

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

SINGLE AUDIT REPORT



FOR THE YEAR ENDED JUNE 30, 2007



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

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

CUMBERLAND COUNTY, TENNESSEE

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Audit Highlights
Annual Financial Report
Cumberland County, Tennessee
For the Year Ended June 30, 2007

Scope

We have audited the basic financial statements of Cumberland County as of and for the year ended June 30, 2007.

Results

Our report on the aggregate discretely presented component units expresses an adverse opinion because two of the required component units are omitted. Our report on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information is unqualified.

Our audit resulted in eight 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:

OFFICE OF FINANCE DIRECTOR

- ◆ The School Federal Projects Fund had a cash overdraft of \$132,286 at June 30, 2007.
- ◆ Several expenditures were misclassified in the accounting records of the General and General Purpose School funds.
- ◆ Funds were transferred from the General Purpose School Fund to the Education Capital Projects Fund without County Commission approval.
- ◆ The Solid Waste Disposal Fund had a deficit in unrestricted net assets at June 30, 2007.

OFFICE OF ROAD SUPERINTENDENT

- ◆ The road superintendent did not prepare and submit a list of county roads to the County Commission as required by state statute.

OFFICE OF COUNTY CLERK

- ◆ The clerk did not require a depository holding county funds to pledge adequate securities to protect funds in excess of Federal Deposit Insurance Corporation coverage.
-

OFFICE OF SHERIFF

- ◆ The sheriff did not deposit some funds to the office bank account within three days of collection as required by state statute.
-

OTHER FINDING

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

INTRODUCTORY SECTION

Cumberland County Officials

June 30, 2007

Officials

Brock Hill, County Mayor
Wendell Houston, Road Superintendent
Carolyn Turner, Trustee
Ralph Barnwell, Assessor of Property
Jule Bryson, 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	
Jeff Brown	R. Donathan Ivey
Kenneth Carey, Jr.	Carmin Lynch
Terry Carter	Greg Maxwell
Clyde Cramer	Johnny Presley
Jack Davis	Harry Sabine
David Gibson	Charles Seiber
Michael Harvel	Creed Lynn Tollett
Nancy Hyder	Wendell Wilson
Jim Inman	Sharon York

Finance Committee

Brock Hill, Chairman	
Wendell Houston	Kenneth Carey, Jr.
Aarona VanWinkle	Clyde Cramer
Jeff Brown	R. Donathan Ivey

FINANCIAL SECTION



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0269
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INDEPENDENT AUDITOR'S REPORT

January 7, 2008

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 the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Cumberland County, Tennessee, as of and for the year ended June 30, 2007, which collectively comprise Cumberland County's basic financial statements as listed in the table of contents. 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 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. 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.

As discussed in Note I to the financial statements, the financial statements of the aggregate discretely presented component units referred to above do not include financial data for the Cumberland County School Department and the Cumberland County Emergency Communications District. Accounting principles generally accepted in the United States of America require that the financial activities of the Cumberland County School Department and the Cumberland County Emergency Communications District be presented in the basic financial statements of Cumberland County as discretely presented component units. The amounts that would be reported in the government-wide financial statements for the aggregate discretely presented component units are not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, 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 aggregate discretely presented component units of Cumberland County, Tennessee, as of June 30 2007, and the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Cumberland County, Tennessee, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, 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 January 7, 2008, on our consideration of Cumberland County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note V.B., Cumberland County has implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. For the first time, the financial statements include the government-wide financial statements.

The management of Cumberland County 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 accounting principles generally accepted in the United States of America.

The budgetary comparison and pension information on pages 63 through 69 are not required parts of the basic financial statements but they do provide supplementary information required by accounting principles generally accepted in the United States of

America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 by us 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. The introductory section has not been subjected to the auditing procedures applied by us 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 is positioned above the printed name.

John G. Morgan
Comptroller of the Treasury

JGM/rd

BASIC FINANCIAL STATEMENTS

Exhibit A

Cumberland County, Tennessee
Statement of Net Assets
June 30, 2007

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Cumberland County Railroad Authority
<u>ASSETS</u>				
Cash	\$ 80,969	\$ 2,401	\$ 83,370	\$ 0
Equity in Pooled Cash and Investments	24,521,220	866,319	25,387,539	18,659
Accounts Receivable	3,366,127	48,885	3,415,012	0
Allowance for Uncollectibles	(1,946,730)	0	(1,946,730)	0
Due from Other Governments	1,744,486	0	1,744,486	3,394
Property Taxes Receivable	11,548,454	0	11,548,454	0
Allowance for Uncollectible Property Taxes	(436,344)	0	(436,344)	0
Deferred Charges - Debt Issuance Cost	121,346	0	121,346	0
Capital Assets				
Assets Not Depreciated:				
Land	1,000,713	46,840	1,047,553	0
Construction in Progress	930,578	0	930,578	0
Assets Net of Accumulated Depreciation:				
Buildings and Improvements	6,675,632	4,324	6,679,956	0
Infrastructure	19,258,625	0	19,258,625	0
Landfill Facilities and Development	0	962,187	962,187	0
Other Capital Assets	4,290,927	16,465	4,307,392	0
Total Assets	\$ 71,156,003	\$ 1,947,421	\$ 73,103,424	\$ 22,053
<u>LIABILITIES</u>				
Accounts Payable	\$ 977,281	\$ 15,461	\$ 992,742	\$ 3,394
Accrued Interest Payable	168,405	0	168,405	0
Contracts Payable	633,830	0	633,830	0
Retainage Payable	28,400	0	28,400	0
Due to State of Tennessee	24,449	0	24,449	0
Matured Bonds Payable	30,000	0	30,000	0
Matured Interest on Bonds	8,058	0	8,058	0

(Continued)

Exhibit A

Cumberland County, Tennessee
Statement of Net Assets (Cont.)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Cumberland County Railroad Authority
<u>LIABILITIES (Cont.)</u>				
Current Liabilities Payable from Restricted Assets:				
Customer Deposits Payable	\$ 31,823	\$ 0	\$ 31,823	\$ 0
Deferred Revenue - Current Property Taxes	10,948,056	0	10,948,056	0
Noncurrent Liabilities:				
Due Within One Year	2,641,537	12,700	2,654,237	0
Due in More Than One Year	51,433,437	2,351,979	53,785,416	0
Total Liabilities	<u>\$ 66,925,276</u>	<u>\$ 2,380,140</u>	<u>\$ 69,305,416</u>	<u>\$ 3,394</u>
<u>NET ASSETS</u>				
Invested in Capital Assets, Net of Related Debt	\$ (21,114,619)	\$ 0	\$ (21,114,619)	\$ 0
Invested in Capital Assets	0	1,029,816	1,029,816	0
Restricted for:				
Courthouse and Jail Maintenance	153,735	0	153,735	0
Solid Waste/Sanitation	235,749	0	235,749	0
Drug Control	201,371	0	201,371	0
Highway/Public Works	1,094,042	0	1,094,042	0
Debt Service	18,600,834	0	18,600,834	0
Other Purposes	273,515	0	273,515	0
Unrestricted	4,786,100	(1,462,535)	3,323,565	18,659
Total Net Assets	<u>\$ 4,230,727</u>	<u>\$ (432,719)</u>	<u>\$ 3,798,008</u>	<u>\$ 18,659</u>

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

Exhibit B

Cumberland County, Tennessee
Statement of Activities
 For the Year Ended June 30, 2007

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets							Component Unit Cumberland County Railroad Authority
	Expenses	Program Revenues			Primary Government			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary Government:								
Governmental Activities:								
General Government	\$ 2,902,107	\$ 740,160	\$ 30,900	\$ 0	\$ (2,131,047)	\$ 0	\$ (2,131,047)	\$ 0
Finance	1,687,295	1,074,985	39,464	0	(572,846)	0	(572,846)	0
Administration of Justice	1,305,441	1,188,442	16,152	0	(100,847)	0	(100,847)	0
Public Safety	6,758,297	727,043	282,089	0	(5,749,165)	0	(5,749,165)	0
Public Health and Welfare	4,406,529	2,630,861	579,571	0	(1,196,097)	0	(1,196,097)	0
Social, Cultural, and Recreational Services	544,332	27,149	5,000	0	(512,183)	0	(512,183)	0
Agriculture and Natural Resources	126,387	0	4,582	0	(121,805)	0	(121,805)	0
Other Operations	629,604	0	0	0	(629,604)	0	(629,604)	0
Highways/Public Works	2,661,636	0	2,263,535	350,310	(47,791)	0	(47,791)	0
Interest on Long-term Debt	2,213,662	0	0	0	(2,213,662)	0	(2,213,662)	0
Other Debt Service	91,687	0	0	0	(91,687)	0	(91,687)	0
Total Primary Government	\$ 23,326,977	\$ 6,388,640	\$ 3,221,293	\$ 350,310	\$ (13,366,734)	\$ 0	\$ (13,366,734)	\$ 0
Business-type Activities:								
Landfill	\$ 1,044,212	\$ 915,382	\$ 43,579	\$ 0	\$ 0	\$ (85,251)	\$ 0	\$ 0
Total Business-type Activities	\$ 1,044,212	\$ 915,382	\$ 43,579	\$ 0	\$ 0	\$ (85,251)	\$ 0	\$ 0
Total Primary Government	\$ 24,371,189	\$ 7,304,022	\$ 3,264,872	\$ 350,310	\$ (13,366,734)	\$ (85,251)	\$ (13,366,734)	\$ 0
Component Unit:								
Cumberland County Railroad Authority	\$ 47,910	\$ 0	\$ 61,803	\$ 0	\$ 0	\$ 0	\$ 0	\$ 13,893

(Continued)

Exhibit B

Cumberland County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	Unit
					Governmental Activities	Business-type Activities		Cumberland County Railroad Authority
General Revenues:								
Taxes:								
Property Taxes Levied for General Purposes					\$ 7,121,963	\$ 0	\$ 7,121,963	\$ 0
Property Taxes Levied for Debt Service					3,608,256	0	3,608,256	0
Local Option Sales Taxes					2,270,328	0	2,270,328	0
Other Local Taxes					1,723,973	0	1,723,973	0
Grants and Contributions Not Restricted to Specific Programs					1,609,464	0	1,609,464	0
Unrestricted Investment Earnings					1,526,324	0	1,526,324	0
Miscellaneous					13,075	33	13,108	0
Insurance Recovery					10,647	0	10,647	0
Total General Revenues					\$ 17,884,030	\$ 33	\$ 17,884,063	\$ 0
Change in Net Assets					\$ 4,517,296	\$ (85,218)	\$ 4,432,078	\$ 13,893
Net Assets, July 1, 2006					(286,569)	(364,573)	(651,142)	4,766
Prior-Period Adjustment					\$ 0	\$ 17,072	\$ 17,072	\$ 0
Net Assets, June 30, 2007					\$ 4,230,727	\$ (432,719)	\$ 3,798,008	\$ 18,659

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

Exhibit C-1

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

	Major Funds			Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>ASSETS</u>					
Cash	\$ 200	\$ 0	\$ 0	\$ 80,769	\$ 80,969
Equity in Pooled Cash and Investments	4,496,255	777,782	18,413,695	833,488	24,521,220
Accounts Receivable	3,365,122	0	0	1,005	3,366,127
Allowance for Uncollectibles	(1,946,730)	0	0	0	(1,946,730)
Due from Other Governments	584,442	818,737	338,433	2,874	1,744,486
Due from Other Funds	81,774	0	0	0	81,774
Property Taxes Receivable	7,654,557	0	3,893,897	0	11,548,454
Allowance for Uncollectible Property Taxes	(289,402)	0	(146,942)	0	(436,344)
Total Assets	<u>\$ 13,946,218</u>	<u>\$ 1,596,519</u>	<u>\$ 22,499,083</u>	<u>\$ 918,136</u>	<u>\$ 38,959,956</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 508,113	\$ 465,891	\$ 0	\$ 3,277	\$ 977,281
Contracts Payable	420,000	0	0	213,830	633,830
Retainage Payable	0	0	0	28,400	28,400
Due to Other Funds	0	0	0	81,774	81,774
Due to State of Tennessee	24,449	0	0	0	24,449
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	31,823	0	0	0	31,823
Deferred Revenue - Current Property Taxes	7,256,270	0	3,691,786	0	10,948,056
Deferred Revenue - Delinquent Property Taxes	81,159	0	41,120	0	122,279
Other Deferred Revenues	1,100,055	202,633	171,591	0	1,474,279
Total Liabilities	<u>\$ 9,421,869</u>	<u>\$ 668,524</u>	<u>\$ 3,942,555</u>	<u>\$ 327,281</u>	<u>\$ 14,360,229</u>

(Continued)

Exhibit C-1

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

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Governmental Funds	
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 1,818,894	\$ 0	\$ 0	\$ 0	\$ 1,818,894
Reserved for Computer System - Register	191,007	0	0	0	191,007
Reserved for Automation Purposes - Circuit Court	1,242	0	0	0	1,242
Reserved for Automation Purposes - General Sessions Court	42,380	0	0	0	42,380
Reserved for Automation Purposes - Chancery Court	10,034	0	0	0	10,034
Reserved for Automation Purposes - Sheriff	28,852	0	0	0	28,852
Unreserved, Reported In:					
General Fund	2,431,940	0	0	0	2,431,940
Special Revenue Funds	0	927,995	0	590,855	1,518,850
Debt Service Funds	0	0	18,556,528	0	18,556,528
Total Fund Balances	<u>\$ 4,524,349</u>	<u>\$ 927,995</u>	<u>\$ 18,556,528</u>	<u>\$ 590,855</u>	<u>\$ 24,599,727</u>
Total Liabilities and Fund Balances	<u>\$ 13,946,218</u>	<u>\$ 1,596,519</u>	<u>\$ 22,499,083</u>	<u>\$ 918,136</u>	<u>\$ 38,959,956</u>

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

Cumberland County, Tennessee
Reconciliation of the Balance Sheet of Governmental
Funds to the Statement of Net Assets
June 30, 2007

Amounts reported for governmental activities in the statement of net assets (Exhibit A) are different because:

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$	24,599,727
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	1,000,713	
Add: construction in progress		930,578	
Add: buildings and improvements net of accumulated depreciation		19,258,625	
Add: infrastructure net of accumulated depreciation		6,675,632	
Add: other capital assets net of accumulated depreciation		<u>4,290,927</u>	32,156,475
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: notes payable	\$	(948,758)	
Less: bonds payable		(1,575,000)	
Less: other loans payable		(50,868,682)	
Less: compensated absences payable		(682,534)	
Less: accrued interest on notes		(2,199)	
Less: accrued interest on bonds		(5,250)	
Less: accrued interest on other loans		(160,956)	
Add: change in deferred debt issuance costs		<u>121,346</u>	(54,122,033)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>1,596,558</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>4,230,727</u></u>

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

Exhibit C-3

Cumberland County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Governmental Funds	
<u>Revenues</u>					
Local Taxes	\$ 9,475,776	\$ 108,486	\$ 5,490,164	\$ 67,615	\$ 15,142,041
Licenses and Permits	162,296	0	0	0	162,296
Fines, Forfeitures, and Penalties	191,773	0	0	55,788	247,561
Charges for Current Services	2,060,452	0	0	0	2,060,452
Other Local Revenues	1,587,654	283	0	218,114	1,806,051
Fees Received from County Officials	2,530,016	0	0	0	2,530,016
State of Tennessee	1,804,638	2,581,984	0	32,406	4,419,028
Federal Government	551,390	21,842	0	0	573,232
Other Governments and Citizens Groups	511,402	0	0	0	511,402
Total Revenues	\$ 18,875,397	\$ 2,712,595	\$ 5,490,164	\$ 373,923	\$ 27,452,079
<u>Expenditures</u>					
Current:					
General Government	\$ 2,683,897	\$ 0	\$ 0	\$ 344,006	\$ 3,027,903
Finance	1,621,464	0	0	0	1,621,464
Administration of Justice	1,263,682	0	0	0	1,263,682
Public Safety	7,037,526	0	0	4,994	7,042,520
Public Health and Welfare	3,259,315	0	0	1,055,439	4,314,754
Social, Cultural, and Recreational Services	614,254	0	0	0	614,254
Agriculture and Natural Resources	124,964	0	0	0	124,964
Other Operations	921,610	0	0	52,115	973,725
Highways	0	2,582,804	0	55,035	2,637,839
Debt Service:					
Principal on Debt	0	444,445	1,585,500	48,404	2,078,349
Interest on Debt	0	13,410	2,209,405	0	2,222,815
Other Debt Service	121,346	0	91,687	0	213,033
Total Expenditures	\$ 17,648,058	\$ 3,040,659	\$ 3,886,592	\$ 1,559,993	\$ 26,135,302
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,227,339	\$ (328,064)	\$ 1,603,572	\$ (1,186,070)	\$ 1,316,777

(Continued)

Exhibit C-3

Cumberland County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 0	\$ 333,334	\$ 0	\$ 0	\$ 333,334
Other Loans Issued	729,176	0	0	0	729,176
Insurance Recovery	10,647	0	0	0	10,647
Transfers In	0	0	0	925,000	925,000
Transfers Out	(925,000)	0	0	0	(925,000)
Total Other Financing Sources (Uses)	\$ (185,177)	\$ 333,334	\$ 0	\$ 925,000	\$ 1,073,157
Net Change in Fund Balances	\$ 1,042,162	\$ 5,270	\$ 1,603,572	\$ (261,070)	\$ 2,389,934
Fund Balance, July 1, 2006	3,482,187	922,725	16,952,956	851,925	22,209,793
Fund Balance, June 30, 2007	\$ 4,524,349	\$ 927,995	\$ 18,556,528	\$ 590,855	\$ 24,599,727

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

Exhibit C-4

Cumberland County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2007

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

Net change in fund balances - total governmental funds (Exhibit C-3)		\$ 2,389,934
<p>(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:</p>		
Add: capital assets purchased in the current period	\$ 2,130,965	
Less: current year depreciation expense	<u>(1,402,715)</u>	728,250
<p>(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.</p>		
Less: loss on disposal of capital assets		(16,184)
<p>(3) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.</p>		
Add: deferred delinquent property taxes and other deferred June 30, 2007	\$ 1,596,558	
Less: deferred delinquent property taxes and other deferred June 30, 2006	<u>(1,215,011)</u>	381,547
<p>(4) The issuance of long-term debt (e.g., bonds, other loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:</p>		
Less: other loan proceeds	\$ (729,176)	
Less: refunding note proceeds	(333,334)	
Add: change in deferred debt issuance costs	121,346	
Add: principal payments on notes	1,008,349	
Add: principal payments on bonds	750,000	
Add: principal payments on other loans	<u>320,000</u>	1,137,185
<p>(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
Change in accrued interest payable	\$ 9,153	
Change in compensated absences	<u>(112,589)</u>	(103,436)
Change in net assets of governmental activities (Exhibit B)		<u>\$ 4,517,296</u>

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

Exhibit D-1

Cumberland County, Tennessee
Statement of Net Assets
Proprietary Fund
June 30, 2007

	Business-type Activities
	<u>Major Fund</u>
	<u>Solid Waste</u>
	<u>Disposal Fund</u>
<u>ASSETS</u>	
Current Assets:	
Cash	\$ 2,401
Equity in Pooled Cash and Investments	866,319
Accounts Receivable	<u>48,885</u>
Total Current Assets	<u>\$ 917,605</u>
Noncurrent Assets:	
Capital Assets (Net of Accumulated Depreciation):	
Land	\$ 46,840
Landfill Facilities and Development	962,187
Buildings and Improvements	4,324
Machinery and Equipment	5,904
Other Capital Assets	<u>10,561</u>
Total Noncurrent Assets	<u>\$ 1,029,816</u>
Total Assets	<u>\$ 1,947,421</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	\$ 15,461
Accrued Liability for Landfill Closure/Postclosure Care Costs	<u>12,700</u>
Total Current Liabilities	<u>\$ 15,461</u>
Noncurrent Liabilities:	
Accrued Liability for Landfill Closure/Postclosure Care Costs	<u>\$ 2,351,979</u>
Total Noncurrent Liabilities	<u>\$ 2,351,979</u>
Total Liabilities	<u>\$ 2,367,440</u>
<u>NET ASSETS</u>	
Invested in Capital Assets	\$ 1,029,816
Unrestricted	<u>(1,462,535)</u>
Total Net Assets	<u>\$ (432,719)</u>

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

Exhibit D-2

Cumberland County, Tennessee
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2007

	Business-type Activities
	<u>Major Fund</u>
	Solid Waste Disposal Fund
<hr/>	
<u>Operating Revenues</u>	
Charges for Current Services	\$ 915,382
<u>Other Local Revenues</u>	
Miscellaneous Refunds	33
Total Operating Revenues	<u>\$ 915,415</u>
<u>Operating Expenses</u>	
Public Health and Welfare	\$ 788,017
Depreciation	232,834
Other Charges	4,768
Employee Benefits	18,593
Total Operating Expenses	<u>\$ 1,044,212</u>
Operating Income (Loss)	<u>\$ (128,797)</u>
<u>Nonoperating Revenues (Expenses)</u>	
Solid Waste Grants	<u>\$ 43,579</u>
Total Nonoperating Revenues (Expenses)	<u>\$ 43,579</u>
Change in Net Assets	\$ (85,218)
Net Assets, July 1, 2006	(364,573)
Prior-Period Adjustment	<u>17,072</u>
Net Assets, June 30, 2007	<u>\$ (432,719)</u>

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

Exhibit D-3

Cumberland County, Tennessee
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2007

	Business-type Activities
	<u>Major Fund</u>
	<u>Solid Waste</u>
	<u>Disposal Fund</u>
<u>Cash Flows From Operating Activities</u>	
Receipts from Customers and Users	\$ 897,345
Payments to Suppliers	(104,788)
Payments to Employees	(235,381)
Other Payments	(367,218)
Net Cash Provided By (Used In) Operating Activities	<u>\$ 189,958</u>
<u>Cash Flows From Noncapital Financing Activities</u>	
Grants Received	\$ 43,579
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>\$ 43,579</u>
Net Increase (Decrease) in Cash	\$ 233,537
Cash, July 1, 2006	<u>635,183</u>
Cash, June 30, 2007	<u><u>\$ 868,720</u></u>
<u>Reconciliation of Net Operating Income (Loss)</u>	
<u>to Net Cash Provided By (Used In) Operating Activities</u>	
Operating Income (Loss)	\$ (128,797)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:	
Depreciation	232,834
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(18,070)
Increase (Decrease) in Accounts Payable	(54,105)
Increase (Decrease) in Accrued Liability for Landfill Closure Cost	<u>158,096</u>
Net Cash Provided By (Used In) Operating Activities	<u><u>\$ 189,958</u></u>

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

Exhibit E

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

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 1,063,591
Equity in Pooled Cash and Investments	49,335
Due from Other Governments	<u>1,337,458</u>
Total Assets	<u>\$ 2,450,384</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 49,335
Due to Litigants, Heirs, and Others	1,063,591
Due to Other Taxing Units	<u>1,337,458</u>
Total Liabilities	<u>\$ 2,450,384</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, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cumberland County'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 Cumberland County:

A. Reporting Entity

Cumberland County is a public municipal corporation governed by an elected 18-member board. As required by GAAP, Cumberland County's (the primary government) financial statements should include its component units; however, the Cumberland County School Department did not prepare government-wide financial statements, and the Cumberland County Emergency Communication District's financial statements were not available from other auditors in time for inclusion in this report. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

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.

