

**ANNUAL FINANCIAL REPORT
SUMNER COUNTY, TENNESSEE**



FOR THE YEAR ENDED JUNE 30, 2007



ANNUAL FINANCIAL REPORT
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FOR THE YEAR ENDED JUNE 30, 2007

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

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

Scope

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

Results

Our report on the aggregate discretely presented component units is qualified because the financial statements did not include two component units whose financial statements were not available from other auditors at the date of this report. Our report on the governmental activities, each major fund, and the aggregate remaining fund information is unqualified.

Our audit resulted in 12 findings and recommendations, which we have reviewed with Sumner County management. Detailed findings, recommendations, and managements' responses are included in the Single Audit section of this report.

Findings

The following are summaries of the audit findings:

OFFICE OF FINANCE DIRECTOR

- ◆ Accounting records were not maintained in conformity with the state mandated County Uniform Chart of Accounts.
 - ◆ Certain receivables and payables at June 30, 2007, were not recorded in the General, General Debt Service, Highway/Public Works, and General Capital Projects funds.
 - ◆ Expenditures exceeded appropriations approved by the County Commission in several major appropriation categories (the legal level of control) in the General, General Debt Service, and Highway/Public Works funds. Also, appropriations exceeded available funding in the Drug Control Fund by \$42,700.
-

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ Appropriations exceeded available funding in the School Federal Projects Fund by \$790,304.
- ◆ A cash shortage of \$2,200.70 existed at the Station Camp High School cafeteria.
- ◆ The office did not bid the purchase of fences (\$103,560) for Station Camp High School.
- ◆ Certain receivables at June 30, 2007, were not determined and recorded in the General Purpose School Fund.

OFFICE OF TRUSTEE

- ◆ The trustee did not require two depositories to adequately collateralize funds.
-

OTHER FINDINGS

- ◆ Emergency Medical Services Department employees performed work for a nonprofit organization and the chamber of commerce on county time.
- ◆ The Emergency Medical Services director had questionable leave balances.
- ◆ Duties were not segregated adequately in the Offices of Circuit Court Clerk and Clerk and Master.
- ◆ County officials have not complied with their private act regarding purchasing.

INTRODUCTORY SECTION

Sumner County Officials
June 30, 2007

Officials

R.J. Thompson, County Executive
Scotty Parker, Superintendent of Roads
Benny Bills, Director of Schools
Marty Nelson, Trustee
John Isbell, Assessor of Property
Bill Kemp, County Clerk
Mahailiah Hughes, Circuit, General Sessions, and Juvenile Courts Clerk
Brenda Page, Clerk and Master
Pam Whitaker, Register
Bob Barker, Sheriff
Rachel Nichols, Director of Finance
Leah Dennen, Law Director

Board of County Commissioners

R.J. Thompson, Chairman
Mike Akins
David Cummings
Steve Graves
Anthony Holt
Saundra Ridings Boyd
Bob Hendricks
Trisha Lemarbre
Paul Decker
Chris Hughes
Paul Goode
Paul Freels
Bob Pospisil

Shawn Fennell
Ragan Hall
David Satterfield
Joe Matthews
James England
Jim Vaughn
Kirk Moser
Merrol Hyde
David Kimbrough
Jo Skidmore
Jerry Stone
Billy Hobbs

Board of Education

Mike Fussell, Chairman
Mary Bradley
David Brown
Will Duncan
Glen Gregory
Ben Harris

Don Long
Sharon Lyle
Nancy Roth
Randy Stamps
Rob Wheeler

Financial Management Committee

R.J. Thompson, Chairman
David Kimbrough
Ragan Hall
Chris Hughes

Jim Vaughn
Benny Bills
Scotty Parker

FINANCIAL SECTION



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

December 18, 2007

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

To the County Executive and Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Sumner County, Tennessee, as of and for the year ended June 30, 2007, which collectively comprise Sumner County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Sumner County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented Sumner County Regional Airport Authority, which represent 1.5 percent and .3 percent, respectively, of the assets and revenues of the aggregate discretely presented component units as of June 30, 2007, and for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the discretely presented Sumner County Regional Airport Authority is based on the report of the other auditors.

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 and the report of other auditors provide a reasonable basis for our opinions.

The financial statements of the Resource Authority in Sumner County, Tennessee, and the Sumner County Emergency Communications District, component units requiring discrete presentation, had not been made available by other auditors as of the date of this report. Accordingly, the aggregate discretely presented component units financial statements referred to above do not include amounts for the Resource Authority in Sumner County, Tennessee, and the Sumner County Emergency Communications District, which should be included to conform to accounting principles generally accepted in the United States of America. The effects on the financial statements of the aggregate discretely presented component units are not reasonably determinable.

In our opinion, based on our audit and the report of other auditors, except for the effects of not including the financial statements of the Resource Authority in Sumner County, Tennessee, and the Sumner County Emergency Communications District, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of Sumner County, Tennessee, as of June 30, 2007, and the results of operations of the aggregate discretely presented component units, for the year ended, in conformity with accounting principles generally accepted in the United States of America.

Additionally, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Sumner 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 December 18, 2007, on our consideration of Sumner County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management of Sumner 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 65 through 69 are not required parts of the basic financial statements but are 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 Sumner 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, combining and individual fund financial statements of the Sumner County School Department (a discretely presented component unit), 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, combining and individual fund financial statements of the Sumner County School Department (a discretely presented component unit), 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 is positioned above the typed name.

John G. Morgan
Comptroller of the Treasury

JGM/rd

BASIC FINANCIAL STATEMENTS

Exhibit A

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

	Primary Government Governmental Activities	Component Units	
		Sumner County School Department	Sumner County Regional Airport Authority
<u>ASSETS</u>			
Cash	\$ 145,510	\$ 7,600	\$ 331,123
Equity in Pooled Cash and Investments	69,307,074	15,365,602	0
Investments	8,396,058	0	0
Accounts Receivable	1,526,642	142,587	545
Property Taxes Receivable	28,910,203	44,382,675	0
Allowance for Uncollectible Property Taxes	(498,037)	(777,954)	0
Accrued Interest Receivable	297,158	0	0
Due from Other Governments	2,458,696	6,453,387	0
Prepaid Items	0	0	12,153
Note Proceeds Receivable	427,813	0	0
Deferred Charges - Debt Issuance Cost	453,367	0	0
Capital Assets:			
Assets Not Depreciated:			
Land	1,931,615	7,488,276	6,500
Construction in Progress	0	5,547,025	280,321
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	29,105,954	155,021,223	3,008,688
Other Capital Assets	4,827,028	5,661,140	0
Infrastructure	30,596,185	0	0
Total Assets	<u>\$ 177,885,266</u>	<u>\$ 239,291,561</u>	<u>\$ 3,639,330</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 821,822	\$ 309,237	\$ 13,185
Accrued Payroll	23,083	0	0
Payroll Deductions Payable	0	2,369,765	0
Contracts Payable	1,096,156	0	0
Retainage Payable	147,274	0	4,519
Accrued Interest Payable	472,954	0	0
Due to Litigants, Heirs, and Others	4,575	0	0
Deferred Revenue - Current Property Taxes	27,776,182	42,592,927	0
Deferred Revenue	0	0	2,340
Noncurrent Liabilities:			
Due Within One Year	13,970,787	1,073,685	0
Due in More Than One Year (net of deferred amount on refunding and unamortized premium on debt)	110,144,519	438,547	0
Total Liabilities	<u>\$ 154,457,352</u>	<u>\$ 46,784,161</u>	<u>\$ 20,044</u>

(Continued)

