracts Payable	\$ 285,805	\$	\$ 285,805
Total Liabilities	<u>\$ 285,805</u>	<u>\$</u>	<u>\$ 285,805</u>
<u>FUND BALANCE/NET ASSETS</u>			
<u>Fund Balances</u>			
Unreserved Reported In:			
General Fund	\$ 4,766	\$ (4,766)	\$ 0
Total Fund Balances	<u>\$ 4,766</u>	<u>\$ (4,766)</u>	<u>\$ 0</u>
Total Fund Balances	<u>\$ 4,766</u>		
Net Assets:			
Unrestricted		<u>\$ 4,766</u>	<u>\$ 4,766</u>
Total Net Assets		<u>\$ 4,766</u>	<u>\$ 4,766</u>

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

Exhibit B

Cumberland County, Tennessee  
Statement of Activities and Governmental Fund Revenues, Expenditures,  
and Changes in Fund Balance/Net Assets  
Cumberland County Railroad Authority  
For the Year Ended June 30, 2006

	General Fund	Adjustments	Statement of Activities
<hr/>			
Expenditures/Expenses:			
Other Operations:			
Other Economic and Community Development	\$ 445,274	\$ 0	\$ 445,274
	<hr/>		
Total Expenditures/Expenses	\$ 445,274	\$ 0	\$ 445,274
	<hr/>		
Program Revenues:			
Operating Grants and Contributions:			
State of Tennessee	\$ 450,040	\$ 0	\$ 450,040
	<hr/>		
Net Program Expense			<u>\$ (4,766)</u>
Excess of Revenues over Expenditures	\$ 4,766	\$ (4,766)	\$ 0
Change in Net Assets	0	4,766	4,766
Fund Balance/Net Assets:			
July 1, 2005	<hr/> 0	<hr/> 0	<hr/> 0
June 30, 2006	<hr/> \$ 4,766	<hr/> \$ 0	<hr/> \$ 4,766
	<hr/>		

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

**CUMBERLAND COUNTY RAILROAD AUTHORITY**  
**A COMPONENT UNIT OF CUMBERLAND COUNTY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2006**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**A. Reporting Entity**

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

**B. Government-wide and Fund Financial Statements**

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

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the authority considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. The authority considers grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

The authority reports the following governmental fund:

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

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

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

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

**1. Deposits and Investments**

State statutes authorize counties (Cumberland County, the authority’s primary government) to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; the county’s own legally issued bonds or notes; the State Treasurer’s Investment Pool; and repurchase agreements.

The county trustee maintains a cash and internal investment pool that is used by all Cumberland County, Cumberland County School Department, and Cumberland County Railroad Authority funds. Each fund’s portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments.

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

**2. Payables**

Contracts payable represent amounts due on construction projects for work performed prior to June 30, 2006.

**3. Net Assets and Fund Equity**

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

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

In the fund financial statements, the governmental fund reports reservations of fund balance for amounts that are not available for

appropriation or are legally restricted by outside parties for use for a specific purpose.

## II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

## III. STEWARDSHIP AND ACCOUNTABILITY

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

## IV. DETAILED NOTES

### A. Deposits and Investments

Cumberland County, the Cumberland County School Department, and the Cumberland County Railroad Authority participate in an internal cash and investment pool through the Office of Trustee. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, depositing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments.

#### Deposits

**Legal Provisions.** All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund

accounts covered by the pool are considered to be insured for the purposes of credit risk disclosure.

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

**Investments**

**Legal Provisions.** Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and the county’s own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer’s Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state director of Local Finance and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government, or obligations guaranteed by the U.S. government, or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the market value of the securities on the day of purchase.

**Investment Balances.** As of June 30, 2006, Cumberland County had the following investments carried at cost. All investments are in the county trustee’s investment pool. Separate disclosures concerning pooled investments cannot be made for Cumberland County, the Cumberland County School Department, and the Cumberland County Railroad Authority since all pool their deposits and investments through the county trustee.

<u>Investments</u>	<u>Maturities</u>	<u>Cost</u>
State Treasurer's Investment Pool	Daily	\$ 105,809

**Interest Rate Risk.** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State statutes limit the maturities of certain investments as previously disclosed. Cumberland County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Cumberland County has no investment policy that would further limit its investment choices. As of June 30, 2006, Cumberland County's investment in the State Treasurer's Investment Pool was unrated.