Discretely Presented Component Units – The following entities meet the criteria for discretely presented component units of the county. They are reported in separate columns in the government-wide financial 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. As noted above, the School Department has not prepared government-wide financial statements to include in this report.

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 financial statements of the Cumberland County Emergency Communications District were not available from other auditors in time for inclusion in this report.

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. 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 primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. However, when applicable, interfund services provided and used between functions are not eliminated in the process of consolidation in the statement of activities. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities, which rely to a significant extent on fees and charges, are required to be reported separately from governmental activities in government-wide financial statements. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Cumberland County issues all debt for the discretely presented Cumberland County School Department. No debt issues were contributed by the county to the School Department during the year ended June 30, 2007.

Separate financial statements are provided for governmental funds, the proprietary fund, and fiduciary funds. The fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and the major enterprise fund are reported as separate columns in the fund financial statements.

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, as are the proprietary fund and fiduciary funds financial statements, except for agency funds which have no measurement focus. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Cumberland County reports the following major governmental funds:

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

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

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

Cumberland County reports the following major proprietary fund:

Solid Waste Disposal Fund – This fund accounts for solid waste disposal operations of the Cumberland County 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, local sales taxes received by the state to be forwarded to the various cities in Cumberland County, and funds received from the resale of properties acquired through property tax sales. 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 government-wide and 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 the same limitations. Cumberland County has elected not to follow subsequent private-sector.

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. Likewise, general revenues include all taxes.

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.

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

Most payables are disaggregated on the face of the financial statements. Current liabilities payable from restricted assets reflected in the primary government funds represent deposits received and placed with Cumberland County for cash bonds in-lieu-of performance bonds received by the Planning Commission from contractors.

Retainage payable in the primary government's nonmajor governmental funds 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 in the nonmajor governmental funds.

3. Capital Assets

Governmental funds do not capitalize the cost of capital outlays; these funds report capital outlays as expenditures upon acquisition.

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental column and the business-type column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000

or more and an estimated useful life of more than one year. 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.

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

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	50
Other Capital Assets	5 - 20
Infrastructure:	
Roads	40
Bridges	60

4. Compensated Absences

Cumberland County permits employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to employees upon separation of service or annually upon request if certain circumstances apply. All vacation pay is accrued when incurred in the government-wide financial statements for the county. A liability for vacation pay 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

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line method. Debt issuance costs

are reported as deferred charges and amortized over the term of the related debt. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is netted against the new debt and amortized over the remaining life of the refunded debt or the life of the new debt issued, whichever is shorter.

In the 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.

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

6. Net Assets and Fund Equity

In the government-wide financial statements and the proprietary fund in the fund 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.

As of June 30, 2007, Cumberland County had \$50,135,166 in outstanding debt for capital purposes for the discretely presented Cumberland County School Department. This debt is a liability of Cumberland County, but the capital assets acquired are reported in the financial statements of the

Cumberland County School Department when the School Department presents government-wide statements. Therefore, Cumberland County has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the county's capital assets.

In the fund financial statements, 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 Adjustments

The beginning fund balance of the Solid Waste Disposal Fund was restated and increased by \$17,072. This adjustment was necessary to correctly reflect current liabilities at July 1, 2006.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

Exhibit C-2 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide statement of net assets.

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

Exhibit C-4 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the change in net assets of governmental activities reported in the government-wide statement of activities.

III. 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. 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. Unrestricted Net Assets Deficit

The Solid Waste Disposal Fund (enterprise fund) had a deficit in unrestricted net assets of \$1,462,535 at June 30, 2007. This deficit primarily resulted from the recognition of a liability (\$2,364,679) 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.

C. Expenditures Exceeded Appropriations

Expenditures exceeded appropriations approved by the County Commission in the Principal on Debt - Education major appropriation category (the legal level of control) of the General Debt Service Fund by \$10,000. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by greater than anticipated revenues.

D. County Deposits were Exposed to Custodial Credit Risk

The county clerk did not require a depository holding county funds to pledge adequate securities to protect funds that exceeded Federal Deposit Insurance Corporation (FDIC) coverage. At June 30, 2007, deposits at this depository exceeded FDIC coverage and collateral securities pledged by \$78,146. Section 5-8-201, Tennessee Code Annotated, provides for county officials to require any bank that is a depository of county funds to deposit in an escrow account in a second bank collateral security equal to 105 percent of such county funds.

E. Prior-year Cash Shortage

In the 2005-06 audit, we reported a \$2,716.80 cash shortage at the Ambulance Service. During the 2006-07 year, the grand jury issued an indictment against an employee. A hearing has been scheduled for January 30, 2008.

F. Expenditures were Misclassified in the Accounting Records of the General Fund

Journal entries were made near year-end to line-items that exceeded the budget in the General Fund. It appears that these journal entries were made in an attempt to keep expenditures within appropriations to avoid the necessity of budget amendments. These journal entries resulted in expenditure accounts not reflecting the true nature of some transactions.

IV. 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 county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Cash reflected on the balance sheets or statements of net assets 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 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.

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, Cumberland County’s deposits may not be returned to it. Cumberland County does not have a formal policy that limits custodial credit risk for deposits. Separate disclosures concerning bank balances of pooled deposits cannot be made for Cumberland County, the discretely presented Cumberland County School Department, and the Cumberland County Railroad Authority since all pool their deposits and investments through the county trustee. As of June 30, 2007, bank balances of \$78,146 were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 78,146
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This amount was in a nonpooled bank account reported in the fiduciary funds. Uninsured and uncollateralized deposits are a violation of state statutes.

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, 2007, 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 discretely

presented Cumberland County School Department, and the Cumberland County Railroad Authority since all pool their deposits and investments through the county trustee.

Investment	Maturities	Cost
State Treasurer's Investment Pool	Daily	\$ 111,471

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, 2007, Cumberland County's investment in the State Treasurer's Investment Pool was unrated.

B. Capital Assets

Capital assets activity for the year ended June 30, 2007, was as follows:

Governmental Activities:

	Balance 7-1-06	Increases	Decreases	Balance 6-30-07
Capital Assets Not Depreciated:				
Land	\$ 1,000,713	\$ 0	\$ 0	\$ 1,000,713
Construction in Progress	117,238	813,340	0	930,578
Total Capital Assets Not Depreciated	\$ 1,117,951	\$ 813,340	\$ 0	\$ 1,931,291
Capital Assets Depreciated:				
Buildings and Improvements	\$ 9,952,959	\$ 116,170	\$ 0	\$ 10,069,129
Roads and Bridges	28,502,928	685,196	(2,996)	29,185,128
Other Capital Assets	8,251,989	516,259	(94,062)	8,674,186
Total Capital Assets Depreciated	\$ 46,707,876	\$ 1,317,625	\$ (97,058)	\$ 47,928,443

Governmental Activities (Cont.):

	Balance 7-1-06	Increases	Decreases	Balance 6-30-07
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 3,217,257	\$ 176,240	\$ 0	\$ 3,393,497
Roads and Bridges	9,294,041	632,535	(73)	9,926,503
Other Capital Assets	3,870,120	593,940	(80,801)	4,383,259
Total Accumulated Depreciation	<u>\$ 16,381,418</u>	<u>\$ 1,402,715</u>	<u>\$ (80,874)</u>	<u>\$ 17,703,259</u>
Total Capital Assets Depreciated, Net	<u>\$ 30,326,458</u>	<u>\$ (85,090)</u>	<u>\$ (16,184)</u>	<u>\$ 30,225,184</u>
Governmental Activities Capital Assets, Net	<u>\$ 31,444,409</u>	<u>\$ 728,250</u>	<u>\$ (16,184)</u>	<u>\$ 32,156,475</u>

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 40,523
Finance	1,578
Public Safety	400,717
Public Health and Welfare	229,765
Social, Cultural, and Recreational Services	32,854
Highways/Public Works	<u>697,278</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,402,715</u>

Business-type Activities:

	Balance 7-1-06	Decreases	Balance 6-30-07
Capital Assets Not Depreciated:			
Land	\$ 46,840	\$ 0	\$ 46,840
Total Capital Assets Not Depreciated	<u>\$ 46,840</u>	<u>\$ 0</u>	<u>\$ 46,840</u>

Business-type Activities (Cont.):

	Balance 7-1-06	Decreases	Balance 6-30-07
Capital Assets Depreciated:			
Landfill Facilities and Development	\$ 3,509,688	\$ 0	\$ 3,509,688
Buildings and Improvements	13,825	0	13,825
Other Capital Assets	259,504	0	259,504
Total Capital Assets Depreciated	<u>\$ 3,783,017</u>	<u>\$ 0</u>	<u>\$ 3,783,017</u>
Less Accumulated Depreciation For:			
Landfill Facilities and Development	\$ 2,322,981	\$ 224,520	\$ 2,547,501
Buildings and Improvements	8,810	691	9,501
Other Capital Assets	235,416	7,623	243,039
Total Accumulated Depreciation	<u>\$ 2,567,207</u>	<u>\$ 232,834</u>	<u>\$ 2,800,041</u>
Total Capital Assets Depreciated, Net	<u>\$ 1,215,810</u>	<u>\$ (232,834)</u>	<u>\$ 982,976</u>
Business-type Activities Capital Assets, Net	<u>\$ 1,262,650</u>	<u>\$ (232,834)</u>	<u>\$ 1,029,816</u>

C. Construction Commitments

At June 30, 2007, the General Fund had uncompleted construction contracts of approximately \$1,680,000 for the construction of a communications tower. Funding for these future expenditures is expected to be received from a public building authority loan.

D. Interfund Receivables, Payables, and Transfers

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

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental	\$ 81,774

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

Interfund Transfers:

Interfund transfers for the year ended June 30, 2007, consisted of the following amount:

Transfers Out	<u>Transfers In</u> Nonmajor Govern- mental Funds
General Fund	\$ 925,000

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

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 four 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, 2007, 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, 2007, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-07
General Obligation Bonds -			
Refunding	4	\$ 3,085,000	\$ 1,575,000
Capital Outlay Notes	3.95 to 4.6	1,322,162	948,758
Other Loans	Variable	28,583,516	26,718,516
Other Loans - Synthetic			
Fixed by Swap	3.238 to 4.6	24,150,166	24,150,166

Cumberland County 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 Cumberland County and 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, 2007:

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-07	Interest Type	Interest Rates as of 6-30-07	Approximate Fee Rates as of 6-30-07
Sevier County PBA:					
Series III-B-4	\$ 6,000,000	\$ 4,185,000	Variable	3.76 %	0.49%
Series IV-F-2	7,500,000	7,500,000	Synthetic Fixed by Swap	3.99	0.445
Series IV-H-2	6,650,166	6,650,166	Synthetic Fixed by Swap	4.22	0.45
Series A-7-A	5,000,000	5,000,000	Variable	3.81	0.46
Series VI-C-2	10,000,000	10,000,000	Synthetic Fixed by Swap	3.614	0.45
Blount County PBA:					
Series D-1-C	10,000,000	10,000,000	Variable	3.81	0.45
Series D-5-B	6,854,340	6,804,340	Variable	3.81	0.45
Series D-11-B	729,176	729,176	Variable	3.81	0.45

The annual requirements to amortize all general obligation bonds, notes, and other loans outstanding as of June 30, 2007, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2008	\$ 775,000	\$ 63,000	\$ 322,016	\$ 26,362
2009	800,000	32,000	322,015	15,375
2010	0	0	159,515	4,389
2011	0	0	48,404	0
2012	0	0	48,404	0
2013	0	0	48,404	0
Total	\$ 1,575,000	\$ 95,000	\$ 948,758	\$ 46,126

Year Ending June 30	Other Loan (\$6,000,000)			
	Principal	Interest	Other Fees	Total
2008	\$ 285,000	\$ 215,448	\$ 28,077	\$ 528,525
2009	305,000	204,732	26,680	536,412
2010	320,000	193,264	25,186	538,450
2011	335,000	181,232	23,618	539,850
2012	355,000	168,636	21,977	545,613
2013-2017	2,095,000	627,356	81,757	2,804,113
2018	490,000	76,516	9,971	576,487
Total	\$ 4,185,000	\$ 1,667,184	\$ 217,266	\$ 6,069,450

Year Ending June 30	Other Loan (\$7,500,000)			
	Principal	Interest	Other Fees	Total
2008	\$ 0	\$ 299,250	\$ 33,375	\$ 332,625
2009	0	299,250	33,375	332,625
2010	450,000	299,250	33,375	782,625
2011	475,000	281,295	31,372	787,667
2012	495,000	262,343	29,259	786,602
2013-2017	2,895,000	993,909	110,849	3,999,758
2018-2020	3,185,000	278,901	31,106	3,495,007
Total	\$ 7,500,000	\$ 2,714,198	\$ 302,711	\$ 10,516,909

<u>Other Loan (\$6,650,166)</u>				
Year Ending June 30	Principal	Interest	Other Fees	Total
2008	\$ 0	\$ 280,637	\$ 29,926	\$ 310,563
2009	0	280,637	29,925	310,562
2010	0	280,637	29,926	310,563
2011	0	280,637	29,925	310,562
2012	0	280,637	29,926	310,563
2013-2017	0	1,403,185	149,629	1,552,814
2018-2022	1,405,000	1,380,819	147,244	2,933,063
2023-2027	5,245,166	690,005	73,579	6,008,750
Total	\$ 6,650,166	\$ 4,877,194	\$ 520,080	\$ 12,047,440

<u>Other Loan (\$5,000,000)</u>				
Year Ending June 30	Principal	Interest	Other Fees	Total
2008	\$ 0	\$ 190,500	\$ 23,000	\$ 213,500
2009	0	190,500	23,000	213,500
2010	0	190,500	23,000	213,500
2011	0	190,500	23,000	213,500
2012	0	190,500	23,000	213,500
2013-2017	0	952,500	115,000	1,067,500
2018-2022	0	952,500	115,000	1,067,500
2023-2027	0	952,500	115,000	1,067,500
2028-2031	5,000,000	489,204	59,064	5,548,268
Total	\$ 5,000,000	\$ 4,299,204	\$ 519,064	\$ 9,818,268

<u>Other Loan (\$10,000,000)</u>				
Year Ending June 30	Principal	Interest	Other Fees	Total
2008	\$ 0	\$ 361,400	\$ 45,000	\$ 406,400
2009	0	361,400	45,000	406,400
2010	0	361,400	45,000	406,400
2011	0	361,400	45,000	406,400
2012	0	361,400	45,000	406,400
2013-2017	0	1,807,000	225,000	2,032,000
2018-2022	0	1,807,000	225,000	2,032,000

Year Ending June 30 (Cont.)	Other Loan (\$10,000,000)			
	Principal	Interest	Other Fees	Total
2023-2027	\$ 0	\$ 1,807,000	\$ 225,000	\$ 2,032,000
2028-2032	1,050,000	1,807,000	225,000	3,082,000
2033-2037	6,075,000	1,198,945	149,287	7,423,232
2038-2039	2,875,000	157,209	19,575	3,051,784
Total	<u>\$ 10,000,000</u>	<u>\$ 10,391,154</u>	<u>\$ 1,293,862</u>	<u>\$ 21,685,016</u>

Year Ending June 30	Other Loan (\$10,000,000)			
	Principal	Interest	Other Fees	Total
2008	\$ 0	\$ 381,000	\$ 45,000	\$ 426,000
2009	0	381,000	45,000	426,000
2010	0	381,000	45,000	426,000
2011	0	381,000	45,000	426,000
2012	0	381,000	45,000	426,000
2013-2017	0	1,905,000	225,000	2,130,000
2018-2022	100,000	1,905,000	225,000	2,230,000
2023-2027	4,400,000	1,564,005	184,725	6,148,730
2028-2032	5,500,000	668,655	78,975	6,247,630
Total	<u>\$ 10,000,000</u>	<u>\$ 7,947,660</u>	<u>\$ 938,700</u>	<u>\$ 18,886,360</u>

Year Ending June 30	Other Loan (\$8,200,000)			
	Principal	Interest	Other Fees	Total
2008	\$ 300,000	\$ 310,515	\$ 36,675	\$ 647,190
2009	325,000	299,085	35,325	659,410
2010	425,000	286,703	33,863	745,566
2011	425,000	270,510	31,950	727,460
2012	450,000	254,317	30,037	734,354
2013-2017	2,475,000	1,004,888	118,687	3,598,575
2018-2022	2,404,340	474,345	56,025	2,934,710
Total	<u>\$ 6,804,340</u>	<u>\$ 2,900,363</u>	<u>\$ 342,562</u>	<u>\$ 10,047,265</u>

Year Ending June 30	Other Loan (\$8,600,000)			
	Principal	Interest	Other Fees	Total
2008	\$ 550,000	\$ 327,660	\$ 38,700	\$ 916,360
2009	179,176	306,705	36,225	522,106
Total	\$ 729,176	\$ 634,365	\$ 74,925	\$ 1,438,466

There is \$18,556,528 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$34, based on the 2000 federal census. Debt per capita, including bonds, other loans, and notes, totaled \$1,141, based on the 2000 federal census.

Swap Agreements

Under its loan agreement, the Public Building Authority of Sevier County, Tennessee, at the request of the county, 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. 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, 2007, rates were as follows:

	Terms	Rates
Interest rate swap:		
Fixed payment to counterparty	Fixed	3.90 %
Variable payment from counterparty	70% of LIBOR	3.72
Net interest rate swap payments		0.18 %
Variable-rate bond payments		3.81
Synthetic interest rate on bonds		3.99 %

Fair value. As of June 30, 2007, the swap had a negative fair value of \$128,121. 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, 2007, 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. 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, 2007. 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.

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, 2007, 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	Variable Rate Bonds		Net Interest		Total
			Rate Swap		
	Ending June 30	Principal	Interest	Payment	
2008	\$	0	\$ 285,750	\$ 13,500	\$ 299,250
2009		0	285,750	13,500	299,250

Fiscal Year Ending June 30 (Cont.)	Variable Rate Bonds		Net Interest	Total
	Principal	Interest	Rate Swap Payment	
2010	450,000	285,750	13,500	749,250
2011	475,000	268,605	12,690	756,295
2012-2016	2,750,000	1,053,846	49,788	3,853,634
2017-2020	3,825,000	412,052	19,467	4,256,519
Total	\$ 7,500,000	\$ 2,591,753	\$ 122,445	\$ 10,214,198

Under its loan agreement, the Public Building Authority of Sevier County, Tennessee, at the request of the county, 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. 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, 2007, rates were as follows:

	Terms	Rates
Interest rate swap:		
Fixed payment to counterparty	Fixed	4.13 %
Variable payment from counterparty	70% of LIBOR	3.72
Net interest rate swap payments		0.41 %
Variable-rate bond payments		3.81
Synthetic interest rate on bonds		4.22 %

Fair value. As of June 30, 2007, the swap had a negative fair value of \$291,452. 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, 2007, 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. 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, 2007. 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.

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, 2007, 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	
2008	\$ 0	\$ 253,372	\$ 27,265	\$ 280,637
2009	0	253,372	27,265	280,637
2010	0	253,372	27,265	280,637
2011	0	253,372	27,265	280,637

Fiscal Year Ending June 30 (Cont.)	Variable Rate Bonds		Net Interest Rate Swap	Total
	Principal	Interest	Payment	
2012	\$ 0	\$ 253,372	\$ 27,265	\$ 280,637
2013-2017	0	1,266,860	136,325	1,403,185
2018-2022	1,405,000	1,246,667	134,152	2,785,819
2023-2027	5,245,166	622,970	67,035	5,935,171
Total	\$ 6,650,166	\$ 4,403,357	\$ 473,837	\$ 11,527,360

Under its loan agreement, the Public Building Authority of Sevier County, Tennessee, at the request of the county, 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. 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, 2007, 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	3.489
Net interest rate swap payments		(0.196) %
Variable-rate bond payments		3.810
Synthetic interest rate on bonds		3.614 %

Fair value. As of June 30, 2007, the swap had a positive fair value of \$302,753. The positive fair value of the swap may be countered by increases 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, 2007, the county’s exposure to credit risk is equal to the amount of the swap’s positive fair value. However, if interest rates change and the fair value of the swap becomes negative, the county would no longer be exposed to credit risk. The swap counterparty was unrated at the time of the swap. 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, 2007. 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.

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, 2007, 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	
2008	\$ 0	\$ 381,000	\$ (19,600)	\$ 361,400
2009	0	381,000	(19,600)	361,400
2010	0	381,000	(19,600)	361,400
2011	0	381,000	(19,600)	361,400

Fiscal Year Ending June 30	Variable Rate Bonds		Net Interest	Total
	Principal	Interest	Rate Swap Payment	
2012	\$ 0	\$ 381,000	\$ (19,600)	\$ 361,400
2013-2017	0	1,905,000	(98,000)	1,807,000
2018-2022	0	1,905,000	(98,000)	1,807,000
2023-2027	0	1,905,000	(98,000)	1,807,000
2028-2032	1,050,000	1,905,000	(98,000)	2,857,000
2033-2037	6,075,000	1,263,968	(65,023)	7,273,945
2038-2039	2,875,000	165,735	(8,526)	3,032,209
Total	\$ 10,000,000	\$ 10,954,703	\$ (563,549)	\$ 20,391,154

Changes in Long-term Liabilities

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

Governmental Activities:

	Bonds	Notes	Other Loans
Balance, July 1, 2006	\$ 2,325,000	\$ 1,623,773	\$ 50,459,506
Additions	0	333,334	729,176
Deductions	(750,000)	(1,008,349)	(320,000)
Balance, June 30, 2007	\$ 1,575,000	\$ 948,758	\$ 50,868,682
Balance Due Within One Year	\$ 775,000	\$ 322,016	\$ 1,135,000

	Compensated Absences
Balance, July 1, 2006	\$ 569,945
Additions	526,686
Deductions	(414,097)
Balance, June 30, 2007	\$ 682,534
Balance Due Within One Year	\$ 409,521

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2007	\$ 54,074,974
Less: Due Within One Year	(2,641,537)
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	\$ 51,433,437

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, 2007, was as follows:

Business-type Activities:

	<u>Landfill Closure/ Postclosure Care Costs</u>
Balance, July 1, 2006	\$ 2,206,583
Additions	174,953
Deductions	<u>(16,857)</u>
Balance, June 30, 2007	<u>\$ 2,364,679</u>
Balance Due Within One Year	<u>\$ 12,700</u>

V. 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 was established for the primary purpose of providing services for or on behalf of state and local governments. In accordance with Section 8-27-207, Tennessee Code Annotated, all local governments and quasi-governmental entities described above are eligible to participate. The LGGIF is included in the Comprehensive Annual Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. The state statute provides for the LGGIF to be self-sustaining through member premiums.

B. Accounting Change

At the beginning of the year, Cumberland County implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. In the prior year, Cumberland County had elected only to implement the provisions of Statement No. 34 that related to the fund financial statements.

C. Subsequent Events

On December 13, 2007, Cumberland County received the remaining loan proceeds of \$1,345,660 under a previously approved \$8,200,000 loan agreement with the Public Building Authority of Blount County.