Exhibit A

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

	Primary Government Governmental Activities	Component Units	
		Sumner County School Department	Sumner County Regional Airport Authority
<u>NET ASSETS</u>			
Invested in Capital Assets	\$ 66,460,782	\$ 173,717,664	\$ 3,295,509
Restricted for:			
Capital Projects			
Debt Service	24,291,333	0	0
Highway/Public Works	20,133,036	0	0
School Federal Projects	2,458,461	0	0
Other Purposes	0	1,504,524	0
Unrestricted	1,533,045	1,458,812	0
	<u>(91,448,743)</u>	<u>15,826,400</u>	<u>323,777</u>
Total Net Assets	<u>\$ 23,427,914</u>	<u>\$ 192,507,400</u>	<u>\$ 3,619,286</u>

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

Exhibit B

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

Functions/Programs	Expenses	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Primary Government		Component Units	
						Sumner County School Department	Sumner County Regional Airport Authority		
Primary Government:									
General Government	\$ 4,433,669	\$ 2,340,813	\$ 16,380	\$ 250,000	\$ (1,826,476)	\$ 0	\$ 0	\$ 0	\$ 0
Finance	3,709,248	3,595,104	40,226	0	(73,918)	0	0	0	0
Administration of Justice	3,699,692	3,928,259	454,653	0	683,220	0	0	0	0
Public Safety	12,943,714	2,140,641	270,029	0	(10,533,044)	0	0	0	0
Public Health and Welfare	8,447,418	4,174,282	654,795	656,081	(2,962,260)	0	0	0	0
Social, Cultural, and Recreational Services	1,320,830	56,525	0	118,747	(1,145,558)	0	0	0	0
Agriculture and Natural Resources	366,349	0	0	0	(366,349)	0	0	0	0
Other Operations	793,370	4,200	0	51,129	(738,041)	0	0	0	0
Highways/Public Works	6,788,822	107,264	2,898,864	709,904	(3,072,790)	0	0	0	0
Education	23,241,815	13,476,116	0	0	(9,765,699)	0	0	0	0
Interest on Long-term Debt	4,243,672	0	0	0	(4,243,672)	0	0	0	0
Other Debt Service	565,438	0	0	0	(565,438)	0	0	0	0
Total Primary Government	\$ 70,554,037	\$ 29,823,204	\$ 4,334,947	\$ 1,785,861	\$ (34,610,025)	\$ 0	\$ 0	\$ 0	\$ 0
Component Units:									
Sumner County School Department	\$ 170,648,153	\$ 7,771,458	\$ 14,697,668	\$ 508,933	\$ 0	\$ (147,670,094)	\$ 0	\$ 0	\$ 0
Sumner County Regional Airport Authority	269,945	182,430	328,327	0	0	0	240,812	0	0
Total Component Units	\$ 170,918,098	\$ 7,953,888	\$ 15,025,995	\$ 508,933	\$ 0	\$ (147,670,094)	\$ 240,812	\$ 0	\$ 0

(Continued)

Exhibit B

Sumner County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary	Component Units	
					Government	Sumner County School Department	Sumner County Regional Airport Authority
				Total Governmental Activities			
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes				\$ 14,630,845	\$ 44,445,976	\$ 0	
Property Taxes Levied for Debt Service				13,372,964	0	0	
Local Option Sales Taxes				5,509,405	11,002,394	0	
Other Local Taxes				7,575,392	3,966,342	0	
Grants and Contributions Not Restricted to Specific Programs				2,576,822	93,828,730	0	
Unrestricted Investment Earnings				4,933,230	86,789	6,213	
Gain on Disposal of Capital Assets				107,023	331,563	0	
Miscellaneous				801,198	0	0	
Total General Revenues				<u>\$ 49,506,879</u>	<u>\$ 153,661,794</u>	<u>\$ 6,213</u>	
Change in Net Assets				\$ 14,896,854	\$ 5,991,700	\$ 247,025	
Net Assets, July 1, 2006				12,148,212	186,515,700	3,372,261	
Prior-period Adjustment				(3,617,152)	0	0	
Net Assets, June 30, 2007				<u>\$ 23,427,914</u>	<u>\$ 192,507,400</u>	<u>\$ 3,619,286</u>	

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

Exhibit C-1

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

	Major Funds			Nonmajor	Total
	General	General Debt Service	General Capital Projects	Other Govern- mental Funds	
ASSETS					
Cash	\$ 0	\$ 0	\$ 0	\$ 145,510	\$ 145,510
Equity in Pooled Cash and Investments	22,727,611	15,966,495	20,147,077	2,188,175	61,029,358
Investments	0	8,396,058	0	0	8,396,058
Accounts Receivable	946,252	317,665	0	175,147	1,439,064
Due from Other Governments	906,256	984,123	0	568,317	2,458,696
Due from Other Funds	143,310	0	5,443,573	0	5,586,883
Property Taxes Receivable	14,143,698	14,123,610	0	642,895	28,910,203
Allowance for Uncollectible Property Taxes	(246,239)	(240,605)	0	(11,193)	(498,037)
Accrued Interest Receivable	68,329	228,829	0	0	297,158
Notes Receivable - Long-term	259,716	168,097	0	0	427,813
Total Assets	\$ 38,948,933	\$ 39,944,272	\$ 25,590,650	\$ 3,708,851	\$ 108,192,706
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 557,761	\$ 0	\$ 55,887	\$ 208,174	\$ 821,822
Accrued Payroll	0	0	0	23,083	23,083
Contracts Payable	0	0	1,096,156	0	1,096,156
Retainage Payable	0	0	147,274	0	147,274
Due to Other Funds	0	5,443,573	0	143,310	5,586,883
Due to Litigants, Heirs, and Others	0	0	0	4,575	4,575
Deferred Revenue - Current Property Taxes	13,579,467	13,579,467	0	617,248	27,776,182
Deferred Revenue - Delinquent Property Taxes	264,348	252,340	0	12,008	528,696
Other Deferred Revenues	487,909	548,519	0	247,229	1,283,657
Total Liabilities	\$ 14,889,485	\$ 19,823,899	\$ 1,299,317	\$ 1,255,627	\$ 37,268,328
Fund Balances					
Reserved for Encumbrances	\$ 0	\$ 0	\$ 13,210,894	\$ 0	\$ 13,210,894
Reserved for Drug Court	276,326	0	0	0	276,326
Reserved for Sexual Offender Registration	9,100	0	0	0	9,100
Reserved for Courtroom Security	18,112	0	0	0	18,112
Reserved for Courthouse and Jail Maintenance	291,032	0	0	0	291,032
Reserved for Computer System - Register	79,375	0	0	0	79,375
Reserved for Automation Purposes - Circuit Court	343,169	0	0	0	343,169
Reserved for Automation Purposes - Chancery Court	20,279	0	0	0	20,279
Reserved for Automation Purposes - Sheriff	58,011	0	0	0	58,011
Reserved for Long-term Notes Receivable	259,716	168,097	0	0	427,813
Unreserved, Reported In:					
General Fund	22,704,328	0	0	0	22,704,328
Special Revenue Funds	0	0	0	2,453,224	2,453,224
Debt Service Funds	0	19,952,276	0	0	19,952,276
Capital Projects Funds	0	0	11,080,439	0	11,080,439
Total Fund Balances	\$ 24,059,448	\$ 20,120,373	\$ 24,291,333	\$ 2,453,224	\$ 70,924,378
Total Liabilities and Fund Balances	\$ 38,948,933	\$ 39,944,272	\$ 25,590,650	\$ 3,708,851	\$ 108,192,706