## V. OTHER INFORMATION

### A. Accounting Changes

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

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

The provisions of GASB Statement No. 46, Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34 became effective for the year ended June 30, 2006. GASB Statement No. 46 provides guidance to determine when net assets have been restricted to a particular use by the passage of enabling legislation and specifies how those net assets should be reported in financial statements when there are changes in the circumstances surrounding such legislation. The statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation as of the end of the reporting period. The authority had no net assets restricted by enabling legislation to disclose as of June 30, 2006. But it is reasonably expected that the authority will be required to disclose net assets restricted by enabling legislation in subsequent years.

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

**B. Contingent Liabilities**

Authority officials advised that there was no litigation pending against the authority at June 30, 2006.

**C. Financial Policy**

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

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## MISCELLANEOUS SCHEDULES

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Exhibit C-1

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

	Industrial / Economic Development
<hr/>	
<u>State of Tennessee</u>	
<u>General Government Grants</u>	
Other General Government Grants	\$ 450,040
Total State of Tennessee	<u>\$ 450,040</u>
 Total	 <u><u>\$ 450,040</u></u>

Exhibit C-2

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

General Fund

Other Operations

Other Economic and Community Development

Engineering Services \$ 61,164

Other Charges 2,632

Other Construction 381,478

Total Other Economic and Community Development \$ 445,274

Total General Fund \$ 445,274

Total Governmental Funds - Cumberland County Railroad Authority \$ 445,274

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

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

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

*ARTHUR L. ALEXANDER*  
*Director*

*CARL LOWE, CGFM*  
*Audit Manager*

*ANITA SCARLETT, CPA*  
*Auditor 4*

*GARY RAMSEY, CPA*  
*JIMMY HODGES, CFE*  
*STEPHEN ALRED*  
*KELLEY McNEAL, CPA, CGFM*  
*State Auditors*

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

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

February 26, 2007

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

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

We have audited the financial statements of each major fund and the aggregate remaining fund information of Cumberland County, Tennessee, and the Cumberland County School Department, and we have audited the financial statements of the governmental activities and the major fund of the Cumberland County Railroad Authority, as of and for the year ended June 30, 2006, which collectively comprise a portion of Cumberland County's, the Cumberland County School Department's, and the Cumberland County Railroad Authority's basic financial statements and have issued our reports thereon dated February 26, 2007. Our reports on the financial statements of Cumberland County, Tennessee, and the Cumberland County School Department express adverse opinions because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. Our report on the financial statements of the Cumberland County Railroad Authority expresses an unqualified opinion. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cumberland County's, the Cumberland County School Department's, and the Cumberland County Railroad Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of

expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Cumberland County's, the Cumberland County School Department's, and the Cumberland County Railroad Authority's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 06.02, 06.03(E), 06.05, and 06.07.

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

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cumberland County's, the Cumberland County School Department's, and the Cumberland County Railroad Authority's financial statements are free of material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying Schedule of Findings and Questioned Costs as items 06.01, 06.03(A,B,C,D), 06.04, and 06.06.

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

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

Very truly yours,



John G. Morgan  
Comptroller of the Treasury

JGM/rc



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

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

February 26, 2007

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

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

Compliance

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments and

Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cumberland County's, the Cumberland County School Department's, and the Cumberland County Railroad Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Cumberland County's, the Cumberland County School Department's, and the Cumberland County Railroad Authority's compliance with those requirements.

In our opinion, Cumberland County, the Cumberland County School Department, and the Cumberland County Railroad Authority complied, in all material respects, with the requirements referred to above that are applicable to each of their major federal programs for the year ended June 30, 2006.

#### Internal Control Over Compliance

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

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Cumberland County's and the Cumberland County School Department's ability to administer major federal programs in accordance with applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 06.07 and 06.08.

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

## Schedule of Federal Awards

We have audited the financial statements of each major fund and the aggregate remaining fund information of Cumberland County, Tennessee, and the Cumberland County School Department, and we have audited the financial statements of the governmental activities and the major fund of the Cumberland County Railroad Authority, as of and for the year ended June 30, 2006, and have issued our reports thereon dated February 26, 2007. Our reports on the financial statements of Cumberland County and the Cumberland County School Department express adverse opinions because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. Our report on the financial statements of the Cumberland County Railroad Authority expresses an unqualified opinion. Our audit was performed for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Grants is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Very truly yours,