On December 13, 2007, Cumberland County received loan proceeds of \$250,000 under a previously approved \$8,600,000 loan agreement with the Public Building Authority of Blount County.

D. Contingent Liabilities

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

E. Change in Administration

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

F. 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 \$2,364,679 reported as landfill closure and postclosure care liability at June 30, 2007, represents the cumulative amount reported to date based on the use of 100 percent of the capacity of the old landfill (\$279,400), which was closed during the 1999-2000 year; 72 percent of the estimated capacity of the new Class I landfill (\$1,017,459); and 69 percent of the capacity of the Class III/IV landfill (\$1,067,820). The new Class I (\$395,678) and the Class III/IV (\$479,745) 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 2007. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

G. Joint Ventures

During the year, Cumberland County entered into an interlocal agreement with Morgan and Roane counties to establish the Industrial Development Board of the counties of Cumberland, Morgan, and Roane, Tennessee. Under the agreement, each county will be responsible for one-third of the entity's funding. Cumberland County provided no funding for the entity during the 2006-07 year, with the exception of \$8,000 which the county paid to an individual for a purchase option on land. In a separate resolution, the Cumberland County Commission authorized up to \$2,500,000 of other loans through a public building authority. The board issued a public building authority loan (\$5,250,000) on October 18, 2007.

H. 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 <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, 2007, was 8.76 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, 2007, Cumberland County’s annual pension cost of \$1,319,362 to TCRS was equal to the county’s required and actual contributions. The required contribution was determined as part of the July 1, 2005, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (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 Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-07	\$1,319,362	100%	\$0
6-30-06	996,695	100	0
6-30-05	932,548	100	0

I. 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 also provides for the creation of a Finance Department operated under the direction of the finance director.

J. 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.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit F-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, 2007

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 9,475,776	\$ 0	\$ 9,475,776	\$ 9,116,700	\$ 9,116,700	\$ 359,076
Licenses and Permits	162,296	0	162,296	154,500	154,500	7,796
Fines, Forfeitures, and Penalties	191,773	0	191,773	217,900	217,900	(26,127)
Charges for Current Services	2,060,452	0	2,060,452	1,902,000	1,902,000	158,452
Other Local Revenues	1,587,654	0	1,587,654	1,306,100	1,311,739	275,915
Fees Received from County Officials	2,530,016	0	2,530,016	2,385,000	2,385,000	145,016
State of Tennessee	1,804,638	0	1,804,638	2,533,244	2,573,244	(768,606)
Federal Government	551,390	0	551,390	1,112,815	1,494,539	(943,149)
Other Governments and Citizens Groups	511,402	0	511,402	535,442	535,442	(24,040)
Total Revenues	\$ 18,875,397	\$ 0	\$ 18,875,397	\$ 19,263,701	\$ 19,691,064	\$ (815,667)
<u>Expenditures</u>						
<u>General Government</u>						
County Commission	\$ 700,366	\$ 1,680,000	\$ 2,380,366	\$ 2,712,239	\$ 2,724,569	\$ 344,203
Board of Equalization	2,930	0	2,930	3,050	3,050	120
Beer Board	1,794	0	1,794	3,993	3,993	2,199
County Mayor/Executive	162,055	10,377	172,432	177,070	182,070	9,638
County Attorney	60,000	0	60,000	60,000	60,000	0
Election Commission	282,226	0	282,226	300,713	301,278	19,052
Register of Deeds	286,914	0	286,914	281,077	306,226	19,312
County Buildings	828,003	0	828,003	853,338	857,009	29,006
Other General Administration	359,609	0	359,609	502,319	502,319	142,710
<u>Finance</u>						
Accounting and Budgeting	408,493	0	408,493	422,649	428,763	20,270
Property Assessor's Office	380,178	0	380,178	455,494	487,563	107,385
Reappraisal Program	164,984	0	164,984	240,931	240,931	75,947
County Trustee's Office	262,772	1,952	264,724	263,745	267,569	2,845

(Continued)

Exhibit F-1

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2007	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	\$ 405,037	\$ 0	\$ 405,037	\$ 401,550	\$ 420,830	\$ 15,793
<u>Administration of Justice</u>						
Circuit Court	467,048	0	467,048	498,229	498,229	31,181
General Sessions Court	193,138	0	193,138	193,207	196,772	3,634
Chancery Court	173,637	0	173,637	183,038	185,391	11,754
Juvenile Court	85,057	0	85,057	94,240	124,499	39,442
Judicial Commissioners	172,101	0	172,101	170,264	181,253	9,152
Probate Court	172,701	0	172,701	177,104	177,104	4,403
<u>Public Safety</u>						
Sheriff's Department	2,253,375	0	2,253,375	2,306,609	2,313,609	60,234
Drug Enforcement	31,524	0	31,524	0	39,592	8,068
Jail	3,028,609	0	3,028,609	2,441,333	3,302,513	273,904
Juvenile Services	109,627	0	109,627	119,797	119,797	10,170
Fire Prevention and Control	613,353	32,088	645,441	704,241	704,874	59,433
Civil Defense	140,163	0	140,163	150,664	150,664	10,501
Rescue Squad	24,670	0	24,670	24,670	24,670	0
Other Emergency Management	752,405	1,640	754,045	803,163	803,163	49,118
County Coroner/Medical Examiner	53,771	0	53,771	70,000	70,000	16,229
Other Public Safety	30,029	0	30,029	28,975	28,975	(1,054)
<u>Public Health and Welfare</u>						
Local Health Center	359,797	0	359,797	782,608	782,608	422,811
Rabies and Animal Control	123,927	0	123,927	131,044	131,044	7,117
Ambulance/Emergency Medical Services	2,381,672	83,887	2,465,559	2,568,552	2,572,191	106,632
Alcohol and Drug Programs	85,375	0	85,375	85,606	85,606	231
Appropriation to State	57,500	0	57,500	57,500	57,500	0
Other Local Welfare Services	251,044	0	251,044	0	329,903	78,859

(Continued)

Exhibit F-1

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2007	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	\$ 28,560	\$ 0	\$ 28,560	\$ 28,560	\$ 28,560	\$ 0
Libraries	358,118	0	358,118	364,591	374,027	15,909
Parks and Fair Boards	170,560	8,950	179,510	192,652	192,751	13,241
Other Social, Cultural, and Recreational	57,016	0	57,016	45,216	57,016	0
<u>Agriculture & Natural Resources</u>						
Agriculture Extension Service	84,513	0	84,513	88,438	88,438	3,925
Soil Conservation	40,451	0	40,451	41,569	41,569	1,118
<u>Other Operations</u>						
Tourism	87,438	0	87,438	890,700	890,700	803,262
Other Economic and Community Development	14,950	0	14,950	1,025,000	1,025,000	1,010,050
Veterans' Services	5,000	0	5,000	5,000	5,000	0
Other Charges	351,731	0	351,731	455,000	455,000	103,269
Contributions to Other Agencies	30,467	0	30,467	31,788	31,788	1,321
Employee Benefits	373,847	0	373,847	356,000	375,125	1,278
Miscellaneous	58,177	0	58,177	60,500	60,500	2,323
<u>Other Debt Service</u>						
General Government	121,346	0	121,346	0	121,346	0
Total Expenditures	\$ 17,648,058	\$ 1,818,894	\$ 19,466,952	\$ 21,854,026	\$ 23,412,947	\$ 3,945,995
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,227,339	\$ (1,818,894)	\$ (591,555)	\$ (2,590,325)	\$ (3,721,883)	\$ 3,130,328
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 2,600,000	\$ 0	\$ 0
Other Loans Issued	729,176	0	729,176	0	3,521,346	(2,792,170)
Insurance Recovery	10,647	0	10,647	0	0	10,647

(Continued)

Exhibit F-1

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Other Financing Sources (Uses) (Cont.)</u>						
Transfers Out	\$ (925,000)	\$ 0	\$ (925,000)	\$ (925,000)	\$ (925,000)	\$ 0
Total Other Financing Sources (Uses)	\$ (185,177)	\$ 0	\$ (185,177)	\$ 1,675,000	\$ 2,596,346	\$ (2,781,523)
Net Change in Fund Balance	\$ 1,042,162	\$ (1,818,894)	\$ (776,732)	\$ (915,325)	\$ (1,125,537)	\$ 348,805
Fund Balance, July 1, 2006	3,482,187	0	3,482,187	2,919,885	2,919,885	562,302
Fund Balance, June 30, 2007	\$ 4,524,349	\$ (1,818,894)	\$ 2,705,455	\$ 2,004,560	\$ 1,794,348	\$ 911,107

Exhibit F-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, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 108,486	\$ 0	\$ 108,486	\$ 155,000	\$ 155,000	\$ (46,514)
Other Local Revenues	283	0	283	100	100	183
State of Tennessee	2,581,984	0	2,581,984	2,745,036	2,745,036	(163,052)
Federal Government	21,842	0	21,842	69,000	69,000	(47,158)
Total Revenues	\$ 2,712,595	\$ 0	\$ 2,712,595	\$ 2,969,136	\$ 2,969,136	\$ (256,541)
<u>Expenditures</u>						
<u>Highways</u>						
Administration	\$ 135,676	\$ 0	\$ 135,676	\$ 144,788	\$ 144,788	\$ 9,112
Highway and Bridge Maintenance	1,202,335	0	1,202,335	1,737,885	1,737,885	535,550
Operation and Maintenance of Equipment	260,216	0	260,216	314,723	314,723	54,507
Other Charges	97,781	0	97,781	126,600	126,600	28,819
Employee Benefits	74,142	0	74,142	75,000	75,000	858
Capital Outlay	812,654	(220,376)	592,278	897,500	897,500	305,222
<u>Principal on Debt</u>						
Highways and Streets	444,445	0	444,445	111,111	444,445	0
<u>Interest on Debt</u>						
Highways and Streets	13,410	0	13,410	14,444	14,444	1,034
Total Expenditures	\$ 3,040,659	\$ (220,376)	\$ 2,820,283	\$ 3,422,051	\$ 3,755,385	\$ 935,102
Excess (Deficiency) of Revenues Over Expenditures	\$ (328,064)	\$ 220,376	\$ (107,688)	\$ (452,915)	\$ (786,249)	\$ 678,561
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 333,334	\$ 0	\$ 333,334	\$ 0	\$ 333,334	\$ 0
Total Other Financing Sources (Uses)	\$ 333,334	\$ 0	\$ 333,334	\$ 0	\$ 333,334	\$ 0
Net Change in Fund Balance	\$ 5,270	\$ 220,376	\$ 225,646	\$ (452,915)	\$ (452,915)	\$ 678,561
Fund Balance, July 1, 2006	922,725	(220,376)	702,349	757,615	757,615	(55,266)
Fund Balance, June 30, 2007	\$ 927,995	\$ 0	\$ 927,995	\$ 304,700	\$ 304,700	\$ 623,295

Exhibit F-3

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

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-05	\$ 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

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

BUDGETARY INFORMATION

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

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

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

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

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

Exhibit G-1

Cumberland County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007

	<u>Special Revenue Funds</u>				Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 80,769	\$ 80,769
Equity in Pooled Cash and Investments	395,965	236,152	201,371	0	833,488
Accounts Receivable	0	0	0	1,005	1,005
Due from Other Governments	0	2,874	0	0	2,874
Total Assets	<u>\$ 395,965</u>	<u>\$ 239,026</u>	<u>\$ 201,371</u>	<u>\$ 81,774</u>	<u>\$ 918,136</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 0	\$ 3,277	\$ 0	\$ 0	\$ 3,277
Contracts Payable	213,830	0	0	0	213,830
Retainage Payable	28,400	0	0	0	28,400
Due to Other Funds	0	0	0	81,774	81,774
Total Liabilities	<u>\$ 242,230</u>	<u>\$ 3,277</u>	<u>\$ 0</u>	<u>\$ 81,774</u>	<u>\$ 327,281</u>
<u>Fund Balances</u>					
Unreserved	\$ 153,735	\$ 235,749	\$ 201,371	\$ 0	\$ 590,855
Total Fund Balances	<u>\$ 153,735</u>	<u>\$ 235,749</u>	<u>\$ 201,371</u>	<u>\$ 0</u>	<u>\$ 590,855</u>
Total Liabilities and Fund Balances	<u>\$ 395,965</u>	<u>\$ 239,026</u>	<u>\$ 201,371</u>	<u>\$ 81,774</u>	<u>\$ 918,136</u>

Exhibit G-2

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

	<u>Special Revenue Funds</u>			Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Drug Control	
<u>Revenues</u>				
Local Taxes	\$ 67,615	\$ 0	\$ 0	\$ 67,615
Fines, Forfeitures, and Penalties	0	254	55,534	55,788
Other Local Revenues	0	216,114	2,000	218,114
State of Tennessee	0	32,406	0	32,406
Total Revenues	<u>\$ 67,615</u>	<u>\$ 248,774</u>	<u>\$ 57,534</u>	<u>\$ 373,923</u>
<u>Expenditures</u>				
Current:				
General Government	\$ 344,006	\$ 0	\$ 0	\$ 344,006
Public Safety	0	0	4,994	4,994
Public Health and Welfare	0	1,055,439	0	1,055,439
Other Operations	687	51,210	218	52,115
Highways	0	55,035	0	55,035
Debt Service:				
Principal on Debt	48,404	0	0	48,404
Total Expenditures	<u>\$ 393,097</u>	<u>\$ 1,161,684</u>	<u>\$ 5,212</u>	<u>\$ 1,559,993</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (325,482)</u>	<u>\$ (912,910)</u>	<u>\$ 52,322</u>	<u>\$ (1,186,070)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 925,000	\$ 0	\$ 925,000
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 925,000</u>	<u>\$ 0</u>	<u>\$ 925,000</u>
Net Change in Fund Balances	\$ (325,482)	\$ 12,090	\$ 52,322	\$ (261,070)
Fund Balance, July 1, 2006	<u>479,217</u>	<u>223,659</u>	<u>149,049</u>	<u>851,925</u>
Fund Balance, June 30, 2007	<u>\$ 153,735</u>	<u>\$ 235,749</u>	<u>\$ 201,371</u>	<u>\$ 590,855</u>

Exhibit G-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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 67,615	\$ 75,000	\$ 75,000	\$ (7,385)
Total Revenues	\$ 67,615	\$ 75,000	\$ 75,000	\$ (7,385)
<u>Expenditures</u>				
<u>General Government</u>				
County Buildings	\$ 344,006	\$ 382,000	\$ 382,000	\$ 37,994
<u>Other Operations</u>				
Other Charges	687	1,000	1,000	313
<u>Principal on Debt</u>				
General Government	48,404	48,404	48,404	0
Total Expenditures	\$ 393,097	\$ 431,404	\$ 431,404	\$ 38,307
Excess (Deficiency) of Revenues Over Expenditures	\$ (325,482)	\$ (356,404)	\$ (356,404)	\$ 30,922
Net Change in Fund Balance	\$ (325,482)	\$ (356,404)	\$ (356,404)	\$ 30,922
Fund Balance, July 1, 2006	479,217	478,700	478,700	517
Fund Balance, June 30, 2007	\$ 153,735	\$ 122,296	\$ 122,296	\$ 31,439

Exhibit G-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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 254	\$ 400	\$ 400	\$ (146)
Other Local Revenues	216,114	180,485	180,485	35,629
State of Tennessee	32,406	52,000	52,000	(19,594)
Total Revenues	<u>\$ 248,774</u>	<u>\$ 232,885</u>	<u>\$ 232,885</u>	<u>\$ 15,889</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Waste Pickup	\$ 288,056	\$ 326,520	\$ 326,520	\$ 38,464
Convenience Centers	543,624	574,777	579,777	36,153
Recycling Center	223,759	355,437	355,437	131,678
<u>Other Operations</u>				
Other Charges	2,159	2,000	2,000	(159)
Employee Benefits	49,051	49,500	49,500	449
<u>Highways</u>				
Litter and Trash Collection	55,035	66,982	66,982	11,947
Total Expenditures	<u>\$ 1,161,684</u>	<u>\$ 1,375,216</u>	<u>\$ 1,380,216</u>	<u>\$ 218,532</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (912,910)</u>	<u>\$ (1,142,331)</u>	<u>\$ (1,147,331)</u>	<u>\$ 234,421</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 925,000	\$ 925,000	\$ 925,000	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 925,000</u>	<u>\$ 925,000</u>	<u>\$ 925,000</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 12,090	\$ (217,331)	\$ (222,331)	\$ 234,421
Fund Balance, July 1, 2006	223,659	223,009	223,009	650
Fund Balance, June 30, 2007	<u>\$ 235,749</u>	<u>\$ 5,678</u>	<u>\$ 678</u>	<u>\$ 235,071</u>

Exhibit G-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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 55,534	\$ 30,100	\$ 30,100	\$ 25,434
Other Local Revenues	2,000	0	0	2,000
Total Revenues	<u>\$ 57,534</u>	<u>\$ 30,100</u>	<u>\$ 30,100</u>	<u>\$ 27,434</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 4,994	\$ 28,900	\$ 28,900	\$ 23,906
Other Operations				
Other Charges	218	300	300	82
Total Expenditures	<u>\$ 5,212</u>	<u>\$ 29,200</u>	<u>\$ 29,200</u>	<u>\$ 23,988</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 52,322</u>	<u>\$ 900</u>	<u>\$ 900</u>	<u>\$ 51,422</u>
Net Change in Fund Balance	\$ 52,322	\$ 900	\$ 900	\$ 51,422
Fund Balance, July 1, 2006	149,049	149,050	149,050	(1)
Fund Balance, June 30, 2007	<u>\$ 201,371</u>	<u>\$ 149,950</u>	<u>\$ 149,950</u>	<u>\$ 51,421</u>

Major Governmental Fund

General Debt Service Fund

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

Exhibit H

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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 5,490,164	\$ 5,195,564	\$ 5,195,564	\$ 294,600
Total Revenues	\$ 5,490,164	\$ 5,195,564	\$ 5,195,564	\$ 294,600
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 1,315,500	\$ 1,315,500	\$ 1,315,500	\$ 0
Education	270,000	260,000	260,000	(10,000)
<u>Interest on Debt</u>				
General Government	117,877	187,500	187,500	69,623
Education	2,091,528	2,476,725	2,476,725	385,197
<u>Other Debt Service</u>				
General Government	91,687	95,000	95,000	3,313
Total Expenditures	\$ 3,886,592	\$ 4,334,725	\$ 4,334,725	\$ 448,133
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,603,572	\$ 860,839	\$ 860,839	\$ 742,733
Net Change in Fund Balance	\$ 1,603,572	\$ 860,839	\$ 860,839	\$ 742,733
Fund Balance, July 1, 2006	16,952,956	16,942,182	16,942,182	10,774
Fund Balance, June 30, 2007	\$ 18,556,528	\$ 17,803,021	\$ 17,803,021	\$ 753,507

Fiduciary Funds

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

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

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

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

Exhibit I-1

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

	<u>Agency Funds</u>			
	Constitu- tional Officers - Agency	Delinquent Tax Agency	Cities - Sales Tax	Total
<u>ASSETS</u>				
Cash	\$ 1,063,591	\$ 0	\$ 0	\$ 1,063,591
Equity in Pooled Cash and Investments	0	49,335	0	49,335
Due from Other Governments	0	0	1,337,458	1,337,458
Total Assets	<u>\$ 1,063,591</u>	<u>\$ 49,335</u>	<u>\$ 1,337,458</u>	<u>\$ 2,450,384</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 0	\$ 49,335	\$ 0	\$ 49,335
Due to Litigants, Heirs, and Others	1,063,591	0	0	1,063,591
Due to Other Taxing Units	0	0	1,337,458	1,337,458
Total Liabilities	<u>\$ 1,063,591</u>	<u>\$ 49,335</u>	<u>\$ 1,337,458</u>	<u>\$ 2,450,384</u>

Exhibit I-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 2,201,527	\$ 19,920,252	\$ 21,058,188	\$ 1,063,591
Total Assets	\$ 2,201,527	\$ 19,920,252	\$ 21,058,188	\$ 1,063,591
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 2,201,527	\$ 19,920,252	\$ 21,058,188	\$ 1,063,591
Total Liabilities	\$ 2,201,527	\$ 19,920,252	\$ 21,058,188	\$ 1,063,591
<u>Delinquent Tax Agency Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 144,895	\$ 107,731	\$ 203,291	\$ 49,335
Total Assets	\$ 144,895	\$ 107,731	\$ 203,291	\$ 49,335
<u>Liabilities</u>				
Accounts Payable	\$ 144,895	\$ 107,731	\$ 203,291	\$ 49,335
Total Liabilities	\$ 144,895	\$ 107,731	\$ 203,291	\$ 49,335
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 7,145,427	\$ 7,145,427	\$ 0
Due from Other Governments	1,247,023	1,337,458	1,247,023	1,337,458
Total Assets	\$ 1,247,023	\$ 8,482,885	\$ 8,392,450	\$ 1,337,458
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 1,247,023	\$ 8,482,885	\$ 8,392,450	\$ 1,337,458
Total Liabilities	\$ 1,247,023	\$ 8,482,885	\$ 8,392,450	\$ 1,337,458

(Continued)

Exhibit I-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	\$ 2,201,527	\$ 19,920,252	\$ 21,058,188	\$ 1,063,591
Equity in Pooled Cash and Investments	144,895	7,253,158	7,348,718	49,335
Due from Other Governments	1,247,023	1,337,458	1,247,023	1,337,458
Total Assets	<u>\$ 3,593,445</u>	<u>\$ 28,510,868</u>	<u>\$ 29,653,929</u>	<u>\$ 2,450,384</u>
<u>Liabilities</u>				
Accounts Payable	\$ 144,895	\$ 107,731	\$ 203,291	\$ 49,335
Due to Litigants, Heirs, and Others	2,201,527	19,920,252	21,058,188	1,063,591
Due to Other Taxing Units	1,247,023	8,482,885	8,392,450	1,337,458
Total Liabilities	<u>\$ 3,593,445</u>	<u>\$ 28,510,868</u>	<u>\$ 29,653,929</u>	<u>\$ 2,450,384</u>

MISCELLANEOUS SCHEDULES

Exhibit J-1

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

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-06	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-07
NOTES PAYABLE								
<u>Payable through General Debt Service Fund</u>								
Fire, Sanitation, and Community Complex Landfill Expansion	\$ 1,059,000 650,000	2.66 % 4.06	12-29-03 4-19-05	12-29-06 4-19-09	\$ 353,000 487,500	\$ 0 0	\$ 353,000 162,500	\$ 0 325,000
<u>Payable through Courthouse and Jail Maintenance Fund</u>								
Jail Lighting and HVAC	338,828	0	5-1-06	5-1-13	338,828	0	48,404	290,424
<u>Payable through Highway/Public Works Fund</u>								
Refunding Road Improvements	666,667	3	6-28-04	6-28-07	444,445	0	444,445	0
Refunding Road Improvements	333,334	3.95	6-28-07	6-28-10	0	333,334	0	333,334
Total Notes Payable					<u>\$ 1,623,773</u>	<u>\$ 333,334</u>	<u>\$ 1,008,349</u>	<u>\$ 948,758</u>
OTHER LOANS PAYABLE								
<u>Public Building Authority Loan Agreements</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	\$ 4,455,000	\$ 0	\$ 270,000	\$ 4,185,000
School Renovations - Series IV-F-2	7,500,000	3.99	12-28-00	6-1-20	7,500,000	0	0	7,500,000
Brown Elementary School - Series IV-H-2	6,650,166	4.22	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 and Renovations - Series VI-C-2	10,000,000	3.614	10-21-04	6-1-39	10,000,000	0	0	10,000,000
School Construction and Renovations - Series D-1-C	10,000,000	Variable	3-17-05	6-1-32	10,000,000	0	0	10,000,000
School Construction and Renovations - Series D-5-B	(1)	Variable	12-28-05	6-1-22	6,854,340	0	50,000	6,804,340
Library Construction and Communications System - Series D-11-B	(2)	Variable	6-26-07	6-1-39	0	729,176	0	729,176
Total Other Loans Payable					<u>\$ 50,459,506</u>	<u>\$ 729,176</u>	<u>\$ 320,000</u>	<u>\$ 50,868,682</u>
BONDS PAYABLE								
<u>Payable through General Debt Service Fund</u>								
Refunding Bonds	3,085,000	4	3-31-05	6-1-09	\$ 2,325,000	\$ 0	\$ 750,000	\$ 1,575,000
Total Bonds Payable					<u>\$ 2,325,000</u>	<u>\$ 0</u>	<u>\$ 750,000</u>	<u>\$ 1,575,000</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.
- (2) The county has drawn loan proceeds of \$729,176. Total amount available from a loan agreement with the Public Building Authority is \$8,600,000.