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

Exhibit C-2

Sumner 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)		\$	70,924,378
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	1,931,615	
Add: buildings and improvements net of accumulated depreciation		29,105,954	
Add: other capital assets net of accumulated depreciation		4,827,028	
Add: infrastructure net of accumulated depreciation		<u>30,596,185</u>	66,460,782
(2) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			1,812,353
(3) An internal service fund is used by management to charge the cost of liability, workers' compensation, and employee health and dental benefits to individual funds. The assets and liabilities are included in governmental activities in the statement of net assets.			2,561,855
(4) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: notes payable	\$	(17,000,000)	
Less: bonds payable		(95,250,000)	
Less: deferred amount on refunding		(315,242)	
Less: other deferred revenue - premium on debt		(4,944,277)	
Less: accrued interest on bonds and notes		(472,954)	
Less: compensated absences		(802,348)	
Add: debt issuance costs		<u>453,367</u>	(118,331,454)
Net assets of governmental activities (Exhibit A)			<u>\$ 23,427,914</u>

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

Exhibit C-3

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

	Major Funds			Nonmajor	Total
	General	General Debt Service	General Capital Projects	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 16,928,413	\$ 22,338,175	\$ 0	\$ 2,601,727	\$ 41,868,315
Licenses and Permits	556,207	0	0	0	556,207
Fines, Forfeitures, and Penalties	852,932	0	0	79,130	932,062
Charges for Current Services	5,164,723	0	0	6,043	5,170,766
Other Local Revenues	1,091,648	3,948,546	376,401	178,293	5,594,888
Fees Received from County Officials	7,618,489	0	0	0	7,618,489
State of Tennessee	4,277,339	0	311,000	3,283,646	7,871,985
Federal Government	1,236,034	0	167,982	68,808	1,472,824
Other Governments and Citizens Groups	228,140	30,000	0	0	258,140
Total Revenues	\$ 37,953,925	\$ 26,316,721	\$ 855,383	\$ 6,217,647	\$ 71,343,676
<u>Expenditures</u>					
Current:					
General Government	\$ 3,912,299	\$ 0	\$ 0	\$ 0	\$ 3,912,299
Finance	2,401,212	0	0	0	2,401,212
Administration of Justice	2,621,171	0	0	53,954	2,675,125
Public Safety	9,907,156	0	0	74,070	9,981,226
Public Health and Welfare	6,514,932	0	0	0	6,514,932
Social, Cultural, and Recreational Services	978,380	0	0	0	978,380
Agriculture and Natural Resources	217,592	0	0	0	217,592
Other Operations	9,413,828	398,632	0	0	9,812,460
Highways	1,113	0	0	5,948,244	5,949,357

(Continued)

Exhibit C-3

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

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	General Debt Service	General Capital Projects	Other Govern- mental Funds	
<u>Expenditures (cont.)</u>					
Debt Service:					
Principal on Debt	\$ 0	\$ 17,000,000	\$ 0	\$ 0	\$ 17,000,000
Interest on Debt	0	4,106,129	0	0	4,106,129
Other Debt Service	0	1,005,146	42,500	0	1,047,646
Capital Projects	0	0	9,750,237	0	9,750,237
Total Expenditures	<u>\$ 35,967,683</u>	<u>\$ 22,509,907</u>	<u>\$ 9,792,737</u>	<u>\$ 6,076,268</u>	<u>\$ 74,346,595</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 1,986,242</u>	<u>\$ 3,806,814</u>	<u>\$ (8,937,354)</u>	<u>\$ 141,379</u>	<u>\$ (3,002,919)</u>
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 0	\$ 0	\$ 17,000,000	\$ 0	\$ 17,000,000
Refunding Debt Issued	0	95,250,000	0	0	95,250,000
Premiums on Debt Issued	0	4,918,942	167,960	0	5,086,902
Transfers In	163,809	0	13,750,726	0	13,914,535
Transfers Out	(76,328)	(13,674,398)	0	0	(13,750,726)
Payments to Refunded Debt Escrow Agent	0	(94,320,506)	0	0	(94,320,506)
Total Other Financing Sources (Uses)	<u>\$ 87,481</u>	<u>\$ (7,825,962)</u>	<u>\$ 30,918,686</u>	<u>\$ 0</u>	<u>\$ 23,180,205</u>
Net Change in Fund Balances	\$ 2,073,723	\$ (4,019,148)	\$ 21,981,332	\$ 141,379	\$ 20,177,286
Fund Balance, July 1, 2006	<u>21,985,725</u>	<u>24,139,521</u>	<u>2,310,001</u>	<u>2,311,845</u>	<u>50,747,092</u>
Fund Balance, June 30, 2007	<u>\$ 24,059,448</u>	<u>\$ 20,120,373</u>	<u>\$ 24,291,333</u>	<u>\$ 2,453,224</u>	<u>\$ 70,924,378</u>

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

Exhibit C-4

Sumner 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)		\$ 20,177,286
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$ 5,798,429	
Less: current year depreciation expense	<u>(4,785,018)</u>	1,013,411
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to increase net assets.		
Add: assets donated and capitalized	\$ 278,277	
Less: loss on disposal of capital assets	<u>(9,782)</u>	268,495
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Less: deferred delinquent property taxes and other deferred June 30, 2006	\$ (2,151,956)	
Add: deferred delinquent property taxes and other deferred June 30, 2007	<u>1,812,353</u>	(339,603)
(4) The issuance of long-term debt (e.g., notes, bonds) 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 effect of these differences in the treatment of long-term debt and related items:		
Less: note proceeds	\$ (17,000,000)	
Less: refunding bond proceeds	(95,250,000)	
Less: premium on debt issued during year	(5,086,902)	
Less: deferred amount on refunding debt issued during year	(679,494)	
Less: amortization of debt issuance costs	(28,841)	
Add: payment to refunding agent	95,000,000	
Add: principal payments on notes	17,000,000	
Add: debt issuance cost on debt issued during year	482,208	
Add: amortization of deferred charges on refunding	364,252	
Add: amortization of debt issuance premiums	<u>142,625</u>	(5,056,152)
(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 the governmental funds.		
Change in accrued interest payable	\$ (472,954)	
Change in compensated absences	<u>(265,049)</u>	(738,003)
(6) An internal service fund is used by management to charge the cost of liability, workers' compensation, and employee health and dental benefits to individual funds. The net expense of certain activities of the internal service fund is reported with governmental activities in the statement of activities.		<u>(428,580)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 14,896,854</u>

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

Exhibit D-1

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

	Governmental Activities - Internal Service Fund
	<u>Self</u>
	<u>Insurance</u>
	<u>Fund</u>
 <u>ASSETS</u> 	
Current Assets:	
Equity in Pooled Cash and Investments	\$ 8,277,716
Accounts Receivable	87,578
Total Assets	<u>\$ 8,365,294</u>
 <u>LIABILITIES</u> 	
Current Liabilities:	
Claims and Judgments Payable	\$ 5,803,439
Total Liabilities	<u>\$ 5,803,439</u>
 <u>NET ASSETS</u> 	
Unrestricted	<u>\$ 2,561,855</u>
Total Net Assets	<u>\$ 2,561,855</u>