John G. Morgan  
Comptroller of the Treasury

JGM/rc

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Passed-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Agriculture:			
Food Donation (Noncash Assistance)	10.550	N/A	\$ 132,552
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	467,896
National School Lunch Program	10.555	N/A	1,383,993
Total U.S. Department of Agriculture			\$ 1,984,441
U.S. Department of Economic and Community Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants	14.228	GG-05-11634-00	\$ 465,818
U.S. Department of Justice:			
Direct Programs:			
Public Safety Partnership and Community Policing Grants	16.710	N/A	\$ 15,060
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	GG-06-12208-00	1,858
Total U.S. Department of Justice			\$ 16,918
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grant to Local Educational Agencies	84.010	N/A	\$ 1,777,800
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	1,450,005
Special Education - Preschool Grants	84.173	N/A	44,531
Vocational Education - Basic Grants to States	84.048	N/A	224,246
Safe and Drug Free Schools and Communities - State Grants	84.186	(2)	45,006
Education for Homeless Children and Youth	84.196	N/A	40,999
Twenty-First Century Community Learning Centers	84.287	(2)	343,516
Innovative Education Program Strategies	84.298	N/A	23,322
Education Technology State Grants	84.318	(2)	129,245
Rural Education	84.358	N/A	233,440
English Language Acquisition Grants	84.365	N/A	15,355
Improving Teacher Quality State Grants	84.367	N/A	364,672
Hurricane Education Recovery	84.938C	N/A	45,532
Total U.S. Department of Education			\$ 4,737,669

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Passed-through Entity Identifying Number	Expenditures
U.S. Elections Assistance Commission:			
Passed-through State Office of Secretary of State:			
Help America Vote Act	90.401	N/A	\$ 271,341
U.S. Department of Homeland Security:			
Direct Programs:			
Assistance to Firefighters Grant	97.044	N/A	\$ 45,514
Passed-through State Department of Military:			
State Domestic Preparedness Equipment Support Program	97.004	Z-04-020084-00	140,406
Emergency Management Performance Grant	97.042	(3)	37,870
Total U.S. Department of Homeland Security			<u>\$ 223,790</u>
Total Expenditures of Federal Awards			<u>\$ 7,699,977</u>
<u>State Grants</u>		<u>Contract Number</u>	
Railroad Rehabilitation Grant - State Department of Transportation	N/A	(2)	\$ 450,040
Family Resource Center - State Department of Education	N/A	(2)	33,300
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	39,235
Law Enforcement Training - State Department of Safety	N/A	(2)	2,450
Litter Program - State Department of Transportation	N/A	(2)	51,620
Rural Local Health Services - State Department of Health	N/A	(2)	402,468
Lottery for Education - PreK - State Department of Education	N/A	(2)	491,730
Safe Schools Act - State Department of Education	N/A	(2)	43,161
Waste Tire Storage and Disposal - State Department of Environment and Conservation	N/A	(2)	40,735
Youth Services Officer Grant - State Commission on Children and Youth	N/A	(2)	9,000
Total State Grants			<u>\$ 1,563,739</u>

CFDA = Catalog of Federal Domestic Assistance  
N/A = Not Applicable

- (1) Presented in conformity with generally accepted accounting principles and prepared on the modified accrual basis of accounting.  
(2) Information not available.  
(3) Z-05-025366-00: \$26,821; Z-06-032872-00: \$11,049

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

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report of Cumberland County, Tennessee, the Cumberland County School Department, and the Cumberland County Railroad Authority for the year ended June 30, 2005, which have not been corrected.

**CUMBERLAND COUNTY AND CUMBERLAND COUNTY SCHOOL DEPARTMENT**

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

**OFFICE OF FINANCE DIRECTOR**

Finding Number	Page Number	Subject
05.02	13	Inventory records were not maintained

**OTHER FINDING**

Finding Number	Page Number	Subject
05.04	14	Duties were not segregated adequately in the Finance Department and in the Offices of County Clerk, Register, and Sheriff

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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

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

1. Adverse opinions were issued on the financial statements of Cumberland County, Tennessee, and the Cumberland County School Department. An unqualified opinion was issued on the financial statements of the Cumberland County Railroad Authority.
2. The audit of the financial statements of Cumberland County and the Cumberland County School Department disclosed reportable conditions in internal control. None of these conditions was considered to be a material weakness.
3. The audit disclosed two instances of noncompliance that were material to the financial statements of Cumberland County, and one instance of noncompliance that was material to the financial statements of the Cumberland County School Department.
4. The audit disclosed one reportable condition in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed one finding that is required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555), the Community Development Block Grant (CFDA No. 14.228), Title I Grants to Local Educational Agencies (CFDA No. 84.010), and Improving Teacher Quality State Grants (CFDA No. 84.367) were determined to be major programs.
8. A threshold of \$300,000 was used to distinguish between Type A and Type B federal programs.
9. Cumberland County, the Cumberland County School Department, and the Cumberland County Railroad Authority did not qualify as low-risk auditees.