Exhibit J-2

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

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2008	\$ 775,000	\$ 63,000	\$ 838,000
2009	800,000	32,000	832,000
Total	<u>\$ 1,575,000</u>	<u>\$ 95,000</u>	<u>\$ 1,670,000</u>

Exhibit J-3

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

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Solid Waste/Sanitation	Funds for operations	<u>\$ 925,000</u>
Total Transfers			<u><u>\$ 925,000</u></u>

Exhibit J-4

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

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 67,069	\$ 50,000	Travelers Casualty and Surety Company of America
Highway Superintendent	Section 8-24-102, <u>TCA</u>	63,876	100,000	"
Trustee	Section 8-24-102, <u>TCA</u>	58,069	1,384,520	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	58,069	10,000	"
Director of Finance	County Commission	59,811 (1)	50,000	"
County Clerk:				
Brenda Hyder (7-1-06 through 8-31-06)	Section 8-24-102, <u>TCA</u>	9,678	50,000	"
Jule Bryson (9-1-06 through 6-30-07)	Section 8-24-102, <u>TCA</u>	48,391		
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	58,069	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u> , and Chancery Court Judge	62,399 (2)	75,000	"
Register	Section 8-24-102, <u>TCA</u>	58,069	25,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	64,394 (3)	25,000	"
Employee Blanket Bond Coverage - All County Departments: Employee Dishonesty			150,000	Local Government Insurance Pool

(1) Includes longevity pay of \$1,742.

(2) Includes special commissioner fees of \$4,330.

(3) Includes law enforcement training supplement of \$518.

Exhibit J-5

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

	Special Revenue Funds					Debt Service Fund	Total
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Drug Control	Highway / Public Works	General Debt Service	
<u>Local Taxes</u>							
<u>County Property Taxes</u>							
Current Property Tax	\$ 6,852,054	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,471,706	\$ 10,323,760
Trustee's Collections - Prior Year	148,615	0	0	0	0	75,299	223,914
Circuit/Clerk & Master Collections - Prior Years	88,530	0	0	0	0	44,652	133,182
Interest and Penalty	72,106	0	0	0	0	36,533	108,639
Payments in-Lieu-of Taxes - Local Utilities	4,012	0	0	0	0	0	4,012
Payments in-Lieu-of Taxes - Other	180,106	0	0	0	0	0	180,106
<u>County Local Option Taxes</u>							
Local Option Sales Tax	479,604	0	0	0	0	1,794,625	2,274,229
Hotel/Motel Tax	466,143	0	0	0	0	0	466,143
Litigation Tax - General	116,270	0	0	0	0	0	116,270
Litigation Tax - Special Purpose	0	67,615	0	0	0	0	67,615
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0	67,349	67,349
Business Tax	577,247	0	0	0	0	0	577,247
Mineral Severance Tax	1,538	0	0	0	108,486	0	110,024
<u>Statutory Local Taxes</u>							
Bank Excise Tax	163,816	0	0	0	0	0	163,816
Wholesale Beer Tax	313,317	0	0	0	0	0	313,317
Interstate Telecommunications Tax	6,008	0	0	0	0	0	6,008
Other Statutory Local Taxes	6,410	0	0	0	0	0	6,410
Total Local Taxes	\$ 9,475,776	\$ 67,615	\$ 0	\$ 0	\$ 108,486	\$ 5,490,164	\$ 15,142,041
<u>Licenses and Permits</u>							
<u>Licenses</u>							
Cable TV Franchise	\$ 159,446	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 159,446
<u>Permits</u>							
Beer Permits	2,850	0	0	0	0	0	2,850
Total Licenses and Permits	\$ 162,296	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 162,296
<u>Fines, Forfeitures, and Penalties</u>							
<u>Circuit Court</u>							
Fines	\$ 4,092	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,092
Officers Costs	4,743	0	0	0	0	0	4,743

(Continued)

Exhibit J-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	Highway / Public Works	General Debt Service	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>							
<u>Circuit Court (Cont.)</u>							
Jail Fees	\$ 4,553	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	4,553
DUI Treatment Fines	2,676	0	0	0	0	0	2,676
Data Entry Fee - Circuit Court	602	0	0	0	0	0	602
<u>General Sessions Court</u>							
Fines	37,507	0	254	0	0	0	37,761
Officers Costs	61,497	0	0	0	0	0	61,497
Jail Fees	21,612	0	0	0	0	0	21,612
DUI Treatment Fines	7,622	0	0	0	0	0	7,622
Data Entry Fee - General Sessions Court	10,844	0	0	0	0	0	10,844
<u>Juvenile Court</u>							
Fines	4,241	0	0	0	0	0	4,241
Jail Fees	6,280	0	0	0	0	0	6,280
<u>Chancery Court</u>							
Officers Costs	20,036	0	0	0	0	0	20,036
Data Entry Fee - Chancery Court	5,468	0	0	0	0	0	5,468
<u>Other Courts - In-county</u>							
Drug Control Fines	0	0	0	36,363	0	0	36,363
<u>Other Fines, Forfeitures, and Penalties</u>							
Proceeds from Confiscated Property	0	0	0	19,171	0	0	19,171
Total Fines, Forfeitures, and Penalties	\$ 191,773	\$ 0	\$ 254	\$ 55,534	\$ 0	\$ 0	247,561
<u>Charges for Current Services</u>							
<u>General Service Charges</u>							
Patient Charges	\$ 1,980,042	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	1,980,042
<u>Fees</u>							
Copy Fees	2,833	0	0	0	0	0	2,833
Telephone Commissions	21,077	0	0	0	0	0	21,077
Data Processing Fee - Register	45,934	0	0	0	0	0	45,934
Data Processing Fee - Sheriff	6,166	0	0	0	0	0	6,166
Sexual Offender Registration Fees - Sheriff	4,400	0	0	0	0	0	4,400
Total Charges for Current Services	\$ 2,060,452	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	2,060,452

(Continued)

Exhibit J-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	Highway / Public Works	General Debt Service	
<u>Other Local Revenues</u>							
<u>Recurring Items</u>							
Investment Income	\$ 1,526,324	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,526,324
Lease/Rentals	33,199	0	0	0	0	0	33,199
Commissary Sales	11,695	0	0	0	0	0	11,695
Sale of Recycled Materials	0	0	216,114	0	0	0	216,114
Miscellaneous Refunds	12,792	0	0	0	283	0	13,075
<u>Nonrecurring Items</u>							
Sale of Property	5	0	0	0	0	0	5
Contributions & Gifts	3,639	0	0	2,000	0	0	5,639
Total Other Local Revenues	\$ 1,587,654	\$ 0	\$ 216,114	\$ 2,000	\$ 283	\$ 0	\$ 1,806,051
<u>Fees Received from County Officials</u>							
<u>Fees-In-Lieu of Salary</u>							
County Clerk	\$ 451,534	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 451,534
Circuit Court Clerk	123,726	0	0	0	0	0	123,726
General Sessions Court Clerk	334,286	0	0	0	0	0	334,286
Clerk and Master	461,792	0	0	0	0	0	461,792
Register	516,637	0	0	0	0	0	516,637
Sheriff	18,590	0	0	0	0	0	18,590
Trustee	623,451	0	0	0	0	0	623,451
Total Fees Received from County Officials	\$ 2,530,016	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,530,016
<u>State of Tennessee</u>							
<u>General Government Grants</u>							
Juvenile Services Program	\$ 16,152	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 16,152
Other General Government Grants	5,000	0	0	0	0	0	5,000
<u>Public Safety Grants</u>							
Law Enforcement Training Programs	22,342	0	0	0	0	0	22,342
<u>Health and Welfare Grants</u>							
Health Department Programs	253,522	0	0	0	0	0	253,522
<u>Public Works Grants</u>							
State Aid Program	0	0	0	0	350,310	0	350,310
Litter Program	0	0	32,406	0	0	0	32,406

(Continued)

Exhibit J-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	Highway / Public Works	General Debt Service	
<u>State of Tennessee (Cont.)</u>							
<u>Public Works Grants (Cont.)</u>							
Other Public Works Grants	\$ 0	\$ 0	\$ 0	\$ 0	49,938	\$ 0	49,938
<u>Other State Revenues</u>							
Income Tax	471,265	0	0	0	0	0	471,265
Beer Tax	18,753	0	0	0	0	0	18,753
Alcoholic Beverage Tax	69,062	0	0	0	0	0	69,062
Mixed Drink Tax	18,606	0	0	0	0	0	18,606
State Revenue Sharing - T.V.A.	683,844	0	0	0	0	0	683,844
Contracted Prisoner Boarding	174,790	0	0	0	0	0	174,790
Gasoline and Motor Fuel Tax	0	0	0	0	2,144,087	0	2,144,087
Petroleum Special Tax	0	0	0	0	37,649	0	37,649
Reappraisal Program Reimbursement	39,464	0	0	0	0	0	39,464
Registrar's Salary Supplement	16,380	0	0	0	0	0	16,380
Other State Grants	9,532	0	0	0	0	0	9,532
Other State Revenues	5,926	0	0	0	0	0	5,926
Total State of Tennessee	\$ 1,804,638	\$ 0	\$ 32,406	\$ 0	\$ 2,581,984	\$ 0	\$ 4,419,028
<u>Federal Government</u>							
<u>Federal Through State</u>							
Civil Defense Reimbursement	\$ 43,155	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	43,155
Disaster Relief	19,021	0	0	0	21,842	0	40,863
Homeland Security Grants	84,689	0	0	0	0	0	84,689
Other Federal through State	293,643	0	0	0	0	0	293,643
<u>Direct Federal Revenue</u>							
Public Safety Partnership and Community Policing - COPS	33,792	0	0	0	0	0	33,792
Other Direct Federal Revenue	77,090	0	0	0	0	0	77,090
Total Federal Government	\$ 551,390	\$ 0	\$ 0	\$ 0	\$ 21,842	\$ 0	\$ 573,232
<u>Other Governments and Citizens Groups</u>							
<u>Other Governments</u>							
Contracted Services	\$ 511,402	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	511,402
Total Other Governments and Citizens Groups	\$ 511,402	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	511,402
Total	\$ 18,875,397	\$ 67,615	\$ 248,774	\$ 57,534	\$ 2,712,595	\$ 5,490,164	\$ 27,452,079

Exhibit J-6

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

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	39,434	
Social Security		3,017	
State Retirement		1,902	
Employee and Dependent Insurance		84,446	
Life Insurance		780	
Dental Insurance		4,079	
Audit Services		15,000	
Consultants		1,295	
Contracts with Government Agencies		25,559	
Contracts with Private Agencies		1,200	
Contributions		6,500	
Dues and Memberships		5,604	
Travel		2,579	
Other Charges		242	
Communication Equipment		508,729	
Total County Commission			\$ 700,366

Board of Equalization

Board and Committee Members Fees	\$	2,930	
Total Board of Equalization			2,930

Beer Board

Board and Committee Members Fees	\$	1,640	
Social Security		101	
State Retirement		28	
Legal Notices, Recording, and Court Costs		25	
Total Beer Board			1,794

County Mayor/Executive

County Official/Administrative Officer	\$	67,069	
Secretary(ies)		45,504	
Longevity Pay		880	
Overtime Pay		365	
Social Security		7,953	
State Retirement		9,970	
Employee and Dependent Insurance		16,100	
Life Insurance		147	
Dental Insurance		738	
Communication		3,957	
Dues and Memberships		991	

(Continued)

Exhibit J-6

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

General Fund (Cont.)

General Government (Cont.)

County Mayor/Executive (Cont.)

Maintenance & Repair Services - Office Equipment	\$	718	
Printing, Stationery, and Forms		687	
Travel		3,919	
Office Supplies		1,197	
Premiums on Corporate Surety Bonds		100	
Other Charges		1,075	
Office Equipment		500	
Other Equipment		185	
Total County Mayor/Executive			\$ 162,055

County Attorney

County Official/Administrative Officer	\$	60,000	
Total County Attorney			60,000

Election Commission

County Official/Administrative Officer	\$	52,262	
Clerical Personnel		73,543	
Part-time Personnel		4,000	
Longevity Pay		1,784	
Election Commission		4,097	
Election Workers		59,794	
In-Service Training		3,500	
Social Security		9,660	
State Retirement		11,177	
Employee and Dependent Insurance		21,467	
Life Insurance		183	
Dental Insurance		984	
Communication		2,943	
Dues and Memberships		275	
Legal Notices, Recording, and Court Costs		5,000	
Maintenance & Repair Services - Equipment		2,194	
Printing, Stationery, and Forms		11,488	
Rentals		700	
Travel		1,880	
Other Contracted Services		12,220	
Office Supplies		1,972	
Other Charges		1,103	
Total Election Commission			282,226

(Continued)

Exhibit J-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	\$	58,069	
Deputy(ies)		98,795	
Part-time Personnel		15,405	
Longevity Pay		2,692	
Social Security		12,572	
State Retirement		13,977	
Employee and Dependent Insurance		26,206	
Life Insurance		219	
Dental Insurance		1,229	
Communication		2,718	
Dues and Memberships		588	
Maintenance Agreements		20,000	
Printing, Stationery, and Forms		6,674	
Office Supplies		2,244	
Premiums on Corporate Surety Bonds		65	
Other Charges		461	
Other Equipment		25,000	
Total Register of Deeds			\$ 286,914

County Buildings

Supervisor/Director	\$	33,450	
Custodial Personnel		147,094	
Longevity Pay		2,571	
Overtime Pay		2,834	
In-Service Training		420	
Social Security		14,608	
State Retirement		16,764	
Employee and Dependent Insurance		41,887	
Life Insurance		327	
Dental Insurance		1,967	
Other Fringe Benefits		5,416	
Maintenance & Repair Services - Buildings		42,357	
Travel		423	
Disposal Fees		425,000	
Office Supplies		514	
Uniforms		1,482	
Utilities		82,189	
Building Improvements		8,700	
Total County Buildings			828,003

(Continued)

Exhibit J-6

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

General Fund (Cont.)

General Government (Cont.)

Other General Administration

Supervisor/Director	\$	29,037	
Mechanic(s)		28,413	
Longevity Pay		865	
Social Security		4,563	
State Retirement		5,264	
Employee and Dependent Insurance		10,315	
Life Insurance		111	
Dental Insurance		492	
Other Fringe Benefits		1,773	
Communication		1,165	
Gasoline		262,084	
Uniforms		1,100	
Utilities		7,336	
Other Supplies and Materials		3,883	
Maintenance Equipment		3,208	
Total Other General Administration			\$ 359,609

Finance

Accounting and Budgeting

County Official/Administrative Officer	\$	58,069	
Accountants/Bookkeepers		215,928	
Salary Supplements		5,252	
Longevity Pay		8,134	
Social Security		21,847	
State Retirement		25,413	
Employee and Dependent Insurance		42,299	
Life Insurance		327	
Dental Insurance		1,967	
Other Fringe Benefits		2,716	
Communication		3,473	
Data Processing Services		1,000	
Legal Notices, Recording, and Court Costs		2,450	
Maintenance Agreements		9,093	
Printing, Stationery, and Forms		7,379	
Travel		1,341	
Office Supplies		1,290	
Periodicals		300	
Premiums on Corporate Surety Bonds		215	
Total Accounting and Budgeting			408,493

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office

County Official/Administrative Officer	\$	58,069	
Assistant(s)		171,151	
Longevity Pay		3,078	
In-Service Training		160	
Social Security		17,714	
State Retirement		16,283	
Employee and Dependent Insurance		37,994	
Life Insurance		271	
Dental Insurance		1,890	
Communication		1,089	
Data Processing Services		34,300	
Dues and Memberships		1,280	
Maintenance Agreements		569	
Travel		6,885	
Other Contracted Services		25,335	
Office Supplies		912	
Premiums on Corporate Surety Bonds		100	
Other Charges		2,415	
Office Equipment		683	
Total Property Assessor's Office			\$ 380,178

Reappraisal Program

Clerical Personnel	\$	78,380	
Part-time Personnel		21,644	
Longevity Pay		2,097	
In-Service Training		149	
Social Security		7,724	
State Retirement		7,050	
Employee and Dependent Insurance		15,790	
Life Insurance		108	
Dental Insurance		738	
Data Processing Services		12,178	
Postal Charges		11,926	
Travel		6,054	
Office Supplies		564	
Office Equipment		582	
Total Reappraisal Program			164,984

County Trustee's Office

County Official/Administrative Officer	\$	58,069	
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(Continued)

Exhibit J-6

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office (Cont.)

Deputy(ies)	\$	105,143	
Part-time Personnel		13,408	
Longevity Pay		3,978	
Social Security		13,111	
State Retirement		14,646	
Employee and Dependent Insurance		26,834	
Life Insurance		219	
Dental Insurance		1,229	
Communication		1,485	
Dues and Memberships		763	
Maintenance & Repair Services - Office Equipment		4,733	
Printing, Stationery, and Forms		4,147	
Travel		750	
Office Supplies		1,700	
Premiums on Corporate Surety Bonds		6,268	
Other Charges		700	
Office Equipment		5,589	
Total County Trustee's Office			\$ 262,772

County Clerk's Office

County Official/Administrative Officer	\$	58,069	
Deputy(ies)		203,868	
Part-time Personnel		2,542	
Longevity Pay		3,542	
Overtime Pay		352	
Social Security		19,652	
State Retirement		22,179	
Employee and Dependent Insurance		56,665	
Life Insurance		423	
Dental Insurance		2,607	
Communication		2,018	
Dues and Memberships		628	
Maintenance & Repair Services - Office Equipment		18,408	
Printing, Stationery, and Forms		2,477	
Travel		532	
Office Supplies		4,118	
Premiums on Corporate Surety Bonds		172	
Office Equipment		6,785	
Total County Clerk's Office			405,037

(Continued)

Exhibit J-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	\$	58,069	
Deputy(ies)		241,722	
Guards		6,900	
Part-time Personnel		7,366	
Longevity Pay		5,028	
Jury and Witness Fees		12,704	
Social Security		24,185	
State Retirement		25,772	
Employee and Dependent Insurance		56,274	
Life Insurance		409	
Dental Insurance		2,626	
Communication		3,498	
Maintenance & Repair Services - Office Equipment		9,050	
Printing, Stationery, and Forms		5,323	
Travel		383	
Office Supplies		5,019	
Premiums on Corporate Surety Bonds		1,417	
Other Charges		251	
Data Processing Equipment		1,052	
Total Circuit Court			\$ 467,048

General Sessions Court

Judge(s)	\$	124,063	
Secretary(ies)		27,280	
Longevity Pay		682	
Social Security		11,470	
State Retirement		13,317	
Employee and Dependent Insurance		10,302	
Life Insurance		105	
Dental Insurance		472	
Communication		943	
Consultants		500	
Dues and Memberships		636	
Printing, Stationery, and Forms		68	
Travel		1,955	
Office Supplies		227	
Periodicals		458	
Other Charges		60	
Office Equipment		600	
Total General Sessions Court			193,138

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court

County Official/Administrative Officer	\$	58,069	
Deputy(ies)		59,750	
Longevity Pay		2,316	
Social Security		9,156	
State Retirement		10,524	
Employee and Dependent Insurance		16,100	
Life Insurance		147	
Dental Insurance		738	
Communication		1,620	
Dues and Memberships		683	
Maintenance & Repair Services - Office Equipment		7,383	
Printing, Stationery, and Forms		3,973	
Office Supplies		2,500	
Premiums on Corporate Surety Bonds		375	
Office Equipment		303	
Total Chancery Court			\$ 173,637

Juvenile Court

Youth Service Officer(s)	\$	56,659	
Longevity Pay		1,043	
In-Service Training		344	
Social Security		4,414	
State Retirement		4,504	
Employee and Dependent Insurance		10,116	
Life Insurance		111	
Dental Insurance		492	
Communication		946	
Contracts with Government Agencies		3,900	
Travel		161	
Office Supplies		240	
Other Charges		1,600	
Office Equipment		527	
Total Juvenile Court			85,057

Judicial Commissioners

County Official/Administrative Officer	\$	64,834
Supervisor/Director		30,500
Part-time Personnel		34,064
Longevity Pay		1,936
Social Security		10,019

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Administration of Justice (Cont.)

Judicial Commissioners (Cont.)