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

Exhibit D-2

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

	Governmental Activities - Internal Service Fund
	<u>Self Insurance Fund</u>
<u>Operating Revenues</u>	
Charges for Current Services:	
Self-Insurance Premiums/Contributions	\$ 15,853,045
Total Operating Revenues	<u>\$ 15,853,045</u>
<u>Operating Expenses</u>	
Employee Benefits:	
Handling Charges and Administrative Costs	\$ 47,639
Medical Insurance	15,177,186
Dental Insurance	766,090
Liability Claims	686,483
Total Operating Expenses	<u>\$ 16,677,398</u>
Operating Income (Loss)	<u>\$ (824,353)</u>
<u>Nonoperating Revenues (Expenses)</u>	
Investment Income	\$ 409,708
Miscellaneous Refunds	149,874
Total Nonoperating Revenues (Expenses)	<u>\$ 559,582</u>
Income (Loss) Before Transfers	\$ (264,771)
Transfers Out	<u>(163,809)</u>
Change in Net Assets	\$ (428,580)
Net Assets, July 1, 2006	<u>2,990,435</u>
Net Assets, June 30, 2007	<u><u>\$ 2,561,855</u></u>

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

Exhibit D-3

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

	Governmental Activities - Internal Service Fund <hr/> Self Insurance Fund <hr/>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Receipts from Customers and Users	\$ 15,843,130
Payment to Suppliers	(47,639)
Claims Paid	(16,419,519)
Other Receipts (Payments)	149,874
Net Cash Provided By (Used In) Operating Activities	<u>\$ (474,154)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Investment Income	<u>\$ 409,708</u>
Net Cash Provided By (Used In) Investing Activities	<u>\$ 409,708</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>	
Transfers to Other Funds	<u>\$ (163,809)</u>
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>\$ (163,809)</u>
Net Increase (Decrease) In Cash	\$ (228,255)
Cash, July 1, 2006	<u>8,505,971</u>
Cash, June 30, 2007	<u><u>\$ 8,277,716</u></u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS)</u>	
<u>TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</u>	
Operating Income (Loss)	\$ (824,353)
Miscellaneous Revenues	149,874
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:	
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(9,915)
Increase (Decrease) in Claims and Judgments Payable	<u>210,240</u>
Net Cash Provided By (Used In) Operating Activities	<u><u>\$ (474,154)</u></u>

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

Exhibit E

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

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 5,899,270
Equity in Pooled Cash and Investments	873,192
Accounts Receivable	590
Due from Other Governments	<u>2,586,530</u>
Total Assets	<u>\$ 9,359,582</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 2,586,530
Due to State of Tennessee	693,957
Due to Litigants, Heirs, and Others	5,229,197
Due to Joint Ventures	<u>849,898</u>
Total Liabilities	<u>\$ 9,359,582</u>

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Sumner 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 Sumner County:

A. Reporting Entity

Sumner County is a public municipal corporation governed by an elected 24-member board. As required by GAAP, these financial statements present Sumner County (the primary government) and its component units. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

Blended Component Units – There are no legally separate component units of Sumner 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 Sumner County School Department operates the public school system in the county, and the voters of Sumner County elect its board. The School Department is fiscally dependent on the county because it may not issue debt without county approval, and its budget and property tax levy are subject to the County Commission's approval. The School Department's taxes are levied under the taxing authority of the county and are included as part of the county's total tax levy.

The Resource Authority in Sumner County, Tennessee, provides a solid waste Energy Recovery Plant on behalf of the residents of the county, and the cities of Gallatin and Hendersonville. The authority is funded primarily through tipping fees and contributions from the county and cities. Before the issuance of debt instruments, the authority must obtain approval from Sumner County and the cities of Gallatin and Hendersonville. The financial statements of the Sumner County Resource Authority were not available from other auditors in time for inclusion in this report.

The Sumner County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Sumner County, and the Sumner 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 Sumner County Emergency Communications District were not available from other auditors in time for inclusion in this report.

The Sumner County Regional Airport Authority operates the county's airport facility. The authority is funded primarily through federal and state grants and leasing fees. Before the issuance of most debt instruments, the authority must obtain the County Commission's approval.

The Sumner County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the Sumner County School Department are included in this report as listed in the table of contents. Although required by GAAP, the financial statements of the Sumner County Resource Authority and the Sumner County Emergency Communications District were not available in time for inclusion, as previously mentioned. Complete financial statements of the Resource Authority in Sumner County, Tennessee, the Sumner County Emergency Communications District, and the Sumner County Regional Airport Authority can be obtained from their administrative offices at the following addresses:

Administrative Offices:

The Resource Authority in Sumner County, Tennessee
625 Rappahannock Wire Road
Gallatin, Tennessee 37066

Sumner County Emergency Communications District
355 North Belvedere Drive
Gallatin, Tennessee 37066

Sumner County Regional Airport Authority
P.O. Box 34
Gallatin, Tennessee 37066

Related Organizations – The Industrial Development Board of Sumner County and the Health and Educational Facilities Board of Sumner County are related organizations of Sumner County. The County Commission's Committee on Committees nominates and the Sumner County Commission confirms the board members, but the county's accountability for these organizations does not extend beyond making the appointments.

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. However, the primary government of Sumner County does not have any business-type activities to report. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The Sumner County School Department component unit only reports governmental activities in the government-wide financial statements.

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.

Sumner County issues all debt for the discretely presented Sumner 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 (internal service fund), and fiduciary funds. The internal service fund is reported with the governmental activities in the government-wide financial statements, and the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds 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 Sumner 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 category. Sumner County reports one proprietary fund, an internal service fund. It has no enterprise funds to report.

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

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

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

Proprietary fund and fiduciary 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.

Sumner 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.

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.

General Capital Projects Fund – This fund accounts for general capital expenditures of the county and the discretely presented Sumner County School Department.

Additionally, Sumner County reports the following fund types:

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

Internal Service Fund – The Self Insurance Fund is used to account for the county’s self-insured liability, health, dental, and workers’ compensation programs. Premiums charged to the various county funds and employee payroll deductions are placed in this fund for the payment of claims.

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 Sumner County, and funds held for the benefit of the judicial district drug task force. 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.

The discretely presented Sumner County 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 Sumner County School Department reports the following fund type:

Special Revenue Fund – The School Federal Projects Fund accounts for restricted federal revenues which must be expended on specific education programs.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

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 internal service fund, used to account for the county's self-insured liability, health, dental, and workers' compensation programs. 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 internal service fund are charges for services. Operating expenses for the internal service fund include administrative expenses and employee benefits.

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 consists of 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 and the discretely presented Sumner County School Department. 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 and General Debt Service funds. In addition, investments are held separately by the General Debt Service Fund. Sumner County and the Sumner County School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. The General Debt Service Fund had nonpooled investments consisting of funds in government sponsored securities. The net change in fair value of the government sponsored securities is not considered material to the financial statements of this report, and therefore, has been reported at cost rather than fair value.

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 property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to one 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. Claims and judgments payable totaling \$5,803,439 are discussed in Note V.A. Risk Management.

Retainage payable in the primary government's General Capital Projects Fund represents amounts withheld from payments made on construction contracts pending completion of the projects. These amounts are held by the county trustee as Equity in Pooled Cash and Investments in the General Capital Projects Fund.