## **PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS**

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. The written responses of the finance director are quoted in this report. Other officials offered oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

### **CUMBERLAND COUNTY AND CUMBERLAND COUNTY SCHOOL DEPARTMENT**

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

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

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

### **RECOMMENDATION**

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

## **OFFICE OF FINANCE DIRECTOR**

### **FINDING 06.02      INVENTORY RECORDS WERE NOT MAINTAINED (Internal Control – Reportable Condition Under Government Auditing Standards)**

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

### **RECOMMENDATION**

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

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### **FINDING 06.03      A CASH SHORTAGE OF \$2,716.80 TOGETHER WITH OTHER DEFICIENCIES EXISTED AT THE AMBULANCE SERVICE (A., B., C., and D. Material Noncompliance Under Government Auditing Standards; E. Internal Control – Reportable Condition Under Government Auditing Standards)**

Our examination of the Ambulance Service operations revealed the following deficiencies:

- A. We noted several receipts for cash collections that were not deposited to the office bank account or otherwise accounted for. Upon discovering these irregularities, we extended our audit procedures to include the period from July 1, 2004, through September 30, 2006. As a result of our extended procedures, we were unable to account for receipts totaling \$2,716.80.
- B. In one instance, we noted a receipt that was issued for a cash collection that was not included on the corresponding bank deposit. For this transaction, the accounting records reflected a receipt for a collection made by check; however, the amount posted to the accounting records was less than the amount of the check, and the difference was posted as a write-off to accounts receivable. Employees at the Ambulance Service advised that the difference should not have been written-off. This unaccounted for cash is included as part of the \$2,716.80 noted above.
- C. Our examination noted numerous collections made by checks that were receipted but were not deposited to the office bank account. Ambulance Service personnel advised us that it was their practice to return these checks to the payer if the account had already been paid. However the office had no documentation to support that any of the receipted checks were actually returned to the payer.

Section 5-8-207, Tennessee Code Annotated (TCA), requires all collections to be deposited to the office bank account within three days of collections, and all funds to be disbursed by official prenumbered checks.

- D. In several instances, we noted collections that were deposited to the Ambulance Service bank account and were posted to the accounts receivable system; however, receipts had not been issued for these collections. Section 9-2-103, TCA requires that receipts be issued for all collections. Also, in some instances, receipts issued did not agree with amounts deposited or with photocopies of the actual checks maintained. We also noted duplicate receipts issued for some collections.
- E. Duties were not segregated adequately among employees at the Ambulance Service. The bookkeepers collected funds, issued receipts, prepared deposits, carried the deposits to the bank, maintained the computerized billing and accounts receivable system, and wrote-off account balances without proper oversight. Sound internal controls require segregation of incompatible duties involving the receipting, disbursing, and recording of funds.

We have discussed these matters with the county mayor, the Ambulance Service director, and the district attorney general. The Tennessee Bureau of Investigation is currently conducting an investigation of the Ambulance Service. If any additional shortage is determined from that investigation, we will communicate those results in a future report.

#### RECOMMENDATION

Officials should seek restitution for any missing funds. Also, officials should take immediate steps to develop improved internal control procedures over the operations of the Ambulance Service and correct the above-noted deficiencies. County officials should randomly test internal control procedures at the Ambulance Service to ensure control over collections. All collections should be receipted, deposited to the official bank account within three days of collection, and any refunds should be disbursed by official prenumbered checks. Duties should be segregated adequately among employees at the Ambulance Service.

#### MANAGEMENT'S RESPONSE – FINANCE DIRECTOR (DIRECT QUOTE)

Cumberland County is aware of the situation and has cooperated fully with the Division of County Audit, Tennessee Bureau of Investigation, and district attorney general. Immediate measures have been taken to improve internal control procedures. At the conclusion of the examination by the Tennessee Bureau of Investigation, the county will seek restitution from the appropriate person(s) and encourage the district attorney general to take appropriate legal action.