State Retirement	\$	6,531	
Employee and Dependent Insurance		21,048	
Life Insurance		126	
Dental Insurance		984	
Printing, Stationery, and Forms		745	
Travel		104	
Office Supplies		414	
Premiums on Corporate Surety Bonds		600	
Other Charges		100	
Office Equipment		96	
Total Judicial Commissioners			\$ 172,101

Probate Court

Secretary(ies)	\$	121,550	
Longevity Pay		2,611	
Social Security		8,639	
State Retirement		10,877	
Employee and Dependent Insurance		26,834	
Life Insurance		180	
Dental Insurance		1,229	
Dues and Memberships		230	
Travel		300	
Office Supplies		141	
Office Equipment		110	
Total Probate Court			172,701

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	63,876	
Deputy(ies)		1,263,983	
Salary Supplements		22,100	
Secretary(ies)		86,059	
Longevity Pay		34,288	
In-Service Training		11,416	
Social Security		111,517	
State Retirement		120,651	
Employee and Dependent Insurance		231,786	
Life Insurance		1,709	
Dental Insurance		11,154	
Communication		17,773	

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Dues and Memberships	\$	1,280	
Evaluation and Testing		1,388	
Maintenance & Repair Services - Equipment		5,735	
Maintenance & Repair Services - Vehicles		39,991	
Printing, Stationery, and Forms		4,191	
Travel		9,796	
Drug Treatment		5,018	
Other Contracted Services		10,978	
Office Supplies		8,504	
Uniforms		15,000	
Premiums on Corporate Surety Bonds		122	
Other Charges		1,980	
Communication Equipment		2,001	
Law Enforcement Equipment		34,390	
Motor Vehicles		125,000	
Office Equipment		7,157	
Other Equipment		4,532	
Total Sheriff's Department			\$ 2,253,375

Drug Enforcement

Overtime Pay	\$	2,629	
Law Enforcement Equipment		28,895	
Total Drug Enforcement			31,524

Jail

Medical Personnel	\$	33,242	
Bus Drivers		21,896	
Guards		996,136	
Clerical Personnel		80,398	
Cafeteria Personnel		103,100	
Part-time Personnel		36,170	
Longevity Pay		22,677	
In-Service Training		1,080	
Social Security		95,237	
State Retirement		94,306	
Employee and Dependent Insurance		215,768	
Life Insurance		1,494	
Dental Insurance		10,366	
Evaluation and Testing		1,500	
Medical and Dental Services		174,901	

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Travel	\$	4,046	
Food Supplies		124,914	
Office Supplies		5,489	
Uniforms		9,929	
Utilities		123,152	
Other Supplies and Materials		48,378	
Building Construction		724,670	
Food Service Equipment		13,401	
Heating and Air Conditioning Equipment		51,640	
Law Enforcement Equipment		8,719	
Motor Vehicles		20,000	
Office Equipment		6,000	
Total Jail			\$ 3,028,609

Juvenile Services

Guards	\$	55,065	
Part-time Personnel		30,893	
Longevity Pay		547	
Social Security		6,707	
State Retirement		4,872	
Employee and Dependent Insurance		6,487	
Life Insurance		72	
Dental Insurance		492	
Communication		254	
Office Supplies		188	
Utilities		1,028	
Office Equipment		3,022	
Total Juvenile Services			109,627

Fire Prevention and Control

Supervisor/Director	\$	44,915	
Salary Supplements		3,150	
Part-time Personnel		12,390	
Longevity Pay		9,591	
Overtime Pay		36,470	
Other Salaries & Wages		266,820	
In-Service Training		8,017	
Social Security		27,604	
State Retirement		31,534	
Employee and Dependent Insurance		53,236	

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Public Safety (Cont.)

Fire Prevention and Control (Cont.)

Life Insurance	\$	401	
Dental Insurance		2,459	
Communication		1,627	
Contracts with Government Agencies		2,000	
Evaluation and Testing		1,990	
Maintenance & Repair Services - Buildings		12,365	
Maintenance & Repair Services - Equipment		9,961	
Maintenance & Repair Services - Vehicles		30,236	
Travel		2,642	
Office Supplies		1,239	
Uniforms		2,811	
Utilities		45,650	
Other Supplies and Materials		855	
Communication Equipment		907	
Other Equipment		4,483	
Total Fire Prevention and Control			\$ 613,353

Civil Defense

Assistant(s)	\$	23,308	
Supervisor/Director		39,742	
Longevity Pay		1,946	
Social Security		5,091	
State Retirement		5,830	
Employee and Dependent Insurance		10,734	
Life Insurance		111	
Dental Insurance		492	
Other Fringe Benefits		1,558	
Communication		2,342	
Consultants		2,700	
Travel		228	
Office Supplies		862	
Other Charges		1,140	
Office Equipment		321	
Other Equipment		152	
Other Capital Outlay		43,606	
Total Civil Defense			140,163

Rescue Squad

Contracts with Private Agencies	\$	24,670	
Total Rescue Squad			24,670

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Public Safety (Cont.)

Other Emergency Management

Supervisor/Director	\$	38,557	
Dispatchers/Radio Operators		462,070	
Part-time Personnel		28,914	
Longevity Pay		7,614	
Overtime Pay		18,120	
In-Service Training		2,304	
Social Security		42,199	
State Retirement		44,742	
Employee and Dependent Insurance		96,139	
Life Insurance		712	
Dental Insurance		4,900	
Other Fringe Benefits		3,732	
Maintenance Agreements		1,500	
Office Supplies		840	
Office Equipment		62	
Total Other Emergency Management			\$ 752,405

County Coroner/Medical Examiner

Other Per Diem & Fees	\$	53,771	
Total County Coroner/Medical Examiner			53,771

Other Public Safety

Deputy(ies)	\$	15,204	
In-Service Training		4,136	
Social Security		1,408	
Law Enforcement Equipment		9,281	
Total Other Public Safety			30,029

Public Health and Welfare

Local Health Center

Maintenance Personnel	\$	22,318	
Longevity Pay		2,735	
Other Salaries & Wages		177,692	
Social Security		15,023	
State Retirement		17,306	
Employee and Dependent Insurance		37,946	
Life Insurance		352	
Dental Insurance		1,967	
Communication		19,510	
Maintenance & Repair Services - Buildings		1,663	

(Continued)

Exhibit J-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.)

Postal Charges	\$	6,175	
Travel		4,438	
Other Contracted Services		4,341	
Drugs and Medical Supplies		7,726	
Office Supplies		8,918	
Utilities		18,753	
Other Supplies and Materials		6,577	
Other Charges		1,314	
Building Improvements		2,720	
Office Equipment		2,323	
Total Local Health Center			\$ 359,797

Rabies and Animal Control

Deputy(ies)	\$	46,275	
Longevity Pay		1,012	
Other Salaries & Wages		5,718	
In-Service Training		450	
Social Security		4,101	
State Retirement		4,696	
Employee and Dependent Insurance		10,734	
Life Insurance		72	
Dental Insurance		492	
Other Fringe Benefits		602	
Communication		200	
Contracts with Private Agencies		30,600	
Travel		19	
Office Supplies		169	
Uniforms		808	
Other Supplies and Materials		3,979	
Motor Vehicles		14,000	
Total Rabies and Animal Control			123,927

Ambulance/Emergency Medical Services

Supervisor/Director	\$	49,327	
Medical Personnel		880,128	
Secretary(ies)		41,958	
Part-time Personnel		58,710	
Longevity Pay		29,869	
Overtime Pay		529,654	
In-Service Training		5,984	

(Continued)

Exhibit J-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.)

Social Security	\$	119,597	
State Retirement		131,433	
Employee and Dependent Insurance		225,955	
Life Insurance		1,605	
Dental Insurance		10,459	
Other Fringe Benefits		3,692	
Communication		8,642	
Consultants		2,400	
Debt Collection Services		8,000	
Maintenance & Repair Services - Buildings		3,969	
Maintenance & Repair Services - Office Equipment		1,162	
Maintenance & Repair Services - Vehicles		29,998	
Travel		731	
Other Contracted Services		4,395	
Drugs and Medical Supplies		74,312	
Office Supplies		5,852	
Uniforms		11,589	
Utilities		12,608	
Other Supplies and Materials		13,726	
Other Charges		4,819	
Office Equipment		2,860	
Other Equipment		104,325	
Other Capital Outlay		3,913	
Total Ambulance/Emergency Medical Services			\$ 2,381,672

Alcohol and Drug Programs

Assistant(s)	\$	29,266	
Supervisor/Director		31,811	
Longevity Pay		1,834	
Social Security		4,830	
State Retirement		5,574	
Employee and Dependent Insurance		10,734	
Life Insurance		111	
Dental Insurance		492	
Other Fringe Benefits		723	
Total Alcohol and Drug Programs			85,375

Appropriation to State

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

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Other Local Welfare Services

Longevity Pay	\$	460	
Other Salaries & Wages		89,798	
Social Security		6,918	
State Retirement		7,921	
Employee and Dependent Insurance		7,277	
Life Insurance		96	
Dental Insurance		670	
Contracts with Government Agencies		33,268	
Contracts with Other Public Agencies		27,556	
Contracts with Other School Systems		10,418	
Contracts with Private Agencies		17,575	
Contracts with Parents		12,023	
Contracts with Public Carriers		35,390	
Travel		1,221	
Office Supplies		453	
Total Other Local Welfare Services			\$ 251,044

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Contracts with Private Agencies	\$	28,560	
Total Senior Citizens Assistance			28,560

Libraries

Supervisor/Director	\$	35,173	
Deputy(ies)		30,853	
Secretary(ies)		18,866	
Clerical Personnel		17,347	
Part-time Personnel		47,708	
Longevity Pay		3,325	
In-Service Training		5,162	
Social Security		11,733	
State Retirement		9,329	
Employee and Dependent Insurance		21,467	
Life Insurance		183	
Dental Insurance		984	
Other Fringe Benefits		931	
Communication		6,498	
Maintenance & Repair Services - Buildings		3,178	
Maintenance & Repair Services - Office Equipment		4,427	
Postal Charges		2,000	

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Libraries (Cont.)

Printing, Stationery, and Forms	\$	1,830	
Other Contracted Services		10,104	
Library Books/Media		74,302	
Periodicals		4,424	
Utilities		16,987	
Other Supplies and Materials		11,796	
Building Improvements		3,511	
Office Equipment		<u>16,000</u>	
Total Libraries	\$		358,118

Parks and Fair Boards

Supervisor/Director	\$	25,669	
Custodial Personnel		15,434	
Part-time Personnel		24,474	
Longevity Pay		1,153	
Overtime Pay		799	
Social Security		4,985	
State Retirement		3,101	
Employee and Dependent Insurance		9,839	
Life Insurance		111	
Dental Insurance		492	
Other Fringe Benefits		830	
Uniforms		973	
Utilities		42,356	
Other Supplies and Materials		25,000	
Building Improvements		<u>15,344</u>	
Total Parks and Fair Boards			170,560

Other Social, Cultural, and Recreational

Contracts with Private Agencies	\$	<u>57,016</u>	
Total Other Social, Cultural, and Recreational			57,016

Agriculture & Natural Resources

Agriculture Extension Service

Salary Supplements	\$	79,698	
Communication		2,892	
Travel		162	
Office Supplies		<u>1,761</u>	
Total Agriculture Extension Service			84,513

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Agriculture & Natural Resources (Cont.)

Soil Conservation

Secretary(ies)	\$	24,795	
Longevity Pay		496	
Social Security		1,935	
State Retirement		2,216	
Employee and Dependent Insurance		5,157	
Life Insurance		36	
Dental Insurance		246	
Dues and Memberships		1,370	
Legal Notices, Recording, and Court Costs		700	
Travel		2,640	
Office Supplies		556	
Office Equipment		304	
Total Soil Conservation			\$ 40,451

Other Operations

Tourism

Contracts with Private Agencies	\$	35,700	
Contributions		51,738	
Total Tourism			87,438

Other Economic and Community Development

Consultants	\$	8,000	
Other Construction		6,950	
Total Other Economic and Community Development			14,950

Veterans' Services

Contracts with Government Agencies	\$	5,000	
Total Veterans' Services			5,000

Other Charges

Liability Insurance	\$	155,142	
Trustee's Commission		194,842	
Other Charges		1,747	
Total Other Charges			351,731

Contributions to Other Agencies

Contributions	\$	30,467	
Total Contributions to Other Agencies			30,467

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Other Operations (Cont.)

Employee Benefits

Unemployment Compensation	\$ 29,032	
Medical and Dental Services	694	
Workers' Compensation Insurance	344,121	
Total Employee Benefits		\$ 373,847

Miscellaneous

Postal Charges	\$ 57,876	
Other Charges	301	
Total Miscellaneous		58,177

Other Debt Service

General Government

Underwriter's Discount	\$ 39,160	
Other Debt Issuance Charges	82,186	
Total General Government		121,346

Total General Fund \$ 17,648,058

Courthouse & Jail Maintenance Fund

General Government

County Buildings

Maintenance & Repair Services - Buildings	\$ 97,756	
Heating and Air Conditioning Equipment	246,250	
Total County Buildings		\$ 344,006

Other Operations

Other Charges

Trustee's Commission	\$ 687	
Total Other Charges		687

Principal on Debt

General Government

Principal on Notes	\$ 48,404	
Total General Government		48,404

Total Courthouse & Jail Maintenance Fund 393,097

(Continued)

Exhibit J-6

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

Solid Waste/Sanitation Fund

Public Health and Welfare

Waste Pickup

Laborers	\$	112,510	
Part-time Personnel		9,909	
Longevity Pay		2,718	
Overtime Pay		1,942	
Social Security		9,891	
State Retirement		9,872	
Employee and Dependent Insurance		25,214	
Life Insurance		148	
Dental Insurance		1,208	
Other Fringe Benefits		2,662	
Diesel Fuel		72,000	
Uniforms		1,704	
Other Supplies and Materials		38,278	
Total Waste Pickup			\$ 288,056

Convenience Centers

Guards	\$	113,674	
Part-time Personnel		274,215	
Longevity Pay		2,777	
Overtime Pay		443	
Social Security		29,920	
State Retirement		10,201	
Employee and Dependent Insurance		32,521	
Life Insurance		166	
Dental Insurance		1,475	
Operating Lease Payments		5,500	
Uniforms		7,431	
Utilities		29,997	
Other Supplies and Materials		7,091	
Other Equipment		28,213	
Total Convenience Centers			543,624

Recycling Center

Laborers	\$	94,112
Part-time Personnel		28,128
Longevity Pay		2,312
Overtime Pay		790
Social Security		9,589
State Retirement		8,512
Employee and Dependent Insurance		21,467

(Continued)

Exhibit J-6

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Recycling Center (Cont.)

Life Insurance	\$	119	
Dental Insurance		984	
Travel		795	
Diesel Fuel		794	
Office Supplies		2,379	
Uniforms		2,134	
Utilities		8,365	
Other Supplies and Materials		34,779	
Site Development		8,500	
Total Recycling Center			\$ 223,759

Other Operations

Other Charges

Trustee's Commission	\$	2,159	
Total Other Charges			2,159

Employee Benefits

Unemployment Compensation	\$	4,051	
Workers' Compensation Insurance		45,000	
Total Employee Benefits			49,051

Highways

Litter and Trash Collection

Deputy(ies)	\$	36,383	
Longevity Pay		374	
Social Security		2,812	
State Retirement		3,220	
Employee and Dependent Insurance		10,524	
Life Insurance		69	
Dental Insurance		472	
Communication		100	
Travel		73	
Office Supplies		69	
Uniforms		127	
Other Supplies and Materials		812	
Total Litter and Trash Collection			55,035

Total Solid Waste/Sanitation Fund \$ 1,161,684

(Continued)

Exhibit J-6

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

Drug Control Fund

Public Safety

Drug Enforcement

In-Service Training	\$	200	
Communication		559	
Maintenance & Repair Services - Vehicles		330	
Law Enforcement Equipment		3,905	
Total Drug Enforcement			\$ 4,994

Other Operations

Other Charges

Trustee's Commission	\$	218	
Total Other Charges			218

Total Drug Control Fund \$ 5,212

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	63,876	
Assistant(s)		34,785	
Longevity Pay		813	
Social Security		7,569	
State Retirement		8,780	
Employee and Dependent Insurance		10,734	
Life Insurance		111	
Dental Insurance		492	
Other Fringe Benefits		758	
Dues and Memberships		3,365	
Postal Charges		78	
Travel		2,377	
Office Supplies		1,058	
Other Charges		880	
Total Administration			\$ 135,676

Highway and Bridge Maintenance

Equipment Operators - Heavy	\$	259,737	
Truck Drivers		120,695	
Laborers		50,773	
Longevity Pay		12,668	
Overtime Pay		23,415	
Social Security		36,362	
State Retirement		40,744	

(Continued)

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Employee and Dependent Insurance	\$	84,665	
Life Insurance		564	
Dental Insurance		4,082	
Other Fringe Benefits		8,384	
Other Contracted Services		13,854	
Asphalt - Cold Mix		12,400	
Asphalt - Hot Mix		125,543	
Asphalt - Liquid		182,788	
Crushed Stone		186,476	
Pipe - Metal		24,043	
Road Signs		13,745	
Other Supplies and Materials		1,397	
Total Highway and Bridge Maintenance			\$ 1,202,335

Operation and Maintenance of Equipment

Mechanic(s)	\$	79,242	
Longevity Pay		3,378	
Overtime Pay		250	
Social Security		6,339	
State Retirement		7,259	
Employee and Dependent Insurance		15,891	
Life Insurance		108	
Dental Insurance		738	
Laundry Service		1,512	
Diesel Fuel		58,151	
Equipment and Machinery Parts		35,869	
Gasoline		34,742	
Lubricants		5,495	
Tires and Tubes		11,242	
Total Operation and Maintenance of Equipment			260,216

Other Charges

Communication	\$	6,222	
Electricity		6,827	
Natural Gas		5,458	
Water and Sewer		808	
Premiums on Corporate Surety Bonds		197	
Trustee's Commission		22,540	
Vehicle and Equipment Insurance		49,777	
Other Charges		5,952	
Total Other Charges			97,781

(Continued)

Exhibit J-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Employee Benefits

Unemployment Compensation	\$ 4,142	
Workers' Compensation Insurance	70,000	
Total Employee Benefits		\$ 74,142

Capital Outlay

Communication Equipment	\$ 2,199	
State Aid Projects	686,267	
Other Equipment	74,250	
Other Construction	49,938	
Total Capital Outlay		812,654

Principal on Debt

Highways and Streets

Principal on Notes	\$ 444,445	
Total Highways and Streets		444,445

Interest on Debt

Highways and Streets

Interest on Notes	\$ 13,410	
Total Highways and Streets		13,410

Total Highway/Public Works Fund \$ 3,040,659

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$ 750,000	
Principal on Notes	515,500	
Principal on Other Loans	50,000	
Total General Government		\$ 1,315,500

Education

Principal on Other Loans	\$ 270,000	
Total Education		270,000

Interest on Debt

General Government

Interest on Bonds	\$ 93,000	
Interest on Notes	24,877	
Total General Government		117,877

(Continued)

Exhibit J-6

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

<u>General Debt Service Fund (Cont.)</u>		
<u>Interest on Debt (Cont.)</u>		
<u>Education</u>		
Interest on Other Loans	<u>\$ 2,091,528</u>	
Total Education		\$ 2,091,528
 <u>Other Debt Service</u>		
<u>General Government</u>		
Financial Advisory Services	\$ 986	
Trustee's Commission	<u>90,701</u>	
Total General Government		<u>91,687</u>
 Total General Debt Service Fund		 <u>\$ 3,886,592</u>
 Total Governmental Funds - Primary Government		 <u>\$ 26,135,302</u>

Exhibit J-7

Cumberland County, Tennessee
 Schedule of Detailed Revenues and Expenses
 Proprietary Fund
 For the Year Ended June 30, 2007

	Enterprise Fund Solid Waste Disposal Fund
<u>Operating Revenues</u>	
<u>Charges of Current Services</u>	
Tipping Fees	\$ 915,382
<u>Other Local Revenues</u>	
Miscellaneous Refunds	33
Total Operating Revenues	<u>\$ 915,415</u>
 <u>Nonoperating Revenues</u>	
Solid Waste Grants	\$ 43,579
Total Nonoperating Revenues	<u>\$ 43,579</u>
 Total Revenues	 <u><u>\$ 958,994</u></u>
 <u>Operating Expenses</u>	
<u>Public Health and Welfare</u>	
<u>Landfill Operation and Maintenance</u>	
Supervisor/Director	\$ 39,562
Equipment Operators	103,181
Part-time Personnel	14,433
Longevity Pay	2,911
Overtime Pay	257
Social Security	12,441
State Retirement	13,020
Employee and Dependent Insurance	26,625
Life Insurance	232
Dental Insurance	1,229
Other Fringe Benefits	2,722
Travel	175
Contracts for Landfill Facilities	61,566
Diesel Fuel	41,429
Office Supplies	1,877
Uniforms	1,351
Utilities	7,866
Other Supplies and Materials	146,291
Depreciation	232,834
Landfill Closure/Postclosure Care Costs	158,096
Other Charges	152,753
Total Landfill Operation and Maintenance	<u>\$ 1,020,851</u>
<u>Other Operations</u>	
<u>Other Charges</u>	
Trustees' Commission	<u>\$ 4,768</u>
<u>Employee Benefits</u>	
Unemployment Compensation	\$ 593
Workers' Compensation Insurance	18,000
Total Employee Benefits	<u>\$ 18,593</u>
 Total Expenses	 <u><u>\$ 1,044,212</u></u>

Exhibit J-8

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

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 7,145,427
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 7,073,973
Trustee's Commission	71,454
Total Cash Disbursements	<u>\$ 7,145,427</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0
Cash Balance, July 1, 2006	<u>0</u>
Cash Balance, June 30, 2007	<u><u>\$ 0</u></u>

ANNUAL FINANCIAL REPORT
CUMBERLAND COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF CUMBERLAND COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2007

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

JAMES R. ARNETTE
Director

CARL LOWE, CGFM
Audit Manager

ANITA SCARLETT, CPA
Auditor 4

GARY RAMSEY, CPA
CHRISTY N. TENNANT, CPA, CGFM
KELLEY McNEAL, CPA, CGFM
State Auditors

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

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

Annual Financial Report
Cumberland County School Department
For the Year Ended June 30, 2007

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, 2007.

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 two findings and recommendations, which we have reviewed with the Cumberland County School Department's management. The detailed findings, recommendations, and management's responses are included in the Single Audit Report.

Findings

The following is a summary of the audit findings:

CUMBERLAND COUNTY SCHOOL DEPARTMENT

- ◆ Government-wide financial statements were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion.
- ◆ The School Department failed to perform steps set forth in the timeline included in its GASB Statement No. 34 implementation plan filed with the Comptroller's Office.

INTRODUCTORY SECTION

Cumberland County School Officials
June 30, 2007

Official

Aarona VanWinkle, Director of Schools

Board of Education

Shirley Parris, Chairman
Gordon Davis
Orville Hale
Brian Houston
Victor Randolph

Robert Safdie
Dan Schlafer
Mary Smith
Ricky Smith

Finance Committee

Brock Hill, Chairman
Wendell Houston
Aarona VanWinkle
Jeff Brown

Kenneth Carey, Jr.
Clyde Cramer
R. Donathan Ivey

FINANCIAL SECTION



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

INDEPENDENT AUDITOR'S REPORT

January 7, 2008

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 the 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, 2007, as shown on pages 15 through 28, 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, 2007, 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 the major fund and the aggregate remaining fund information of the Cumberland County School Department as of June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee.