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 in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$7,500 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 and the discretely presented School Department are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	10 - 30
Other Capital Assets	5 - 10
Infrastructure	10 - 40

4. Compensated Absences

It is the county’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since Sumner County does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide financial statements for the county and the discretely presented School Department. A liability for vacation pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

5. Long-term Obligations

In the government-wide financial statements and the proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type 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 claims and judgments, 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, Sumner County had \$112,250,000 in outstanding debt for capital purposes for the discretely presented Sumner County School Department. This debt is a liability of Sumner County, but the capital assets acquired are reported in the financial statements of the Sumner County School Department. Therefore, Sumner 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. Designations of fund balance represent tentative management plans that are subject to change. The following table reflects designations on June 30, 2007:

<u>Fund/Purpose</u>	<u>Amount</u>
General:	
Archives	\$ 22,263
Codes Construction Fees	29,150
Gallatin Library	61,065
GIS Enterprise	26,365

Fund/Purpose (Cont.)	Amount
General (Cont.):	
Hendersonville Library	\$ 39,868
Hospital Proceeds	10,000,000
Planning Abatement	43,475
Portland Library	38,632
Westmoreland Library	4,216
Drug Control:	
Confiscated Funds Held for Disposition	27,514
General Purpose School:	
Duke Estate	108,648

7. Prior-period Adjustment

On the statement of activities, the primary government's financial statements were restated (\$3,617,152) due to reporting errors in capital assets.

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

Primary Government

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.

Discretely Presented Sumner County School Department

Exhibit J-3 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

Primary Government

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.

Discretely Presented Sumner County School Department

Exhibit J-5 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, and the capital projects fund, which adopts a project length budget. 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. Appropriations Exceeding Available Funding

The budget and subsequent amendments submitted to and approved by the County Commission for the School Federal Projects and Drug Control funds resulted in appropriations exceeding available funding by \$790,304 and \$42,700, respectively.

C. Expenditures Exceeded Appropriations

Expenditures exceeded appropriations approved by the County Commission in the following funds' major appropriation categories (the legal level of control):

<u>Fund/Major Category</u>	<u>Amount Overspent</u>
General Fund:	
Other Administration of Justice	\$ 10,071
Administration of the Sexual Offender Registry	2,361
Libraries	21,102
Highway and Bridge Maintenance	1,113
Highway/Public Works Fund:	
Other Charges	5,936
General Debt Service Fund:	
Other Debt Service - Education	119,875

Such overexpenditures are a violation of state statute. These overexpenditures were funded by available fund balances.

D. Cash Shortages

As noted in the prior year's Annual Financial Report, a cash shortage of \$7,121.85 existed in the Office of Director of Schools as of June 30, 2006. This cash shortage was investigated by the Tennessee Bureau of Investigation; however, no charges resulted. School officials advised us that their insurance deductible is higher than the cash shortage; therefore, no further action will be taken.

The discretely presented School Department had a cash shortage of \$2,022.70 at the Station Camp High School cafeteria as of October 31, 2007. Details of this cash shortage are discussed in the Schedule of Findings and Questioned Costs section of this report.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

Legal Provisions. All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for 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, Sumner County's deposits may not be returned to it. Sumner 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 Sumner County and the discretely presented Sumner County School Department since both pool their deposits and investments through the county trustee. As of June 30, 2007, uninsured and uncollateralized bank balances of \$578,879 were exposed to custodial credit risk. 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, Sumner County had the following investments carried at fair value or cost. Except for the investment in U.S. Treasury Notes, all investments are in the county trustee's investment pool. Separate disclosures concerning pooled investments cannot be made for Sumner County and the discretely presented Sumner County School Department since both pool their deposits and investments through the county trustee.

Investment	Maturities	Fair Value or Cost
Pooled:		
State Treasurer's Investment Pool	Daily	<u>\$ 27,119,399</u>
Nonpooled:		
Primary Government:		
General Debt Service Fund:		
U.S. Treasury Notes	Various	<u>\$ 8,396,058</u>

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. Sumner 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. Sumner County has no investment policy that would further limit its investment choices. As of June 30, 2007, Sumner County's investment in the State of Treasurer's Investment Pool was unrated.

B. Notes Receivable

Notes receivable in the General and General Debt Service funds resulted from financing projects for various not-for-profit organizations. The amount of the notes that is not expected to be collected within one year is \$427,813.

C. Capital Assets

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

Primary Government

Governmental Activities:

	Balance 7-1-06	Prior Period Adjustment	Increases	Decreases	Balance 6-30-07
Capital Assets Not Depreciated:					
Land	\$ 1,934,915	\$ (3,300)	\$ 0	\$ 0	\$ 1,931,615
Total Capital Assets Not Depreciated	\$ 1,934,915	\$ (3,300)	\$ 0	\$ 0	\$ 1,931,615
Capital Assets Depreciated:					
Buildings and Land Improvements	\$ 37,017,333	\$ 0	\$ 1,897,312	\$ 0	\$ 38,914,645
Roads and Bridges	56,119,042	(1,655,553)	2,443,157	0	56,906,646
Other Capital Assets	11,165,101	(26,351)	1,736,237	(561,709)	12,313,278
Total Capital Assets Depreciated	\$ 104,301,476	\$ (1,681,904)	\$ 6,076,706	\$ (561,709)	\$ 108,134,569
Less Accumulated Depreciation For:					
Buildings and Improvements	\$ 8,532,446	\$ (16,374)	\$ 1,292,619	\$ 0	\$ 9,808,691
Roads and Bridges	23,719,765	118,697	2,471,999	0	26,310,461
Other Capital Assets	5,188,152	1,829,625	1,020,400	(551,927)	7,486,250
Total Accumulated Depreciation	\$ 37,440,363	\$ 1,931,948	\$ 4,785,018	\$ (551,927)	\$ 43,605,402
Total Capital Assets Depreciated, Net	\$ 66,861,113	\$ (3,613,852)	\$ 1,291,688	\$ (9,782)	\$ 64,529,167
Governmental Activities Capital Assets, Net	\$ 68,796,028	\$ (3,617,152)	\$ 1,291,688	\$ (9,782)	\$ 66,460,782

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

Governmental Activities:

General Government	\$ 1,253,655
Finance	12,044
Administration of Justice	1,704
Public Safety	392,081
Public Health and Welfare	199,606

Governmental Activities (Cont.):

Social, Cultural, and Recreational Services	\$ 14,914
Highways/Public Works	<u>2,911,014</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 4,785,018</u></u>

Discretely Presented Sumner County School Department

Governmental Activities:

	Balance 7-1-06	Increases	Decreases	Balance 6-30-07
Capital Assets Not Depreciated:				
Land	\$ 6,579,476	\$ 908,800	\$ 0	\$ 7,488,276
Construction in Progress	<u>450,788</u>	<u>5,547,025</u>	<u>(450,788)</u>	<u>5,547,025</u>
Total Capital Assets Not Depreciated	<u>\$ 7,030,264</u>	<u>\$ 6,455,825</u>	<u>\$ (450,788)</u>	<u>\$ 13,035,301</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 256,485,530	\$ 3,663,256	\$ 0	\$ 260,148,786
Other Capital Assets	<u>16,652,770</u>	<u>1,312,140</u>	<u>(88,091)</u>	<u>17,876,819</u>
Total Capital Assets Depreciated:	<u>\$ 273,138,300</u>	<u>\$ 4,975,396</u>	<u>\$ (88,091)</u>	<u>\$ 278,025,605</u>
Less Accumulated Depreciated For:				
Buildings and Improvements	\$ 96,489,569	\$ 8,637,994	\$ 0	\$ 105,127,563
Other Capital Assets	<u>10,788,802</u>	<u>1,511,477</u>	<u>(84,600)</u>	<u>12,215,679</u>
Total Accumulated Depreciation	<u>\$ 107,278,371</u>	<u>\$ 10,149,471</u>	<u>\$ (84,600)</u>	<u>\$ 117,343,242</u>
Total Capital Assets Depreciated, Net	<u>\$ 165,859,929</u>	<u>\$ (5,174,075)</u>	<u>\$ (3,491)</u>	<u>\$ 160,682,363</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 172,890,193</u></u>	<u><u>\$ 1,281,750</u></u>	<u><u>\$ (454,279)</u></u>	<u><u>\$ 173,717,664</u></u>

Depreciation expense was charged to functions of the discretely presented Sumner County School Department as follows:

Governmental Activities:

Support Services	<u>\$ 10,149,471</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 10,149,471</u></u>

D. Construction Commitments

At June 30, 2007, the General Capital Projects Fund had uncompleted construction contracts of approximately \$13,210,894 for the renovation of county and school buildings. Funding has been received for these future expenditures.