**WAS NOT SUBJECT TO BUDGETARY CONTROL OF  
THE COUNTY COMMISSION**  
(Noncompliance Under Government Auditing Standards)

The Art Circle Public Library operates as a department within the county's General Fund. A significant portion of the library's expenditures for the year was paid through the county's General Fund (\$338,795), which is included in the financial statements of this report. However, the Library Board maintained a checking account and certificates of deposit outside of the county's control to deposit fines, copy fees, and donations for the construction of a new library. The balance of these accounts was approximately \$75,000 on June 30, 2006. The funds channeled through the checking account and certificates of deposit did not flow through the county's budgetary process, have not been audited, and are not included in the financial statements of this report. We do not consider the exclusion of these amounts to be material to the financial statements of this report.

Section 5-9-401, Tennessee Code Annotated (TCA), states that "All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies." Also, Section 10-3-106, TCA, states that "All library accounts of every character shall be audited annually by or under the county legislative body and/or city governing body."

**RECOMMENDATION**

The Art Circle Public Library should remit all collections to the county's General Fund or contract for an audit of their accounts. All revenues and expenditures related to the library's operation should be audited and subject to the budgetary control of the County Commission as required by state statutes.

**MANAGEMENT'S RESPONSE – FINANCE DIRECTOR (DIRECT QUOTE)**

Monies held by the Board of Directors of the Art Circle Public Library designated for the purpose of constructing a new library will be transferred to the custody of the Cumberland County Trustee.

**REBUTTAL**

All collections, not only those designated for a new library, should be remitted to the county trustee or subjected to an audit.

## OFFICE OF COUNTY CLERK

**FINDING 06.05      BANK STATEMENTS WERE NOT RECONCILED WITH ACCOUNTING RECORDS MONTHLY**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

As of November 2006, the county clerk had not performed bank reconciliations since February 2006; however, prior to the completion of our audit, the clerk did reconcile bank statements through August 31, 2006, the date she left office. The failure to reconcile bank statements on a current basis allowed several errors to occur and not be detected or corrected until after year end.

### RECOMMENDATION

The county clerk should reconcile bank statements with the general ledger monthly.

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**FINDING 06.06      COLLECTIONS WERE NOT DEPOSITED WITHIN THREE DAYS**  
(Noncompliance Under Government Auditing Standards)

The county clerk did not deposit collections to the office bank account within three days of collection as required by Section 5-8-207, Tennessee Code Annotated. This statute requires that county officials deposit all funds within three days of collection.

### RECOMMENDATION

Funds should be deposited to the office bank account within three days of collection as required by state statute.

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## OTHER FINDING AND RECOMMENDATION

**FINDING 06.07      DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE FINANCE DEPARTMENT AND THE OFFICES OF TRUSTEE, COUNTY CLERK, REGISTER, AND SHERIFF**  
(Internal Control – Reportable Condition Under Government Auditing Standards and OMB Circular A-133)

Duties were not segregated adequately among the officials and employees in the Finance Department and in the Offices of the Trustee, County Clerk, Register, and Sheriff. Officials and employees responsible for maintaining the accounting records in this department and offices were also involved in receipting, depositing, and/or disbursing funds. We realize

that due to limited resources and personnel, management may not be able to properly segregate duties among employees. However, our professional standards require that we bring this matter to the reader's attention in this report.

MANAGEMENT'S RESPONSE – FINANCE DIRECTOR (DIRECT QUOTE)

The Finance Department takes all reasonable measures to segregate duties among employees. However, in order to maximize the use of resources and personnel it is often necessary to assign employees to more than one area of responsibility making it difficult to properly segregate duties.

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

Federal/Pass-through Agencies	Finding Number	Federal CFDA Number	Criteria	Explanation	Amount Questioned
U.S. Department of Agriculture: Passed-through State Department of Education:	06.08		Circular A-133, Section 500 (c)(3)	Reportable Condition in Internal Control See Finding 06.07 - Duties were not adequately segregated in the Finance Department	\$ 0
Child Nutrition Cluster:					
School Breakfast Program		10.553			
School Lunch Program		10.555			
U.S. Department of Economic and Community Development:					
Passed-through State Department of Economic and Community Development:					
Community Development Block Grants		14.228			
U.S. Department of Education: Passed-through State Department of Education:					
Title I Grant to Local Educational Agencies		84.010			
Improving Teacher Quality State Grants		84.367			

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

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

**Finance Department – Corrective Action Plan for Current-year Findings**

**FINDINGS 06.07 and 06.08**

Contact Person: Nathan Brock, Finance Director

Corrective action planned: The Finance Department takes all reasonable measures to segregate duties among employees. However, in order to maximize the use of resources and personnel, it is often necessary to assign employees to more than one area of responsibility making it difficult to properly segregate duties.

Anticipated completion date: None