In accordance with Government Auditing Standards, we have also issued our report dated January 7, 2008, 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 31 through 34 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/rd

BASIC FINANCIAL STATEMENTS

Exhibit A

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

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	<u>Total Govern- mental Funds</u>
	General Purpose School	Other Govern- mental Funds	
<u>ASSETS</u>			
Cash	\$ 0	\$ 100	\$ 100
Equity in Pooled Cash and Investments	4,502,102	1,916,390	6,418,492
Inventories	0	35,444	35,444
Accounts Receivable	4,243	279	4,522
Due from Other Governments	2,231,401	239,482	2,470,883
Property Taxes Receivable	5,106,374	0	5,106,374
Allowance for Uncollectible Property Taxes	(194,819)	0	(194,819)
Total Assets	<u>\$ 11,649,301</u>	<u>\$ 2,191,695</u>	<u>\$ 13,840,996</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 292,631	\$ 0	\$ 292,631
Accrued Payroll	19,988	407	20,395
Cash Overdraft	0	132,286	132,286
Deferred Revenue - Current Property Taxes	4,837,513	0	4,837,513
Deferred Revenue - Delinquent Property Taxes	55,188	0	55,188
Other Deferred Revenues	721,353	0	721,353
Total Liabilities	<u>\$ 5,926,673</u>	<u>\$ 132,693</u>	<u>\$ 6,059,366</u>
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 245,972	\$ 0	\$ 245,972
Reserved for Inventory	0	35,444	35,444
Reserved for Career Ladder - Extended Contract	5,701	0	5,701
Reserved for Career Ladder Program	791	0	791
Reserved for Basic Education Program	1,402,285	0	1,402,285
Reserved for Title I Grants to Local Education Agencies	0	36,592	36,592
Reserved for Innovative Education Program Strategies	0	4,678	4,678
Reserved for Special Education - Grants to States	0	10,331	10,331
Other Federal Reserves	0	33,162	33,162
Unreserved, Reported In:			
General Fund	4,067,879	0	4,067,879
Special Revenue Funds	0	1,169,813	1,169,813
Capital Projects Funds	0	768,982	768,982
Total Fund Balances	<u>\$ 5,722,628</u>	<u>\$ 2,059,002</u>	<u>\$ 7,781,630</u>
Total Liabilities and Fund Balances	<u>\$ 11,649,301</u>	<u>\$ 2,191,695</u>	<u>\$ 13,840,996</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, 2007

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 12,461,455	\$ 0	\$ 12,461,455
Charges for Current Services	133,944	1,227,913	1,361,857
Other Local Revenues	118,135	56,502	174,637
State of Tennessee	27,172,968	41,056	27,214,024
Federal Government	83,811	6,238,722	6,322,533
Total Revenues	<u>\$ 39,970,313</u>	<u>\$ 7,564,193</u>	<u>\$ 47,534,506</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 25,602,865	\$ 3,909,427	\$ 29,512,292
Support Services	13,070,742	514,055	13,584,797
Operation of Non-Instructional Services	747,540	3,378,024	4,125,564
Capital Outlay	1,959,090	0	1,959,090
Capital Projects	0	2,243,011	2,243,011
Total Expenditures	<u>\$ 41,380,237</u>	<u>\$ 10,044,517</u>	<u>\$ 51,424,754</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (1,409,924)</u>	<u>\$ (2,480,324)</u>	<u>\$ (3,890,248)</u>
<u>Other Financing Sources (Uses)</u>			
Insurance Recovery	\$ 18,904	\$ 0	\$ 18,904
Transfers In	12,057	300,000	312,057
Transfers Out	(300,000)	(12,057)	(312,057)
Total Other Financing Sources (Uses)	<u>\$ (269,039)</u>	<u>\$ 287,943</u>	<u>\$ 18,904</u>
Net Change in Fund Balances	<u>\$ (1,678,963)</u>	<u>\$ (2,192,381)</u>	<u>\$ (3,871,344)</u>
Fund Balance, July 1, 2006	<u>7,401,591</u>	<u>4,251,383</u>	<u>11,652,974</u>
Fund Balance, June 30, 2007	<u>\$ 5,722,628</u>	<u>\$ 2,059,002</u>	<u>\$ 7,781,630</u>

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

**CUMBERLAND COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF CUMBERLAND COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2007**

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 No. 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 No. 34. These standards require fund financial statements that are presented in conformity with all the provisions of GASB Statement No. 34 that are applicable to fund financial statements, including the notes to the financial statements. These standards also require the fund financial statements to be presented in conformity with all other accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements.

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

A. Reporting Entity

The School Department operates the public school system in the county, and the voters of 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 fund:

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.

Additionally, the School Department reports the following fund types:

Special Revenue Funds – These 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.

Capital Projects Fund – The Education Capital Projects Fund is used to account for transactions related to the construction and renovation of major capital projects.

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

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to two 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.

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

A. 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.

B. Expenditures were Misclassified in the Accounting Records of the General Purpose School Fund

Journal entries were made near year-end to line-items that exceeded the budget in the General Purpose School Fund. It appears that these journal entries were made in an attempt to keep expenditures within appropriations to avoid the necessity of budget amendments. These journal entries resulted in expenditure accounts not reflecting the true nature of some transactions. Misclassifications included salaries of the director, teachers, and substitute teachers and medical and dental insurance.

C. Funds were Transferred from the General Purpose School Fund to the Education Capital Projects Fund without County Commission Approval

The General Purpose School Fund transferred \$300,000 to the Education Capital Projects Fund without the approval of the County Commission. Section 5-9-401, Tennessee Code Annotated, provides that "All funds from whatever source derived, including, but not limited to, 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."

D. Cash Overdraft

The School Federal Projects Fund had a cash overdraft of \$132,286 at June 30, 2007. This cash overdraft resulted from the issuance of warrants that exceeded cash on deposit with the county trustee. The cash overdraft was liquidated subsequent to June 30, 2007.

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

Investment Balances. As of June 30, 2007, 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	\$ 111,471

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, 2007, Cumberland County's investment in the State Treasurer's Investment Pool was unrated.

B. Interfund Transfers

Interfund transfers for the year ended June 30, 2007, consisted of the following amounts:

<u>Transfers Out</u>	<u>Transfers In</u>	
	General Purpose School Fund	Nonmajor governmental funds
General Purpose School Fund	\$ 0	\$ 300,000
Nonmajor governmental funds	12,057	0
Total	<u>\$ 12,057</u>	<u>\$ 300,000</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 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 \$300,000 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 participated in the Tennessee School Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by the Tennessee School Boards Association, an association of member school districts. 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. Contingent Liabilities

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

C. Change in Administration

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 on January 5, 2007.

D. Retirement Commitments

Employees

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 <http://www.treasury.state.tn.us/tcrs/PS/>.

Since the Cumberland County School Department participates in Cumberland County's plan, retirement information for the 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 V.H. 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 SETHEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.treasury.state.tn.us>.

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the Cumberland County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2007, was 6.13 percent of annual covered payroll. The employer contribution requirement for the 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, 2007, 2006, and 2005, were \$1,264,761, \$1,055,754, and \$1,009,710, respectively, equal to the required contributions for each year.

E. 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 of their retirement to the board no later than March 1 of the school year prior to the requested retirement year, and they must have a minimum of 20 years of credible TCRS service with the Cumberland County schools. In addition, employees must submit an application for continuation of insurance, maintain payroll deductions for premiums until their actual retirement date, and comply with all eligibility requirements established by the health insurance plan. Currently, 52 retirees receive 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 \$170,780 were recognized for post-employment health care.

F. 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. 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.

G. 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.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit C

Cumberland County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Cumberland County School Department
General Purpose School Fund
For the Year Ended June 30, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 12,461,455	\$ 0	\$ 0	\$ 12,461,455	\$ 11,867,928	\$ 11,867,928	\$ 593,527
Charges for Current Services	133,944	0	0	133,944	130,000	142,000	(8,056)
Other Local Revenues	118,135	0	0	118,135	543,500	543,500	(425,365)
State of Tennessee	27,172,968	0	0	27,172,968	26,240,570	26,660,836	512,132
Federal Government	83,811	0	0	83,811	95,000	95,000	(11,189)
Total Revenues	\$ 39,970,313	\$ 0	\$ 0	\$ 39,970,313	\$ 38,876,998	\$ 39,309,264	\$ 661,049
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 21,805,433	\$ 0	\$ 0	\$ 21,805,433	\$ 22,420,805	\$ 22,538,294	\$ 732,861
Alternative Instruction Program	103,861	0	0	103,861	157,936	157,936	54,075
Special Education Program	2,416,543	0	0	2,416,543	2,638,740	2,638,740	222,197
Vocational Education Program	1,277,028	0	0	1,277,028	1,425,162	1,425,162	148,134
<u>Support Services</u>							
Attendance	65,762	0	0	65,762	73,027	73,027	7,265
Health Services	193,790	0	0	193,790	204,307	204,307	10,517
Other Student Support	715,989	0	0	715,989	803,718	803,718	87,729
Regular Instruction Program	1,164,035	0	0	1,164,035	1,222,600	1,222,600	58,565
Special Education Program	468,726	0	0	468,726	503,790	503,790	35,064
Vocational Education Program	92,513	0	0	92,513	96,916	96,916	4,403
Board of Education	839,916	0	0	839,916	947,629	947,629	107,713
Director of Schools	259,138	0	0	259,138	264,042	264,042	4,904
Office of the Principal	2,145,428	0	0	2,145,428	2,298,341	2,298,341	152,913
Operation of Plant	3,913,865	0	0	3,913,865	3,956,001	3,956,001	42,136
Maintenance of Plant	769,898	(25,500)	111,448	855,846	955,861	955,861	100,015
Transportation	2,116,975	0	0	2,116,975	2,150,751	2,150,751	33,776

(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 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Central and Other	\$ 324,707	\$ 0	\$ 0	\$ 324,707	\$ 344,282	\$ 344,282	\$ 19,575
<u>Operation of Non-Instructional Services</u>							
Community Services	146,007	0	0	146,007	147,671	159,671	13,664
Early Childhood Education	601,533	0	69,000	670,533	379,270	682,047	11,514
<u>Capital Outlay</u>							
Regular Capital Outlay	1,959,090	(1,340,482)	65,524	684,132	1,199,800	1,199,800	515,668
Total Expenditures	\$ 41,380,237	\$ (1,365,982)	\$ 245,972	\$ 40,260,227	\$ 42,190,649	\$ 42,622,915	\$ 2,362,688
<u>Excess (Deficiency) of Revenues</u>							
Over Expenditures	\$ (1,409,924)	\$ 1,365,982	\$ (245,972)	\$ (289,914)	\$ (3,313,651)	\$ (3,313,651)	\$ 3,023,737
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 18,904	\$ 0	\$ 0	\$ 18,904	\$ 0	\$ 0	\$ 18,904
Transfers In	12,057	0	0	12,057	5,000	5,000	7,057
Transfers Out	(300,000)	0	0	(300,000)	0	0	(300,000)
Total Other Financing Sources (Uses)	\$ (269,039)	\$ 0	\$ 0	\$ (269,039)	\$ 5,000	\$ 5,000	\$ (274,039)
<u>Net Change in Fund Balance</u>							
Fund Balance, July 1, 2006	\$ (1,678,963)	\$ 1,365,982	\$ (245,972)	\$ (558,953)	\$ (3,308,651)	\$ (3,308,651)	\$ 2,749,698
Fund Balance, June 30, 2007	7,401,591	(1,365,982)	0	6,035,609	6,151,923	6,151,923	(116,314)
Fund Balance, June 30, 2007	\$ 5,722,628	\$ 0	\$ (245,972)	\$ 5,476,656	\$ 2,843,272	\$ 2,843,272	\$ 2,633,384

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

A. BUDGETARY INFORMATION

The School Department is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the 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.

B. EXPENDITURES WERE MISCLASSIFIED IN THE ACCOUNTING RECORDS OF THE GENERAL PURPOSE SCHOOL FUND

Journal entries were made near year-end to line-items that exceeded the budget in the General Purpose School Fund. It appears that these journal entries were made in an attempt to keep expenditures within appropriations to avoid the necessity of budget amendments. These journal entries resulted in expenditure accounts not reflecting the true nature of some transactions. Misclassifications included the director's salary, teachers' and substitute teachers' salaries, and medical and dental insurance.

C. **FUNDS WERE TRANSFERRED FROM THE GENERAL PURPOSE SCHOOL FUND TO THE EDUCATION CAPITAL PROJECTS FUND WITHOUT COUNTY COMMISSION APPROVAL**

The General Purpose School Fund transferred \$300,000 to the Education Capital Projects Fund without the approval of the Cumberland County Commission. Section 5-9-401, Tennessee Code Annotated, provides that “All funds from whatever source derived, including, but not limited to, 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.”

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

Capital Projects Fund

The Capital Projects Fund is used to account for financial resources to be used in the acquisition or construction of major capital projects.

Education Capital Projects Fund – The Education Capital Projects Fund is used to account for expenditures related to the renovation and construction of school buildings in Cumberland County.

Exhibit D-1

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

	<u>Special Revenue Funds</u>			<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Total</u> <u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>
	<u>School</u> <u>Federal</u> <u>Projects</u>	<u>Central</u> <u>Cafeteria</u>	<u>Total</u>	<u>Education</u> <u>Capital</u> <u>Projects</u>	
<u>ASSETS</u>					
Cash	\$ 0	\$ 100	\$ 100	\$ 0	\$ 100
Equity in Pooled Cash and Investments	0	1,147,408	1,147,408	768,982	1,916,390
Inventories	0	35,444	35,444	0	35,444
Accounts Receivable	0	279	279	0	279
Due from Other Governments	217,456	22,026	239,482	0	239,482
Total Assets	\$ 217,456	\$ 1,205,257	\$ 1,422,713	\$ 768,982	\$ 2,191,695
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accrued Payroll	\$ 407	\$ 0	\$ 407	\$ 0	\$ 407
Cash Overdraft	132,286	0	132,286	0	132,286
Total Liabilities	\$ 132,693	\$ 0	\$ 132,693	\$ 0	\$ 132,693
<u>Fund Balances</u>					
Reserved for Inventory	\$ 0	\$ 35,444	\$ 35,444	\$ 0	\$ 35,444
Reserved for Title I Grants to Local Education	36,592	0	36,592	0	36,592
Reserved for Innovative Education Program Strategies	4,678	0	4,678	0	4,678
Reserved for Special Education - Grants to States	10,331	0	10,331	0	10,331
Other Federal Reserves	33,162	0	33,162	0	33,162
Unreserved	0	1,169,813	1,169,813	768,982	1,938,795
Total Fund Balances	\$ 84,763	\$ 1,205,257	\$ 1,290,020	\$ 768,982	\$ 2,059,002
Total Liabilities and Fund Balances	\$ 217,456	\$ 1,205,257	\$ 1,422,713	\$ 768,982	\$ 2,191,695

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, 2007

	<u>Special Revenue Funds</u>			<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Total</u> <u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>
	<u>School</u> <u>Federal</u> <u>Projects</u>	<u>Central</u> <u>Cafeteria</u>	<u>Total</u>	<u>Education</u> <u>Capital</u> <u>Projects</u>	
<u>Revenues</u>					
Charges for Current Services	\$ 0	\$ 1,227,913	\$ 1,227,913	\$ 0	\$ 1,227,913
Other Local Revenues	259	46,638	46,897	9,605	56,502
State of Tennessee	0	41,056	41,056	0	41,056
Federal Government	4,191,548	2,047,174	6,238,722	0	6,238,722
Total Revenues	\$ 4,191,807	\$ 3,362,781	\$ 7,554,588	\$ 9,605	\$ 7,564,193
<u>Expenditures</u>					
Current:					
Instruction	\$ 3,909,427	\$ 0	\$ 3,909,427	\$ 0	\$ 3,909,427
Support Services	514,055	0	514,055	0	514,055
Operation of Non-Instructional Services	9,091	3,368,933	3,378,024	0	3,378,024
Capital Projects	0	0	0	2,243,011	2,243,011
Total Expenditures	\$ 4,432,573	\$ 3,368,933	\$ 7,801,506	\$ 2,243,011	\$ 10,044,517
Excess (Deficiency) of Revenues Over Expenditures	\$ (240,766)	\$ (6,152)	\$ (246,918)	\$ (2,233,406)	\$ (2,480,324)
<u>Other Financing Sources (Uses)</u>					
Transfers In	\$ 0	\$ 0	\$ 0	\$ 300,000	\$ 300,000
Transfers Out	(12,057)	0	(12,057)	0	(12,057)
Total Other Financing Sources (Uses)	\$ (12,057)	\$ 0	\$ (12,057)	\$ 300,000	\$ 287,943
Net Change in Fund Balances	\$ (252,823)	\$ (6,152)	\$ (258,975)	\$ (1,933,406)	\$ (2,192,381)
Fund Balance, July 1, 2006	337,586	1,211,409	1,548,995	2,702,388	4,251,383
Fund Balance, June 30, 2007	\$ 84,763	\$ 1,205,257	\$ 1,290,020	\$ 768,982	\$ 2,059,002

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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 259	\$ 0	\$ 0	\$ 259
Federal Government	4,191,548	4,242,264	4,242,264	(50,716)
Total Revenues	\$ 4,191,807	\$ 4,242,264	\$ 4,242,264	\$ (50,457)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 2,395,419	\$ 2,779,278	\$ 2,810,686	\$ 415,267
Special Education Program	1,379,805	1,735,377	1,623,805	244,000
Vocational Education Program	134,203	81,455	134,203	0
<u>Support Services</u>				
Other Student Support	51,794	118,308	55,622	3,828
Regular Instruction Program	306,202	354,188	355,826	49,624
Special Education Program	4,197	8,000	10,000	5,803
Vocational Education Program	7,410	7,410	7,410	0
Operation of Plant	7,467	8,760	7,467	0
Transportation	136,985	41,550	138,166	1,181
<u>Operation of Non-Instructional Services</u>				
Food Service	9,091	17,250	9,091	0
Total Expenditures	\$ 4,432,573	\$ 5,151,576	\$ 5,152,276	\$ 719,703
Excess (Deficiency) of Revenues Over Expenditures	\$ (240,766)	\$ (909,312)	\$ (910,012)	\$ 669,246
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 115,000	\$ 0	\$ 0
Transfers Out	(12,057)	(128,734)	(13,034)	977
Total Other Financing Sources (Uses)	\$ (12,057)	\$ (13,734)	\$ (13,034)	\$ 977
Net Change in Fund Balance	\$ (252,823)	\$ (923,046)	\$ (923,046)	\$ 670,223
Fund Balance, July 1, 2006	337,586	923,046	923,046	(585,460)
Fund Balance, June 30, 2007	\$ 84,763	\$ 0	\$ 0	\$ 84,763

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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 1,227,913	\$ 1,250,400	\$ 1,250,400	\$ (22,487)
Other Local Revenues	46,638	34,000	34,000	12,638
State of Tennessee	41,056	41,500	41,500	(444)
Federal Government	2,047,174	1,975,200	1,975,200	71,974
Total Revenues	<u>\$ 3,362,781</u>	<u>\$ 3,301,100</u>	<u>\$ 3,301,100</u>	<u>\$ 61,681</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 3,368,933	\$ 3,391,920	\$ 3,391,920	\$ 22,987
Total Expenditures	<u>\$ 3,368,933</u>	<u>\$ 3,391,920</u>	<u>\$ 3,391,920</u>	<u>\$ 22,987</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (6,152)</u>	<u>\$ (90,820)</u>	<u>\$ (90,820)</u>	<u>\$ 84,668</u>
Net Change in Fund Balance	\$ (6,152)	\$ (90,820)	\$ (90,820)	\$ 84,668
Fund Balance, July 1, 2006	<u>1,211,409</u>	<u>1,183,731</u>	<u>1,183,731</u>	<u>27,678</u>
Fund Balance, June 30, 2007	<u>\$ 1,205,257</u>	<u>\$ 1,092,911</u>	<u>\$ 1,092,911</u>	<u>\$ 112,346</u>

MISCELLANEOUS SCHEDULES

Exhibit E-1

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

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
School Federal Projects	General Purpose School	Indirect costs	\$ 12,057
General Purpose School	Education Capital Projects	School construction	<u>300,000</u>
Total Transfers			<u>\$ 312,057</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, 2007

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Director of Schools:				
Dr. Patricia Ragsdale (7-1-06 through 10-4-06)	State Board of Education and Cumberland County Board of Education	\$ 98,404 (1)	\$ 100,000	Travelers Casualty and Surety Company of America
Aarona VanWinkle (10-5-06 through 6-30-07)	State Board of Education and Cumberland County Board of Education	57,176 (2)	(3)	
Employee Blanket Bond Coverage:				
School Department Employees			150,000	Tennessee School Boards Risk Management Trust

- (1) Includes accrued leave of \$3,054. Dr. Ragsdale was paid her regular salary through June 30, 2007.
- (2) Includes chief executive officer training supplement of \$1,000. Ms VanWinkle was appointed interim director of schools effective October 5, 2006, and director of schools effective January 4, 2007.
- (3) The director of schools is covered under the public employee dishonesty bond.

Exhibit E-3

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

	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Total
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 4,636,680	\$ 0	\$ 0	\$ 0	\$ 4,636,680
Trustee's Collections - Prior Year	123,775	0	0	0	123,775
Circuit/Clerk & Master Collections - Prior Years	66,232	0	0	0	66,232
Interest and Penalty	22,598	0	0	0	22,598
<u>County Local Option Taxes</u>					
Local Option Sales Tax	7,597,197	0	0	0	7,597,197
Business Tax	5,487	0	0	0	5,487
<u>Statutory Local Taxes</u>					
Coal Severance Tax	1,054	0	0	0	1,054
Interstate Telecommunications Tax	8,432	0	0	0	8,432
Total Local Taxes	\$ 12,461,455	\$ 0	\$ 0	\$ 0	\$ 12,461,455
<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Tuition - Other	\$ 89,581	\$ 0	\$ 0	\$ 0	\$ 89,581
Lunch Payments - Children	0	0	649,646	0	649,646
Lunch Payments - Adults	0	0	65,757	0	65,757
Income from Breakfast	0	0	88,387	0	88,387
A la carte Sales	0	0	418,405	0	418,405
Receipts from Individual Schools	44,363	0	0	0	44,363
<u>Other Charges for Services</u>					
Other Charges for Services	0	0	5,718	0	5,718
Total Charges for Current Services	\$ 133,944	\$ 0	\$ 1,227,913	\$ 0	\$ 1,361,857
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	\$ 29,775	\$ 0	\$ 29,775
Retirees' Insurance Payments	1,725	0	0	0	1,725
Miscellaneous Refunds	90,387	259	16,863	9,605	117,114
<u>Nonrecurring Items</u>					
Sale of Equipment	4,355	0	0	0	4,355
Sale of Property	20,128	0	0	0	20,128
Damages Recovered from Individuals	1,540	0	0	0	1,540
Total Other Local Revenues	\$ 118,135	\$ 259	\$ 46,638	\$ 9,605	\$ 174,637
<u>State of Tennessee</u>					
<u>Public Safety Grants</u>					
Safe and Drug - Free Schools and Communities	\$ 40,499	\$ 0	\$ 0	\$ 0	\$ 40,499
<u>State Education Funds</u>					
Basic Education Program	25,592,475	0	0	0	25,592,475
Early Childhood Education	657,467	0	0	0	657,467
School Food Service	0	0	41,056	0	41,056
Driver Education	10,600	0	0	0	10,600
Other State Education Funds	147,697	0	0	0	147,697
Career Ladder Program	398,436	0	0	0	398,436
Career Ladder - Extended Contract	130,306	0	0	0	130,306
<u>Other State Revenues</u>					
Other State Grants	33,300	0	0	0	33,300

(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 (Cont.)</u>					
Other State Revenues	\$ 162,188	\$ 0	\$ 0	\$ 0	\$ 162,188
Total State of Tennessee	\$ 27,172,968	\$ 0	\$ 41,056	\$ 0	\$ 27,214,024
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	\$ 0	\$ 0	\$ 1,500,593	\$ 0	\$ 1,500,593
Breakfast	0	0	546,581	0	546,581
Vocational Education - Basic Grants to States	0	156,066	0	0	156,066
Title I Grants to Local Education Agencies	0	1,800,268	0	0	1,800,268
Innovative Education Program Strategies	0	209,447	0	0	209,447
Special Education - Grants to States	106	1,279,180	0	0	1,279,286
Special Education Preschool Grants	0	44,578	0	0	44,578
Eisenhower Professional Development State Grants	0	298,602	0	0	298,602
Other Federal through State	33,238	403,407	0	0	436,645
<u>Direct Federal Revenue</u>					
Other Direct Federal Revenue	50,467	0	0	0	50,467
Total Federal Government	\$ 83,811	\$ 4,191,548	\$ 2,047,174	\$ 0	\$ 6,322,533
Total	\$ 39,970,313	\$ 4,191,807	\$ 3,362,781	\$ 9,605	\$ 47,534,506

Exhibit E-4

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

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 13,387,698	
Career Ladder Program	251,000	
Career Ladder Extended Contracts	74,000	
Homebound Teachers	35,000	
Educational Assistants	772,100	
Certified Substitute Teachers	60,000	
Non-certified Substitute Teachers	145,000	
Social Security	1,104,195	
State Retirement	907,414	
Life Insurance	26,282	
Medical Insurance	3,250,000	
Dental Insurance	94,000	
Maintenance & Repair Services - Equipment	73,778	
Other Contracted Services	377,320	
Instructional Supplies and Materials	269,989	
Textbooks	513,353	
Other Supplies and Materials	3,071	
Fee Waivers	6,944	
Other Charges	30,718	
Regular Instruction Equipment	423,571	
Total Regular Instruction Program		\$ 21,805,433

Alternative Instruction Program

Teachers	\$ 72,835	
Social Security	5,572	
State Retirement	4,465	
Life Insurance	135	
Medical Insurance	17,825	
Dental Insurance	750	
Other Contracted Services	831	
Instructional Supplies and Materials	762	
Other Supplies and Materials	686	
Total Alternative Instruction Program		103,861

Special Education Program

Teachers	\$ 1,492,223
Career Ladder Program	36,000
Career Ladder Extended Contracts	8,000
Homebound Teachers	61,195

(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.)