E. Interfund Receivables, Payables, and Transfers

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

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Capital Projects	General Debt Service	\$ 5,443,573

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 amounts:

Primary Government

<u>Transfers Out</u>	<u>Transfers In</u>	
	General Fund	General Capital Project Fund
General Fund	\$ 0	\$ 76,328
General Debt Service Fund	0	13,674,398
Internal Service Fund	163,809	0
Total	<u>\$ 163,809</u>	<u>\$ 13,750,726</u>

Discretely Presented Sumner County School Department

Transfers Out	<u>Transfers In</u> General Purpose School Fund
Nonmajor governmental fund	\$ 69,506

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.

F. Long-term Debt

Primary Government

General Obligation Bonds and Notes

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

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

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

Type	Interest Rate	Original Amount of Issue	Balance 6-30-07
General Obligation Bonds - School Refunding	3.79 %	\$ 95,250,000	\$ 95,250,000
Capital Outlay Notes	4	17,000,000	17,000,000

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

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2008	\$ 7,365,000	\$ 4,995,443	\$ 0	\$ 680,000
2009	8,300,000	4,070,350	17,000,000	680,000
2010	8,635,000	3,738,350	0	0
2011	8,980,000	3,392,950	0	0
2012	9,340,000	2,943,950	0	0
2013-2017	52,630,000	8,030,925	0	0
Total	<u>\$ 95,250,000</u>	<u>\$ 27,171,968</u>	<u>\$ 17,000,000</u>	<u>\$ 1,360,000</u>

There is \$19,952,276 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$730, based on the 2000 federal census. Debt per capita, including bonds and notes, totaled \$860, based on the 2000 federal census.

Changes in Long-term Liabilities

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

Governmental Activities:

	Bonds		Notes	
Balance, July 1, 2006	\$ 0	\$ 112,000,000		
Additions	95,250,000	17,000,000		
Deductions	0	(112,000,000)		
Balance, June 30, 2007	<u>\$ 95,250,000</u>	<u>\$ 17,000,000</u>		
Balance Due Within One Year	<u>\$ 7,365,000</u>	<u>\$ 0</u>		
	Compensated Absences		Claims and Judgments	
Balance, July 1, 2006	\$ 537,299	\$ 5,593,199		
Additions	1,350,997	16,629,759		
Deductions	(1,085,948)	(16,419,519)		
Balance, June 30, 2007	<u>\$ 802,348</u>	<u>\$ 5,803,439</u>		
Balance Due Within One Year	<u>\$ 802,348</u>	<u>\$ 5,803,439</u>		

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2007	\$ 118,855,787
Less: Due Within One Year	(13,970,787)
Add: Unamortized Premium on Debt	4,944,277
Add: Deferred Amount on Refunding	<u>315,242</u>
 Noncurrent Liabilities - Due in More Than One Year - Exhibit A	 <u><u>\$ 110,144,519</u></u>

The internal service fund primarily serves the governmental funds. Accordingly, long-term liabilities for the internal service fund are included as part of the above totals for governmental activities. Compensated absences will be paid from the employing funds, primarily the General Fund and the Highway/Public Works Fund.

Current Refunding

On April 9, 2007, Sumner County advance refunded several capital outlay note issues with a general obligation bond issue. The county issued \$95,250,000 of general obligation refunding bonds to provide resources to purchase U.S. government securities that were placed in an irrevocable trust to generate resources for all future debt service payments of the refunded debt. As a result, the refunded notes are considered defeased, and the liability has been removed from the county's long-term debt.

Discretely Presented Sumner County School Department

Changes in Long-term Liabilities

Long-term liability activity for the discretely presented Sumner County School Department for the year ended June 30, 2007, was as follows:

	<u>Compensated Absences</u>
Balance, July 1, 2006	\$ 1,390,110
Additions	<u>122,122</u>
Balance, June 30, 2007	<u><u>\$ 1,512,232</u></u>
Balance Due Within One Year	<u><u>\$ 1,073,685</u></u>

Compensated absences will be paid from the employing funds.

V. **OTHER INFORMATION**

A. **Risk Management**

The county has chosen to establish the Self-Insurance Fund for risks associated with employees' health and dental insurance plans, workers' compensation, and liability claims. The Self-Insurance Fund is accounted for as an internal service fund where assets are set aside for claim settlements. The county retains the risk of loss to a limit of \$150,000 per single medical claim. Eighty percent of amounts in excess of this limit is covered by an excess loss policy to a maximum of \$1,000,000 per specific claim. The county retains the risk of loss to a limit of \$250,000 maximum tort liability, plus property damage. Claims in excess of this limit are covered by an insurance policy up to a limit of \$1,000,000 per specific claim.

All full-time employees of the primary government and certain non-classified employees of the discretely presented Sumner County School Department are eligible to participate in employee health and dental insurance. All employees of the primary government and the discretely presented School Department are covered under the workers' compensation and liability coverage. A premium charge is allocated to each fund that accounts for full-time employees. This charge is based on actuarial estimates of the amounts needed to pay prior- and current-year claims. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The Self-Insurance Fund establishes claims liabilities based on estimates of the ultimate cost of claims that have been reported but not settled and of claims that have been incurred but not reported. Claims liabilities include specific, incremental claim adjustment expenditures/expenses, if any. In addition, estimated revenues, if any, on settled claims have been deducted from the liability for unpaid claims. The process used to compute claims liabilities does not necessarily result in an exact amount. Changes in the balance of claims liabilities during the past two fiscal years are as follows:

Self-Insurance Fund

Fiscal Year	Beginning of Fiscal Year Liability	Current-year Claims and Estimates	Payments	Balance at Fiscal Year-end
2005-2006	\$ 3,969,271	\$ 13,606,663	\$ (11,982,735)	\$ 5,593,199
2006-2007	5,593,199	16,629,759	(16,419,519)	5,803,439

B. **Subsequent Event**

On October 16, 2007, Sumner County issued \$75,150,000 in general obligation bonds for school construction and renovations.

C. Contingent Liabilities

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

D. Joint Venture

The Eighteenth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Eighteenth Judicial District and Sumner County, and various cities within the county. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors including the district attorney general, sheriff, and police chiefs of participating law enforcement agencies within each judicial district.

Sumner County does not have an equity interest in the above-noted joint venture. Complete financial statements for the DTF can be obtained from its administrative office at the following address:

Administrative Office:

Office of District Attorney General
Eighteenth Judicial District Drug Task Force
Cordell Hull Building – Third Floor
113 West Main Street
Gallatin, Tennessee 37066

E. Retirement Commitments

Employees

Plan Description

Employees of Sumner County are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who 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 Sumner County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to 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

Sumner County has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to five percent of annual covered payroll. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2007, was 13.23 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Sumner County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2007, Sumner County's annual pension cost of \$5,279,230 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2003, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Sumner County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 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	\$5,279,230	100%	\$0
6-30-06	4,470,799	100	0
6-30-05	4,144,553	100	0

School Teachers

Plan Description

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

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

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the Sumner 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 Sumner 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 \$5,178,714, \$4,363,560, and \$4,186,811, respectively, equal to the required contributions for each year.