Educational Assistants	\$	48,550	
Speech Pathologist		106,154	
Other Salaries & Wages		46,460	
Certified Substitute Teachers		7,500	
Non-certified Substitute Teachers		15,000	
Social Security		136,681	
State Retirement		108,060	
Life Insurance		3,045	
Medical Insurance		306,887	
Dental Insurance		12,720	
Maintenance & Repair Services - Equipment		392	
Instructional Supplies and Materials		15,000	
Textbooks		3,079	
Other Supplies and Materials		3,000	
Other Charges		1,623	
Special Education Equipment		4,974	
Total Special Education Program			\$ 2,416,543

Vocational Education Program

Teachers	\$	864,350	
Career Ladder Program		15,000	
Career Ladder Extended Contracts		6,500	
Educational Assistants		24,835	
Certified Substitute Teachers		600	
Non-certified Substitute Teachers		3,900	
Social Security		71,643	
State Retirement		58,311	
Life Insurance		1,480	
Medical Insurance		102,923	
Dental Insurance		5,883	
Maintenance & Repair Services - Equipment		6,624	
Other Contracted Services		25,675	
Instructional Supplies and Materials		43,814	
T&I Construction Materials		15,766	
Textbooks		2,848	
Other Supplies and Materials		3,032	
Other Charges		10,028	
Vocational Instruction Equipment		13,816	
Total Vocational Education Program			1,277,028

(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	\$	51,183	
Career Ladder Program		1,000	
Social Security		3,992	
State Retirement		3,199	
Life Insurance		68	
Medical Insurance		5,066	
Dental Insurance		225	
Travel		267	
Other Supplies and Materials		480	
Other Charges		282	
Total Attendance			\$ 65,762

Health Services

Medical Personnel	\$	124,124	
Social Security		9,304	
State Retirement		10,465	
Life Insurance		310	
Medical Insurance		37,858	
Dental Insurance		1,747	
Travel		2,251	
Other Contracted Services		3,000	
Drugs and Medical Supplies		749	
Other Supplies and Materials		1,982	
Health Equipment		2,000	
Total Health Services			193,790

Other Student Support

Career Ladder Program	\$	6,000	
Guidance Personnel		512,399	
Social Security		39,296	
State Retirement		31,778	
Life Insurance		878	
Medical Insurance		64,992	
Dental Insurance		3,850	
Evaluation and Testing		25,263	
Travel		679	
In Service/Staff Development		200	
Other Charges		30,654	
Total Other Student Support			715,989

(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.)

Regular Instruction Program

Supervisor/Director	\$	76,083	
Career Ladder Program		18,250	
Career Ladder Extended Contracts		7,000	
Librarians		440,391	
Instructional Computer Personnel		207,960	
Secretary(ies)		28,310	
Social Security		58,053	
State Retirement		52,189	
Life Insurance		1,025	
Medical Insurance		91,543	
Dental Insurance		5,000	
Travel		13,000	
Library Books/Media		121,889	
Other Supplies and Materials		2,342	
In Service/Staff Development		41,000	
Total Regular Instruction Program			\$ 1,164,035

Special Education Program

Supervisor/Director	\$	81,544	
Career Ladder Program		9,000	
Psychological Personnel		140,147	
Career Ladder Extended Contracts		4,000	
Secretary(ies)		29,090	
Clerical Personnel		21,774	
Other Salaries & Wages		77,672	
Social Security		26,296	
State Retirement		24,268	
Life Insurance		367	
Medical Insurance		34,824	
Dental Insurance		1,920	
Consultants		105	
Maintenance & Repair Services - Equipment		396	
Travel		14,663	
Other Supplies and Materials		1,457	
Other Charges		786	
Other Equipment		417	
Total Special Education Program			468,726

(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	\$	34,173	
Clerical Personnel		29,200	
Social Security		4,852	
State Retirement		4,656	
Life Insurance		66	
Medical Insurance		7,600	
Dental Insurance		337	
Travel		8,771	
Other Supplies and Materials		2,075	
In Service/Staff Development		370	
Other Charges		413	
Total Vocational Education Program			\$ 92,513

Board of Education

Board and Committee Members Fees	\$	28,800	
Social Security		2,203	
State Retirement		1,328	
Life Insurance		574	
Medical Insurance		170,780	
Dental Insurance		2,500	
Unemployment Compensation		18,681	
Audit Services		7,000	
Dues and Memberships		9,331	
Legal Services		25,378	
Travel		11,368	
Other Contracted Services		11,633	
Other Supplies and Materials		1,271	
Premiums on Corporate Surety Bonds		450	
Trustee's Commission		236,149	
Workers' Compensation Insurance		310,470	
Other Charges		2,000	
Total Board of Education			839,916

Director of Schools

County Official/Administrative Officer	\$	95,350
Secretary(ies)		1,592
Social Security		7,355
State Retirement		5,846
Life Insurance		68

(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	\$	5,066	
Dental Insurance		225	
Communication		97,500	
Dues and Memberships		12,897	
Postal Charges		2,689	
Travel		2,934	
Other Contracted Services		5,771	
Office Supplies		6,171	
Criminal Investigation of Applicants - TBI		7,200	
Other Charges		4,469	
Administration Equipment		4,005	
Total Director of Schools			\$ 259,138

Office of the Principal

Principals	\$	693,907	
Career Ladder Program		17,000	
Career Ladder Extended Contracts		18,000	
Assistant Principals		286,131	
Secretary(ies)		447,500	
Clerical Personnel		185,000	
Social Security		125,401	
State Retirement		116,907	
Life Insurance		2,168	
Medical Insurance		215,254	
Dental Insurance		17,952	
Communication		3,600	
Other Contracted Services		1,200	
In Service/Staff Development		3,908	
Other Charges		11,500	
Total Office of the Principal			2,145,428

Operation of Plant

Custodial Personnel	\$	1,061,981
Social Security		81,962
State Retirement		77,217
Life Insurance		1,721
Medical Insurance		255,369
Dental Insurance		14,880
Janitorial Services		26,977

(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.)

Rentals	\$	12,090	
Other Contracted Services		71,904	
Custodial Supplies		122,948	
Electricity		1,518,720	
Natural Gas		296,900	
Water and Sewer		123,319	
Building and Contents Insurance		229,590	
Other Charges		822	
Plant Operation Equipment		17,465	
Total Operation of Plant			\$ 3,913,865

Maintenance of Plant

Supervisor/Director	\$	38,468	
Secretary(ies)		22,149	
Maintenance Personnel		288,495	
Part-time Personnel		21,934	
Social Security		28,071	
State Retirement		24,527	
Life Insurance		392	
Medical Insurance		58,103	
Dental Insurance		3,600	
Maintenance & Repair Services - Buildings		98,630	
Other Contracted Services		50,000	
Equipment and Machinery Parts		19,301	
Other Supplies and Materials		42,732	
Other Charges		10,000	
Maintenance Equipment		63,496	
Total Maintenance of Plant			769,898

Transportation

Supervisor/Director	\$	36,923	
Mechanic(s)		89,388	
Bus Drivers		803,200	
Clerical Personnel		20,277	
Attendants		9,345	
Other Salaries & Wages		25,557	
Social Security		75,435	
State Retirement		85,505	
Life Insurance		2,383	

(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	\$	363,369	
Dental Insurance		17,120	
Maintenance & Repair Services - Vehicles		4,080	
Travel		1,027	
Other Contracted Services		5,617	
Equipment and Machinery Parts		6,843	
Gasoline		270,200	
Lubricants		8,990	
Office Supplies		670	
Tires and Tubes		24,000	
Vehicle Parts		55,361	
Other Supplies and Materials		5,000	
In Service/Staff Development		1,700	
Other Charges		1,000	
Transportation Equipment		203,985	
Total Transportation			\$ 2,116,975

Central and Other

Assistant(s)	\$	77,645	
Supervisor/Director		109,695	
Career Ladder Program		1,750	
Secretary(ies)		30,030	
Clerical Personnel		28,960	
Social Security		18,937	
State Retirement		19,243	
Life Insurance		231	
Medical Insurance		26,995	
Dental Insurance		1,840	
Other Contracted Services		5,812	
Other Charges		3,569	
Total Central and Other			324,707

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	30,600
Social Workers		32,640
Other Salaries & Wages		46,213
Social Security		8,582
State Retirement		5,557

(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.)

Life Insurance	\$	65	
Medical Insurance		10,133	
Dental Insurance		449	
Travel		2,358	
Food Supplies		2,570	
Other Supplies and Materials		3,694	
Other Charges		3,146	
Total Community Services			\$ 146,007

Early Childhood Education

Teachers	\$	275,498	
Educational Assistants		85,923	
Certified Substitute Teachers		350	
Non-certified Substitute Teachers		3,510	
Social Security		28,538	
State Retirement		20,371	
Life Insurance		680	
Medical Insurance		64,803	
Dental Insurance		3,004	
Instructional Supplies and Materials		27,093	
Other Supplies and Materials		2,842	
In Service/Staff Development		5,645	
Other Charges		539	
Regular Instruction Equipment		82,737	
Total Early Childhood Education			601,533

Capital Outlay

Regular Capital Outlay

Engineering Services	\$	90,885	
Building Improvements		154,352	
Site Development		128,628	
Other Capital Outlay		1,585,225	
Total Regular Capital Outlay			1,959,090

Total General Purpose School Fund \$ 41,380,237

(Continued)

Exhibit E-4

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

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 1,029,978	
Educational Assistants	464,446	
Other Salaries & Wages	45,192	
Certified Substitute Teachers	1,200	
Non-certified Substitute Teachers	8,100	
Social Security	115,157	
State Retirement	95,231	
Life Insurance	3,317	
Medical Insurance	357,894	
Dental Insurance	15,894	
Unemployment Compensation	6,615	
Other Fringe Benefits	5,022	
Maintenance & Repair Services - Equipment	47,234	
Instructional Supplies and Materials	139,775	
Other Charges	2,396	
Regular Instruction Equipment	57,968	
Total Regular Instruction Program		\$ 2,395,419

Special Education Program

Teachers	\$ 161,544	
Educational Assistants	473,462	
Speech Pathologist	78,926	
Other Salaries & Wages	116,344	
Certified Substitute Teachers	350	
Non-certified Substitute Teachers	4,478	
Social Security	62,619	
State Retirement	57,021	
Life Insurance	1,940	
Medical Insurance	292,826	
Dental Insurance	11,191	
Unemployment Compensation	5,565	
Other Contracted Services	55,397	
Instructional Supplies and Materials	5,723	
Other Supplies and Materials	52,419	
Total Special Education Program		1,379,805

Vocational Education Program

Travel	\$ 4,900
Instructional Supplies and Materials	2,500

(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.)

Vocational Education Program (Cont.)

Other Charges	\$ 1,650	
Vocational Instruction Equipment	125,153	
Total Vocational Education Program		\$ 134,203

Support Services

Other Student Support

Evaluation and Testing	\$ 630	
Travel	10,485	
In Service/Staff Development	4,333	
Other Charges	36,346	
Total Other Student Support		51,794

Regular Instruction Program

Supervisor/Director	\$ 75,330	
Secretary(ies)	32,180	
Social Security	8,038	
State Retirement	7,314	
Life Insurance	111	
Medical Insurance	10,133	
Dental Insurance	492	
Unemployment Compensation	210	
Other Fringe Benefits	420	
Maintenance & Repair Services - Equipment	576	
Travel	467	
Other Contracted Services	15,150	
Other Supplies and Materials	7,409	
In Service/Staff Development	145,385	
Other Charges	2,987	
Total Regular Instruction Program		306,202

Special Education Program

In Service/Staff Development	\$ 4,197	
Total Special Education Program		4,197

Vocational Education Program

Other Charges	\$ 7,410	
Total Vocational Education Program		7,410

(Continued)

Exhibit E-4

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Operation of Plant

Custodial Personnel	\$	6,828	
Social Security		604	
State Retirement		35	
Total Operation of Plant			\$ 7,467

Transportation

Other Charges	\$	28,166	
Transportation Equipment		108,819	
Total Transportation			136,985

Operation of Non-Instructional Services

Food Service

Food Supplies	\$	9,091	
Total Food Service			9,091

Total School Federal Projects Fund \$ 4,432,573

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	36,192	
Accountants/Bookkeepers		35,318	
Clerical Personnel		31,990	
Cafeteria Personnel		950,649	
Maintenance Personnel		34,195	
Longevity Pay		4,600	
Other Salaries & Wages		7,699	
Social Security		83,858	
State Retirement		60,353	
Life Insurance		1,771	
Medical Insurance		209,571	
Dental Insurance		10,693	
Unemployment Compensation		2,238	
Communication		6,078	
Maintenance & Repair Services - Equipment		7,424	
Maintenance & Repair Services - Office Equipment		1,131	
Pest Control		3,900	
Transportation - Other than Students		19,114	
Travel		4,299	

(Continued)

Exhibit E-4

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

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Disposal Fees	\$	29,992	
Contracts for Landfill Facilities		16,964	
Other Contracted Services		8,722	
Equipment and Machinery Parts		26,539	
Food Supplies		1,587,622	
Office Supplies		7,291	
Uniforms		1,591	
Utilities		3,567	
Other Supplies and Materials		119,494	
In Service/Staff Development		3,456	
Other Charges		18,657	
Food Service Equipment		33,965	
Total Food Service			\$ 3,368,933

Total Central Cafeteria Fund \$ 3,368,933

Education Capital Projects Fund

Capital Projects

Education Capital Projects

Building Improvements	\$	2,243,011	
Total Education Capital Projects			\$ 2,243,011

Total Education Capital Projects Fund 2,243,011

Total Governmental Funds - Cumberland County School Department \$ 51,424,754

ANNUAL FINANCIAL REPORT
CUMBERLAND COUNTY RAILROAD AUTHORITY
A COMPONENT UNIT OF CUMBERLAND COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2007

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

JAMES R. ARNETTE
Director

CARL LOWE, CGFM
Audit Manager

ANITA SCARLETT, CPA
Auditor 4

GARY RAMSEY, CPA
State Auditor

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

**CUMBERLAND COUNTY RAILROAD AUTHORITY
A COMPONENT UNIT OF CUMBERLAND COUNTY, TENNESSEE
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Audit Highlights

Annual Financial Report
Cumberland County Railroad Authority
For the Year Ended June 30, 2007

Scope

We have audited the basic financial statements of the Cumberland County Railroad Authority as of and for the year ended June 30, 2007.

Results

Our report on the Cumberland County Railroad Authority's financial statements is unqualified.

Our audit resulted in one finding and recommendation, which we have reviewed with the Cumberland County Railroad Authority management. Detailed findings and recommendations are included in the Single Audit section of this report.

Finding

The following is a summary of the audit finding:

- ◆ Expenditures and encumbrances exceeded total appropriations approved by the County Commission in the General Fund by \$517,936.

INTRODUCTORY SECTION

Cumberland County Railroad Authority Officials
June 30, 2007

Board of Directors

Brock Hill, Chairman
George Adcock

FINANCIAL SECTION



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

INDEPENDENT AUDITOR'S REPORT

January 7, 2008

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, 2007, 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, 2007, 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.

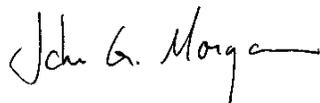
In accordance with Government Auditing Standards, we have also issued our report dated January 7, 2008, on our consideration of the Cumberland County Railroad Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

The budgetary comparison information on pages 25 through 28 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 Railroad Authority's basic financial statements. The introductory section and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/rd

BASIC FINANCIAL STATEMENTS

Exhibit A

Cumberland County, Tennessee
Statement of Net Assets and Governmental Fund Balance Sheet
Cumberland County Railroad Authority
June 30, 2007

	General Fund	Adjustments	Statement of Net Assets
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 18,659	\$ 0	\$ 18,659
Due from Other Governments	3,394	0	3,394
Total Assets	<u>\$ 22,053</u>	<u>\$ 0</u>	<u>\$ 22,053</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 3,394	\$	\$ 3,394
Total Liabilities	<u>\$ 3,394</u>	<u>\$</u>	<u>\$ 3,394</u>
<u>FUND BALANCE/NET ASSETS</u>			
<u>Fund Balances</u>			
Reserved for Encumbrances - Current Year	\$ 570,026	\$ (570,026)	\$ 0
Unreserved Reported In:			
General Fund	(551,367)	551,367	0
Total Fund Balances	<u>\$ 18,659</u>	<u>\$ (18,659)</u>	<u>\$ 0</u>
Total Fund Balances	<u>\$ 18,659</u>		
Net Assets:			
Unrestricted		<u>\$ 18,659</u>	<u>\$ 18,659</u>
Total Net Assets		<u>\$ 18,659</u>	<u>\$ 18,659</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, 2007

	General Fund	Adjustments	Statement of Activities
Expenditures/Expenses:			
Other Operations:			
Other Economic and Community Development	\$ 47,910	\$ 0	\$ 47,910
Total Expenditures/Expenses	\$ 47,910	\$ 0	\$ 47,910
Program Revenues:			
Operating Grants and Contributions:			
State of Tennessee	\$ 61,803	\$ 0	\$ 61,803
Net Program Expense			\$ (13,893)
Excess of Revenues over Expenditures	\$ 13,893	\$ (13,893)	\$ 0
Change in Net Assets	0	13,893	13,893
Fund Balance/Net Assets:			
July 1, 2006	4,766	0	4,766
June 30, 2007	\$ 18,659	\$ 0	\$ 18,659

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, 2007

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 grants 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. 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, COMPLIANCE, 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.

A. Budgetary Information

An annual budget is adopted on a basis consistent with generally accepted accounting principles (GAAP) for the governmental fund. All annual appropriations lapse at fiscal year end.

The annual budget is 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 major categories: Other Operations, Capital Projects, etc.). Management may make revisions within major categories, but only the Cumberland County Commission may transfer appropriations between major categories. During the year, no supplementary appropriations were made.

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

B. Fund Deficit

The General Fund had a deficit of \$551,367 in the unreserved fund balance account as of June 30, 2007. This deficit resulted from the recognition of the

unperformed portion of construction contracts totaling \$570,026 being reserved as encumbrances in the financial statements of this report. Funding for these future expenditures should be received subsequent to year-end. Generally accepted accounting principles require unperformed contracts to be reflected as a reservation (encumbrance) of fund balance. If unperformed portions of these construction contracts had not been reserved as an encumbrance of the fund balance in the financial statements of this report, the General Fund would have reflected a fund balance of \$18,659. The following statement presents the condition of the General Fund at June 30, 2007, if unperformed contracts had not been reflected as a reservation of the fund balance:

General Fund
Fund Equity - Restated
June 30, 2007

Fund Balance

Unreserved:	
Undesignated	\$ 18,659
Fund Balance, June 30, 2007, Restated	<u>\$ 18,659</u>

C. Expenditures and Encumbrances Exceeded Appropriations

Expenditures and encumbrances exceeded total appropriations in the General Fund by \$517,936. Such overexpenditures are a violation of state statutes. These overexpenditures are expected to be funded by grants subsequent to June 30, 2007.

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, 2007, 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, Cumberland County School Department, and Cumberland County Railroad Authority since all pool their deposits and investments through the county trustee.

Investments	Maturities	Cost
State Treasurer's Investment Pool	Daily	\$ 111,471

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, 2007, Cumberland County's investment in the State Treasurer's Investment Pool was unrated.

B. Construction Commitments

At June 30, 2007, the Railroad Authority had uncompleted construction contracts of approximately \$570,026 for railroad construction and renovation projects. Funding for these future expenditures is expected to be received from state grants.

V. OTHER INFORMATION

A. Contingent Liabilities

Authority officials advised that there was no litigation pending against the authority at June 30, 2007.

B. 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.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit C

Cumberland County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Cumberland County Railroad Authority
General Fund
For the Year Ended June 30, 2007

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
State of Tennessee	\$ 61,803	\$ 0	\$ 61,803	\$ 100,000	\$ 100,000	\$ (38,197)
Total Revenues	\$ 61,803	\$ 0	\$ 61,803	\$ 100,000	\$ 100,000	\$ (38,197)
<u>Expenditures</u>						
<u>Other Operations</u>						
Other Charges	\$ 0	\$ 0	\$ 0	\$ 1,000	\$ 1,000	\$ 1,000
<u>Capital Projects</u>						
Other General Government Projects	47,910	570,026	617,936	99,000	99,000	(518,936)
Total Expenditures	\$ 47,910	\$ 570,026	\$ 617,936	\$ 100,000	\$ 100,000	\$ (517,936)
Excess (Deficiency) of Revenues Over Expenditures	\$ 13,893	\$ (570,026)	\$ (556,133)	\$ 0	\$ 0	\$ (556,133)
Net Change in Fund Balance	\$ 13,893	\$ (570,026)	\$ (556,133)	\$ 0	\$ 0	\$ (556,133)
Fund Balance, July 1, 2006	4,766	0	4,766	100	100	4,666
Fund Balance, June 30, 2007	\$ 18,659	\$ (570,026)	\$ (551,367)	\$ 100	\$ 100	\$ (551,467)

CUMBERLAND COUNTY RAILROAD AUTHORITY
A COMPONENT UNIT OF CUMBERLAND COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2007

A. BUDGETARY INFORMATION

The Railroad Authority 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 major categories: Other Operations, Capital Projects, etc.). Management may make revisions within major categories, but only the Cumberland County Commission may transfer appropriations between major categories. During the year, no supplementary appropriations were made.

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

B. FUND DEFICIT

The General Fund had a deficit of \$551,367 in the unreserved fund balance account as of June 30, 2007. This fund deficit resulted from the recognition of the unperformed portion of construction contracts totaling \$570,026 being reserved as encumbrances in the financial statements of this report. Funding for these future expenditures should be received subsequent to year-end. Generally accepted accounting principles require unperformed contracts to be reflected as a reservation (encumbrance) of fund balance. If unperformed portions of these construction contracts had not been reserved as an encumbrance of the fund balance in the financial statements of this report, the General Fund would have reflected a fund balance of \$18,659. The following statement presents the condition of the General Fund at June 30, 2007, if unperformed contracts had not been reflected as a reservation of the fund balance:

General Fund	
Fund Equity - Restated	
June 30, 2007	
<u>Fund Balance</u>	
Unreserved:	
Undesignated	\$ 18,659
Fund Balance, June 30, 2007, Restated	<u>\$ 18,659</u>

C. **EXPENDITURES AND ENCUMBRANCES EXCEEDED APPROPRIATIONS**

Expenditures and encumbrances exceeded total appropriations in the General Fund by \$517,936. Such overexpenditures are a violation of state statutes. These overexpenditures were expected to be funded by grants subsequent to June 30, 2007.

MISCELLANEOUS SCHEDULES

Exhibit D-1

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

	General	Total
<u>State of Tennessee</u>		
<u>General Government Grants</u>		
Other General Government Grants	\$ 61,803	\$ 61,803
Total State of Tennessee	<u>\$ 61,803</u>	<u>\$ 61,803</u>
 Total	 <u>\$ 61,803</u>	 <u>\$ 61,803</u>

Exhibit D-2

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

<u>General Fund</u>		
<u>Capital Projects</u>		
<u>Other General Government Projects</u>		
Other Construction	\$ 47,910	
Total Other General Government Projects	<u>47,910</u>	\$ <u>47,910</u>
 Total General Fund		 \$ <u>47,910</u>
 Total Governmental Funds - Cumberland County Railroad Authority		 \$ <u><u>47,910</u></u>

SINGLE AUDIT REPORT
CUMBERLAND COUNTY, TENNESSEE
CUMBERLAND COUNTY SCHOOL DEPARTMENT
AND
CUMBERLAND COUNTY RAILROAD AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2007

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

JAMES R. ARNETTE
Director

CARL LOWE, CGFM
Audit Manager

ANITA SCARLETT, CPA
Auditor 4

GARY RAMSEY, CPA
CHRISTY N. TENNANT, CPA, CGFM
KELLEY McNEAL, CPA, CGFM
State Auditors

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

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

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

January 7, 2008

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 the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Cumberland County, Tennessee, as of and for the year ended June 30, 2007, which collectively comprise Cumberland County's basic financial statements and have issued our reports thereon dated January 7, 2008. Our report on the financial statements of the aggregate discretely presented component units of Cumberland County, Tennessee, expresses an adverse opinion because the financial statements do not include the Cumberland County School Department and the Cumberland County Emergency Communications District as required by accounting principles generally accepted in the United States of America. Our report on the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Cumberland County, Tennessee, expresses an unqualified opinion. Also, we have audited the financial statements of the major fund and the aggregate remaining fund information of the Cumberland County School Department as of and for the year ended June 30, 2007, which collectively comprise a portion of the Cumberland County School Department's basic financial statements and have issued our report thereon dated

January 7, 2008. Our report on the financial statements of the Cumberland County School Department expresses an adverse opinion because management did not present government-wide financial statements as required by accounting principles generally accepted in the United States of America. In addition, we have audited the governmental activities and the major fund of Cumberland County Railroad Authority as of and for the year ended June 30, 2007, which collectively comprise the Cumberland County Railroad Authority's basic financial statements and have issued our report thereon dated January 7, 2008. Our report on the Cumberland County Railroad Authority was unqualified. We conducted our audits 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cumberland County's, the Cumberland County School Department's, and the Cumberland County Railroad Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Cumberland County's, the Cumberland County School Department's, and the Cumberland County Railroad Authority's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting: 07.01, 07.02, 07.04, and 07.11.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 07.02 to be 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 which are described in the accompanying Schedule of Findings and Questioned Costs as items 07.03, 07.05, 07.06, 07.07, 07.08, 07.09, and 07.10.

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

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

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

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/rd



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

January 7, 2008

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, 2007. Cumberland County's, Cumberland County School Department's, and 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, Cumberland County School Department's, and Cumberland County Railroad Authority's management. Our responsibility is to express an opinion on Cumberland County's, Cumberland County School Department's, and 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, 2007.

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

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the

aggregate remaining fund information of Cumberland County, Tennessee, as of and for the year ended June 30, 2007, which collectively comprise Cumberland County's basic financial statements and have issued our reports thereon dated January 7, 2008. Our report on the financial statements of the aggregate discretely presented component units of Cumberland County, Tennessee, expresses an adverse opinion because the financial statements do not include the Cumberland County School Department and the Cumberland County Emergency Communications District as required by accounting principles generally accepted in the United States of America. Our report on the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Cumberland County, Tennessee, expresses an unqualified opinion. Also, we have audited the financial statements of the major fund and the aggregate remaining fund information of the Cumberland County School Department as of and for the year ended June 30, 2007, which collectively comprise a portion of the Cumberland County School Department's basic financial statements and have issued our report thereon dated January 7, 2008. Our report on the financial statements of the Cumberland County School Department expresses an adverse opinion because management did not present government-wide financial statements as required by accounting principles generally accepted in the United States of America. In addition, we have audited the the governmental activities and the major fund of the Cumberland County Railroad Authority as of and for the year ended June 30, 2007, which collectively comprise the Cumberland County Railroad Authority's basic financial statements and have issued our report thereon dated January 7, 2008. Our report on the financial statements of the Cumberland County Railroad Authority was unqualified. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise a portion of Cumberland County's, the Cumberland County School Department's, and the Cumberland County Railroad Authority's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis, as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

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

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/rd

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, 2007

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	\$ 114,353
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	546,581
National School Lunch Program	10.555	N/A	1,500,593
Total U.S. Department of Agriculture			<u>\$ 2,161,527</u>
U.S. Department of Justice:			
Direct Programs:			
High Intensity Drug Trafficking Area	16.XXX	N/A	\$ 1,418
Bulletproof Vest Partnership Program	16.607	N/A	5,583
Public Safety Partnership and Community Policing Grants	16.710	N/A	28,209
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	(3)	7,152
Total U.S. Department of Justice			<u>\$ 42,362</u>
U.S. Department of Labor:			
Passed-through State Commission on Children and Youth:			
WIA Adult Program	17.258	N/A	\$ 142,002
WIA Youth Activities	17.259	N/A	100,133
WIA Dislocated Workers	17.260	N/A	51,508
Total U.S. Department of Labor			<u>\$ 293,643</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Highway Planning and Construction	20.205	STP-H-1800(35)	\$ 49,938
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grant to Local Educational Agencies	84.010	N/A	\$ 1,805,368
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	1,454,378
Special Education - Preschool Grants	84.173	N/A	44,578
Vocational Education - Basic Grants to States	84.048	N/A	156,066
Safe and Drug Free Schools and Communities - State Grants	84.186	(2)	35,111
Education for Homeless Children and Youth	84.196	N/A	16,400
Twenty-First Century Community Learning Centers	84.287	(2)	358,302
Innovative Education Program Strategies	84.298	N/A	11,447
Education Technology State Grants	84.318	(2)	25,478
Rural Education	84.358	N/A	194,394
English Language Acquisition Grants	84.365	N/A	9,434
Improving Teacher Quality State Grants	84.367	N/A	350,181
Hurricane Education Recovery	84.938C	N/A	16,838
Total U.S. Department of Education			<u>\$ 4,477,975</u>

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Passed-through Entity Identifying Number	Expenditures
U.S. Department of Homeland Security:			
Direct Programs:			
Assistance to Firefighters Grant	97.044	N/A	\$ 75,672
Passed-through State Department of Military:			
State Domestic Preparedness Equipment Support Program	97.004	Z-04-022432-02	28,316
Disaster Grants - Public Assistance	97.036	(4)	64,948
Emergency Management Performance Grants	97.042	(5)	41,576
Homeland Security Grant Program	97.067	Z-05-025147-00	33,868
Total U.S. Department of Homeland Security			<u>\$ 244,380</u>
Total Expenditures of Federal Awards			<u>\$ 7,269,825</u>

State Grants		Contract Number	Expenditures
Railroad Rehabilitation Grant - State Department of Transportation	N/A	(2)	\$ 61,803
Family Resource Center - State Department of Education	N/A	(2)	33,300
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	39,464
Law Enforcement Training - State Department of Safety	N/A	(2)	22,342
Litter Program - State Department of Transportation	N/A	(2)	32,406
Rural Local Health Services - State Department of Health	N/A	(2)	253,522
Lottery for Education - PreK - State Department of Education	N/A	(2)	657,467
Safe Schools Act - State Department of Education	N/A	(2)	40,499
Waste Tire Storage and Disposal - State Department of Environment and Conservation	N/A	(2)	43,579
Youth Services Officer Grant - State Commission on Children and Youth	N/A	(2)	9,000
Archive Development Program - Department of State	N/A	(2)	5,000
Urban Forestry Grant - State Department of Agriculture	N/A	(2)	4,582
Three Star Innovation Grant - State Department of Environment and Conservation	N/A	(2)	4,950
Total State Grants			<u>\$ 1,207,914</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) GG-061220800: \$3,253; Z-05-025538-00: \$3,899.
- (4) Z-03-015792-00: \$5,993; Z-03-017854-00: \$11,358; Z-06-034027-00: \$19,021; Z-06-034027-01: \$6,734
Z-06-034027-00: \$21,842.
- (5) Z-06-032872-00: \$15,772; Z-07-020637-00: \$25,804.

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

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report of Cumberland County, Tennessee, the Cumberland County School Department, and the Cumberland County Railroad Authority for the year ended June 30, 2006, which have not been corrected.

CUMBERLAND COUNTY SCHOOL DEPARTMENT

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

OTHER FINDING

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
06.07	16	Duties were not segregated adequately in the Finance Department and in the Offices of Trustee, County Clerk, Register, and Sheriff

**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, 2007

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Adverse opinions were issued on the financial statements of Cumberland County 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 significant deficiencies in internal control. One of these deficiencies was considered to be a material weakness in Cumberland County.
3. The audit disclosed two instances of noncompliance that were material to the financial statements of Cumberland County School Department, one instance of noncompliance that was material to the financial statements of Cumberland County, and one instance of noncompliance that was material to the financial statements of the Cumberland County Railroad Authority.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555), Title I Grants to Local Educational Agencies (CFDA No. 84.010), and Twenty-First Century Community Learning Centers (CFDA No. 84.287) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Cumberland County, Cumberland County School Department, and 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 director of finance and director of schools are paraphrased in this report. Other officials offered oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

OFFICE OF FINANCE DIRECTOR

FINDING 07.01 THE SCHOOL FEDERAL PROJECTS FUND HAD A CASH OVERDRAFT
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The School Federal Projects Fund had a cash overdraft of \$132,286 at June 30, 2007. This overdraft resulted from the issuance of warrants that exceeded cash on deposit with the county trustee. This cash overdraft was liquidated subsequent to June 30, 2007.

RECOMMENDATION

Officials should not make disbursements that exceed available cash on deposit with the county trustee.

MANAGEMENT'S RESPONSE – DIRECTOR OF FINANCE

Board of Education management and staff have been counseled on the matter so that measures can be taken to ensure that funding requisitions are filed with the state in a timely and accurate manner. Finance Department staff has been counseled not to make payments unless adequate cash balances are available.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

Federal funds had been requested via the state's FACTS system but had not been received before the check was issued. The Finance Department should follow proper accounting procedures before issuing payment. It would be beneficial if the school system administration had access to local government accounting information to allow tracking of these transactions on a daily basis.

FINDING 07.02 EXPENDITURES WERE MISCLASSIFIED IN THE ACCOUNTING RECORDS OF THE GENERAL AND GENERAL PURPOSE SCHOOL FUNDS
(Internal Control – Material Weakness Under Government Auditing Standards)

Journal entries were made near year-end to line-items that exceeded the budget in the General and General Purpose School funds. It appears that these journal entries were made in an attempt to keep expenditures within appropriations to avoid the necessity of

budget amendments. These journal entries resulted in expenditure accounts not reflecting the true nature of some transactions. Misclassifications in the General Fund included salary line-items in the Sheriff's Department and Ambulance Service. Misclassifications in the General Purpose School Fund included salaries of the director, teachers, and substitute teachers and medical and dental insurance.

RECOMMENDATION

Expenditures should be coded to accounts that most appropriately reflect the true nature of the transactions. When necessary, budget amendments should be submitted to the County Commission for consideration and approval.

MANAGEMENT'S RESPONSE – DIRECTOR OF FINANCE

- A. The referenced entries were made based upon requested journal entries presented to the Finance Department by Board of Education staff. Appropriate documentation shall be required in the future.
- B. It has been the practice of the county to adjust line-items for departments that have related operations and staffing. The Sheriff's Department encompasses staffing positions for deputies, jailers, juvenile detention, mental transports, etc. Line-items were adjusted based upon the interaction of all functions of the Sheriff's Department. However, measures are now in place to ensure expenditures are reflected based upon the budget as appropriated by the County Commission.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

- A. Dr. Ragsdale, the former director of schools, was transferred to a teaching position; therefore, her salary should have been paid from account code 141-71100-116 (General Purpose School Fund - Regular Instruction Program – Teachers). It was an oversight when Dr. Ragsdale's and Mrs. VanWinkle's roles changed that their pay codes were not also changed. However the journal entry relating to Dr. Ragsdale's accrued leave was correct because she was transferred to a teaching position, and the leave pay should have been taken from the Regular Instruction Program Teachers account.
- B. Insurance premiums were not paid correctly by the Finance Department. The correct accounting procedure is to pay the individual's premium (family or single) from the same account code series as the individual's salary. While the budget reflected this, insurance payments did not follow the employee's budget code. Only single premiums were paid from accounts other than 71100. Account code 71100 was a catch-all for everything other than single coverage in other budget series. The school system attempted several times throughout the school year to correct this error with the Finance Department but were told that changes were made only once per year. Since this was not corrected earlier in the year, the monumental task of determining exact amounts was not feasible due to time restraints at the close of the year.

- C. Substitute teachers were not paid from account codes for which they were subbing (special education, vocational, etc.). Funds were budgeted in these categories, but were not charged correctly. This is an issue that needs to be addressed through the Finance Department.
- D. The homebound teacher in regular instruction was a new budget position. Since this position was held by a veteran teacher; funds should have been transferred to this line to cover the expenses for the total salary.

FINDING 07.03 FUNDS WERE TRANSFERRED FROM THE GENERAL PURPOSE SCHOOL FUND TO THE EDUCATION CAPITAL PROJECTS FUND WITHOUT COUNTY COMMISSION APPROVAL

(Material Noncompliance Under Government Auditing Standards)

The General Purpose School Fund transferred \$300,000 to the Education Capital Projects Fund without the approval of the County Commission. Section 5-9-401, Tennessee Code Annotated, provides that “All funds from whatever source derived, including, but not limited to, 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.”

RECOMMENDATION

Fund transfers should be approved by the County Commission.

MANAGEMENT’S RESPONSE – DIRECTOR OF FINANCE

The finding is acknowledged. However, it should be noted that the County Commission and Board of Education were in full agreement to transfer the referenced amount to the Education Capital Projects Fund to help accomplish the construction of a new high school, to renovate an existing high school, and to renovate a Central Office facility. Ample documentation has been provided to show it was the clear intent of county officials to provide for the transfer. It is conceded that the transfer did not take place in the fiscal year it was originally approved by both governmental bodies.

MANAGEMENT’S RESPONSE – DIRECTOR OF SCHOOLS

This amount was in the previous year’s budget as approved by the County Commission. The school business manager was instructed by the county finance director to transfer the funds and issue a check to the Education Capital Projects Fund.

REBUTTAL TO DIRECTOR OF FINANCE’S MANAGEMENT RESPONSE

The County Commission adopts annual budgets for all county funds. Appropriations approved in these annual budgets lapse at fiscal year end. According to documentation

provided by the Finance Department, this transfer was included in the budget approved by the County Commission for the 2003-2004 budget year.

FINDING 07.04 THE SOLID WASTE DISPOSAL FUND HAD A DEFICIT IN UNRESTRICTED NET ASSETS
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The Solid Waste Disposal Fund had a deficit of \$1,462,535 in unrestricted net assets at June 30, 2007. This deficit resulted from the recognition of a liability (\$2,364,679) 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.

RECOMMENDATION

County officials should develop and implement a plan that would fund the deficit in unrestricted net assets.

OFFICE OF ROAD SUPERINTENDENT

FINDING 07.05 A COUNTY ROAD LIST WAS NOT SUBMITTED TO THE COUNTY COMMISSION FOR APPROVAL
(Noncompliance Under Government Auditing Standards)

The highway superintendent did not prepare and submit a list of county roads to the County Commission as required by state statute. Section 54-10-103, Tennessee Code Annotated, requires the highway superintendent to submit a list of county roads to the County Commission for its approval at the January session each year. This list must include the classification, width and distance of each county-maintained road, and a summary of changes from the prior year that provides the road name, date the change was approved by the County Commission, and the reason for the change. Highway Department officials need a current approved list of county roads to determine which roads the department is authorized to work.

RECOMMENDATION

The highway superintendent should submit to the County Commission a list of county roads that includes the classification, width and distance of each road, and a summary of changes, as required by state statute.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 07.06 **GOVERNMENT-WIDE FINANCIAL STATEMENTS WERE NOT PRESENTED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**
(Material Noncompliance Under Government Auditing Standards)

The Cumberland County School Department did not identify and determine the historical value of its capital assets and the related depreciation amounts of these assets. Therefore, the School Department was unable to provide the information necessary to prepare government-wide financial statements for all of its 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, the School Department’s financial statements are not presented in accordance with generally accepted accounting principles; thus, we have issued an adverse opinion on the financial statements.

The Office of the Comptroller of the Treasury, State of Tennessee, requires governments that do not implement GASB Statement No. 34 to issue a financial report in compliance with Financial Reporting Standards for County Governments, Component Units of County Governments, and Special School Districts That Do Not Implement Governmental Accounting Standards Board Statement No. 34, established by the Comptroller of the Treasury. The Cumberland County School Department’s financial statements are presented in compliance with these requirements.

RECOMMENDATION

The 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 its capital assets. These records should document the historical costs of its 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.

MANAGEMENT’S RESPONSE – DIRECTOR OF FINANCE

The Cumberland County Board of Education is currently conducting an inventory of assets. The Finance Department has provided guidance and assistance to Board of Education staff to provide for accurate completion of the task. When the inventory process is completed by Board of Education staff, the data shall be gleaned to present capital assets in accordance with county policies and generally accepted accounting principles.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

The School Department has hired an individual to inventory and maintain all assets belonging to the school system. This individual is working closely with the County Finance Department to ensure compliance with GASB Statement No. 34 by June 30, 2008.

FINDING 07.07 **CUMBERLAND COUNTY SCHOOL DEPARTMENT HAS NOT COMPLETED THE STEPS SET FORTH IN THE IMPLEMENTATION PLAN FOR GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NO. 34 FILED WITH THE COMPTROLLER OF THE TREASURY**
(Material Noncompliance Under Government Auditing Standards)

As noted in Finding 07.05, Cumberland County School Department has not taken the necessary steps to present its financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34. To encourage local governments to comply with GASB Statement No. 34, the Tennessee General Assembly passed legislation (Sections 9-3-401 through 9-3-405, Tennessee Code Annotated) requiring local governments that were not in compliance with GASB Statement No. 34 to file an implementation plan with the Comptroller of the Treasury showing the steps and timeline the local government would follow to implement the standard no later than June 30, 2008. An examination of the plan Cumberland County filed with the Comptroller's Office shows that the School Department has failed to perform the steps in accordance with the timeline set forth in their plan. If Cumberland County School Department does not comply with GASB Statement No. 34 by June 30, 2008, the statutes further provide that the state may withhold certain state funds from the county.

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – DIRECTOR OF FINANCE

The implementation plan timeline was a projection only. Board of Education management has advised the Finance Department that the necessary tasks are near completion, which should provide for compliance for the financial period ending June 30, 2008.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

The School Department has hired an individual to inventory and maintain all assets belonging to the school system. This individual is working closely with the County Finance Department to ensure compliance with GASB Statement No. 34 by June 30, 2008.

CUMBERLAND COUNTY RAILROAD AUTHORITY

FINDING 07.08 **EXPENDITURES AND ENCUMBRANCES EXCEEDED APPROPRIATIONS**

(Material Noncompliance Under Government Auditing Standards)

Expenditures and encumbrances of the Railroad Authority’s General Fund exceeded total appropriations by \$517,936. This resulted primarily from recognizing encumbrances (\$570,026) that were associated with railroad bridge rehabilitation. Section 5-9-401, Tennessee Code Annotated, 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.”

RECOMMENDATION

Expenditures and encumbrances should be held within appropriations approved by the County Commission.

MANAGEMENT’S RESPONSE – DIRECTOR OF FINANCE

The finding is acknowledged, and appropriate measures shall be taken to ensure practical implementation.

OFFICE OF COUNTY CLERK

FINDING 07.09 **THE CLERK DID NOT REQUIRE A DEPOSITORY TO ADEQUATELY COLLATERALIZE FUNDS**

(Noncompliance Under Government Auditing Standards)

The county clerk did not require a depository holding county funds to pledge adequate securities to protect funds that exceeded Federal Deposit Insurance Corporation (FDIC) coverage. At June 30, 2007, deposits exceeded FDIC coverage by \$78,146. Section 5-8-201, Tennessee Code Annotated, provides for county officials to require any bank that is a depository of county funds to deposit in an escrow account in a second bank collateral security equal to 105 percent of such county funds.

RECOMMENDATION

The clerk should require all depositories to pledge adequate securities to protect county funds exceeding FDIC coverage as required by state statute.

OFFICE OF SHERIFF

FINDING 07.10 FUNDS WERE NOT DEPOSITED WITHIN THREE DAYS OF COLLECTION
(Noncompliance Under Government Auditing Standards)

The sheriff did not deposit funds 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.

OTHER FINDING AND RECOMMENDATION

FINDING 07.11 DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE FINANCE DEPARTMENT AND THE OFFICES OF TRUSTEE, COUNTY CLERK, REGISTER, AND SHERIFF
(Internal Control – Significant Deficiency Under Government Auditing Standards)

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 – DIRECTOR OF FINANCE

The Finance Department takes all reasonable measures to segregate duties among employees, and opportunities to improve in this area are reviewed frequently. However, 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**

There were no findings and questioned costs for federal awards.

**CUMBERLAND COUNTY, TENNESSEE
CUMBERLAND COUNTY SCHOOL DEPARTMENT
AND CUMBERLAND COUNTY RAILROAD AUTHORITY
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2007**

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

Finance Department – Summary Schedule of Prior Year's Findings

FINDINGS 06.07 and 06.08

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