F. Other Post-employment Benefits

Primary Government

In addition to the retirement commitments described above, Sumner County provides post-retirement health care benefits to all employees who retire from the county on or after age 60 with at least 20 years of service or who retire after 30 years of service and have been eligible for coverage under the county group medical plan for a continuous five-year period immediately prior to retirement. The county pays 75 percent of medical premiums for retirees. Currently, three county retirees meet those eligibility requirements. During the year, expenditures totaling \$2,995 were recognized by the county for post-employment health care.

Discretely Presented Sumner County School Department

In addition to the retirement commitments described above, the discretely presented School Department provides post-retirement health care benefits, in accordance with contract provisions, to all employees who have been employed by the School Department for ten years and who retire from the county on or after age 60 with at least 20 years of verified Tennessee Consolidated Retirement Service (TCRS) or have 30 years (regardless of age) of verified TCRS. The School Department pays 70 percent of medical premiums for retirees who had insurance coverage during the last three years of employment. Retirees receive one-year of coverage for every three years worked at the School Department with a maximum coverage of ten years or until eligible for Medicare, whichever comes first. Also, the School Department provides term life insurance of \$35,000 until the retiree reaches age 70. Currently, 28 school retirees meet these eligibility requirements. During the year, expenditures totaling \$42,553 were recognized by the School Department for the post-employment health care cost of this plan.

Also, the discretely presented Sumner County School Department, at the Board of Education's discretion, provides post-retirement health care benefits, in accordance with contract provisions, to all employees who have been employed by the School Department for ten years and who retire from the county on or after age 57 with at least 20 years of verified Tennessee Consolidated Retirement Service (TCRS) or have 30 years (regardless of age) of verified TCRS. The School Department pays 100 percent of the least costly medical premiums available to retirees who had insurance coverage during the last three years of employment until they are eligible for Medicare.

Thereafter to age 70, the retiree will be reimbursed up to \$800 per year for a Medicare supplement policy. Also, the School Department provides term life insurance of \$35,000 until the retiree reaches age 70. Currently, 296 school retirees meet these eligibility requirements. During the year, expenditures totaling \$880,924 were recognized by the School Department for the post-employment health care cost of this plan.

G. Office of Finance Director

Sumner County operates under Chapter 113, Private Acts of 2002, as amended, which provides for a system of central accounting, budgeting, and purchasing covering all funds of the county. This act provides for the creation of a Finance Department operated under the direction of the finance director. Effective June 17, 2002, the County Commission authorized the Highway Department to perform purchasing functions as provided by Section 54-7-113, Tennessee Code Annotated, and authorized the School Department to perform payroll, accounts payable, purchases, budgets, and ledgers for the School Department.

H. Purchasing Laws

Office of Finance Director

Chapter 113, Private Acts of 2002, as amended, governs purchasing procedures for the general county government. This act does not provide for a dollar amount requiring advertisement and competitive bidding, and the financial management committee has not formally adopted a dollar amount. Public advertising provisions for the general government fall under the provisions of the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, Tennessee Code Annotated, which provide that general government purchases in excess of \$10,000 are to be made after public advertisement and competitive bidding.

Office of Superintendent of Roads

Section 54-7-113, Tennessee Code Annotated (Uniform Road Law), governs purchasing procedures for the Highway Department. This statute requires all purchases exceeding \$10,000 to be made on the basis of publicly advertised competitive bids.

Office of Director of Schools

Purchasing procedures for the discretely presented Sumner County School Department are governed by purchasing laws applicable to schools as set forth in Section 49-2-203, Tennessee Code Annotated, which provides for the county Board of Education, through its executive committee (director of schools and chairman of the Board of Education), to make all purchases. This statute also requires competitive bids to be solicited through newspaper advertisement on all purchases exceeding \$10,000.

VI. **OTHER NOTES – DISCRETELY PRESENTED SUMNER COUNTY REGIONAL AIRPORT AUTHORITY**

A. **Organization and Reporting Entity**

The Sumner County Regional Airport Authority, a component unit of Sumner County, Tennessee, was established in 1981 in accordance with Resolution No. 1811-102 of the Sumner County Commission, pursuant to the Airport Authorities Act as set forth in the Tennessee Code Annotated, 42-3-103. The governing board is selected by the authority as terms expire and confirmed by the Sumner County Board of County Commissioners. The authority's 11-member board consists of members who have the requisite aviation background or have a lifetime and/or an education background in the aviation field as well as members who are residents of the community. The airport administrator is hired.

The authority meets the criteria set forth in generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB) for inclusion as a component unit with the county's financial statements based on the county's responsibility for the appointment of the authority members and their approval of capital programs and certain debt issuances. As a component unit of the county, the authority's financial statements are discretely presented in the county's financial statements. The accompanying financial statements present the financial position and the changes in net assets and cash flows of the authority only. The authority does not have any component units and is not involved in any joint ventures.

B. **Summary of Significant Accounting Policies**

Basis of Accounting – The financial statements of the authority are prepared in accordance with generally accepted accounting principles. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

In accordance with the provisions of the GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting, the authority has elected not to apply all Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989.

The authority's activities are accounted for similar to those often found in the private sector using the flow of economic resources measurement focus and the accrual basis of accounting. All assets, liabilities, net assets, revenues, and expenses are accounted for through a single enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred.

Cash, Cash Equivalents, and Investments – For purposes of the statement of cash flows, the authority considers all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents. No cash equivalents were held by the authority as of June 30, 2007.

Per Tennessee statutes, bank accounts may only be established and maintained in financial institutions whose deposits are federally insured. Bank account balances (including checking and investment accounts combined) must not exceed the amount federally insured by the Federal Deposit Insurance Corporation (FDIC) (\$100,000) unless the financial institution participates in the State Collateral Pool or pledges collateral for deposits in excess of the insured limits, and the collateral is maintained in accordance with state statutes. As of June 30, 2007, the authority's combined bank account balances exceeded FDIC insured limits by \$231,123. The financial institution does not participate in the State Collateral Pool but has pledged adequate collateral to cover the excess risk.

Receivables – Receivables are reported at their gross value when earned and reduced by the estimated portion that is expected to be uncollectible. The allowance for uncollectible amounts is based on collection history, aviation industry trends, and current information regarding the credit worthiness of the tenants and others doing business with the authority. When continued collection activity results in receipt of amounts previously written off, revenue is recognized for the amount collected. The authority determined an allowance for uncollectible amounts was not needed as of June 30, 2007.

Capital Assets. Capital assets were recorded at historical cost, if available. If historical cost was not available, a current value was obtained from documentation of similar capital assets or estimates. The current values obtained were deflated to historical cost by utilizing the Consumer Price Index.

Subsequent acquisitions of new assets and expenditures which substantially increase the useful lives of existing assets exceeding \$7,500 are recorded at cost. Other acquisitions below this threshold are expensed in the period incurred.

Maintenance and repairs are expensed as incurred. In the future, when properties are disposed of, the related costs and accumulated depreciation will be removed from the respective accounts, and any gain or loss on disposition will be credited or charged to an expense. Capital assets will be written off when fully depreciated unless clearly identified as still being in use.

Capital assets are depreciated over their estimated useful lives. Office equipment, computers, and fixtures are fully expensed in the year of purchase. The estimated lives by general classification are as follows:

<u>Assets</u>	<u>Years</u>
Buildings	30
Building and land improvements	10-15
Large equipment and vehicles	10
Small equipment and vehicles	5

Capital Contributions – Certain expenditures for airport capital improvements are significantly funded through state allocation or grant programs. Capital funding provided under government grants is considered earned as the related allowable expenditure is incurred.

Grants for capital asset acquisition, facility development, and rehabilitation are reported in the statement of revenues, expenses, and changes in net assets, after non-operating revenues and expenses as capital contributions.

Revenue – The authority provides 39 hangars for pilots who use the airport facilities and one hangar for the fixed base operator (FBO). Thirty of the hangars were built and are owned by the authority, and 11 were built and are owned by private individuals. The authority leases to the owners the underlying land related to the hangars privately built. The ownership of the 11 hangars built by private individuals will transfer to the authority at the end of their respective 30-year lease terms. Underlying land leases range from \$40 to \$323 per month. Leases on hangars built and owned by the authority have rents that range from \$145 to \$175 per month for individual hangars and \$500 and \$3,750 per month for the two corporate hangars.

Deferred Revenue – The authority records hangar rent collected in advance of the months in which it is earned as deferred revenue. Deferred revenue totaled \$2,340 for the year ended June 30, 2007.

Net Assets – In conformity with GASB Statement No. 34, net assets have been labeled and displayed in three components: invested in capital assets, net of related debt; restricted; and unrestricted. As of June 30, 2007, there were no restricted net assets.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimated.

C. Long-term Debt

No long-term debt was incurred by the authority for the year ended June 30, 2007.

D. State Grants

During the year ended June 30, 2007, a total of \$301,368 in federal and state grant monies was paid by the State of Tennessee to the authority. These funds were disbursed for the construction and repair of certain runways and for the development of a new fuel farm. The construction is overseen by the state, and all expenditures are reviewed for propriety by the state. None of these funds are required to be repaid.

Of the total grant monies received, \$278,666 was allocated from a \$1,210,972 grant previously awarded. The total grant is comprised of \$1,070,935 of federal funds, \$18,940 of state funds, and \$121,097 of matching funds from the authority. At June 30, 2007, a total of \$1,205,572 has been expended under this grant.

No funds were received from a \$251,639 grant previously awarded. This grant is comprised of \$226,475 of federal funds and \$25,164 of matching funds from the authority. At June 30, 2007, a total of \$211,985 has been expended under this grant.

Of the total grant monies received, \$1,717 was allocated from a \$166,667 grant previously awarded. This grant is comprised of \$150,000 federal funds and \$16,667 matching funds from the authority. At June 30, 2007, a total of \$160,750 has been expended under this grant.

Of the total grant monies received, \$10,985 was allocated from a \$10,987 grant awarded during 2007. This grant is comprised of \$10,985 federal funds and zero matching funds from the authority.

In addition, \$10,000 of grant funds was received from a \$10,000 grant issued in a previous year.

E. Airport Management

The authority has contracted with Jet Harbor, Inc., to act as fixed base operator (FBO) for the airport. As FBO, Jet Harbor, engages in flight instruction, aircraft rental, aircraft maintenance, aircraft charter, and the sale of fuel and lubricants.

The authority has contracted with J&S Properties to perform daily management duties for \$1,500 per month. During the year ended June 30, 2007, management expense totaled \$18,250.

F. Risk Financing Activities

The authority is exposed to certain risks of loss related to its buildings (hangars), equipment, and infrastructure improvements (runways). The authority is not covered by the Sumner County Self-Insurance Plan, but has obtained commercial insurance as required by the Airport Minimum

Standards and Rules and Regulations. The authority has had no settlements in excess of insurance coverage in the past three years.

G. Capital Assets

Non-depreciable assets owned by the authority consist of land recorded at cost. In addition, construction in progress relating to the development of a fuel farm was recorded at total actual cost of \$280,321. This asset was not operational at June 30, 2007, and will not be depreciated until it is put into service upon completion of the respective projects.

Depreciation expense for the year ending June 30, 2007, totaled \$164,971.

Eleven privately built hangers were removed from the airport's capital assets in previous years.

The following is a summary of the authority's depreciable and non-depreciable assets as of June 30, 2007:

	Balance 7-1-06	Increases	Decreases	Balance 6-30-07
Capital Assets Not Depreciated:				
Land	\$ 6,500	\$ 0	\$ 0	\$ 6,500
Construction in Progress	1,256,318	424,894	(1,400,891)	280,321
Total Capital Assets Not Depreciated	\$ 1,262,818	\$ 424,894	\$ (1,400,891)	\$ 286,821
Capital Assets Depreciated:				
Buildings	\$ 4,436,182	\$ 0	\$ 0	\$ 4,436,182
Building Improvements	149,471	0	0	149,471
Leasehold Improvements	42,046	1,375,559	0	1,417,605
Vehicles	11,000	0	0	11,000
Total Capital Assets Depreciated	\$ 4,638,699	\$ 1,375,559	\$ 0	\$ 6,014,258
Less Accumulated Depreciation For:				
Buildings	\$ 2,699,698	\$ 164,971	\$ 0	\$ 2,864,669
Building Improvements	109,209	0	0	109,209
Leasehold Improvements	20,692	0	0	20,692
Vehicles	11,000	0	0	11,000
Total Accumulated Depreciation	\$ 2,840,599	\$ 164,971	\$ 0	\$ 3,005,570
Total Capital Assets Depreciated, Net	\$ 1,798,100	\$ 1,210,588	\$ 0	\$ 3,008,688
Governmental Activities Capital Assets, Net	\$ 3,060,918	\$ 1,635,482	\$ (1,400,891)	\$ 3,295,509

H. Budget

The authority is not required by law or GASB to utilize a budget and does not do so.

I. Related Party Transactions

During the year ended June 30, 2007, the authority received \$23,279 from Sumner County and \$3,662 from the City of Gallatin that was used for improvements and operating expenses. None of this is required to be repaid.

J. Leases

The authority has a 30-year lease for certain privately built hangers whose ownership reverts to the authority at the end of the lease period. These hangers were removed from capital assets in previous years. The value of these hangers is estimated at \$1,260,000.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit F-1

Sumner County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Fund
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 16,928,413	\$ 16,224,929	\$ 16,209,929	\$ 718,484
Licenses and Permits	556,207	505,000	519,000	37,207
Fines, Forfeitures, and Penalties	852,932	1,164,000	698,000	154,932
Charges for Current Services	5,164,723	4,309,200	5,037,464	127,259
Other Local Revenues	1,091,648	770,400	882,977	208,671
Fees Received from County Officials	7,618,489	6,836,000	6,742,000	876,489
State of Tennessee	4,277,339	3,733,450	3,735,649	541,690
Federal Government	1,236,034	0	1,048,597	187,437
Other Governments and Citizens Groups	228,140	125,000	125,000	103,140
Total Revenues	\$ 37,953,925	\$ 33,667,979	\$ 34,998,616	\$ 2,955,309
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 262,366	\$ 237,650	\$ 280,378	\$ 18,012
Board of Equalization	2,729	7,500	7,500	4,771
County Mayor/Executive	224,456	196,072	243,172	18,716
County Attorney	237,347	237,319	246,319	8,972
Election Commission	460,928	499,896	507,045	46,117
Register of Deeds	528,618	444,519	653,100	124,482
Planning	494,951	491,580	525,196	30,245
Engineering	99,517	115,000	139,553	40,036
County Buildings	1,394,021	1,322,980	1,472,827	78,806
Preservation of Records	89,260	0	102,998	13,738
Risk Management	118,106	0	1,331,881	1,213,775
<u>Finance</u>				
Accounting and Budgeting	296,227	333,613	318,613	22,386
Purchasing	21,000	21,000	21,000	0
Property Assessor's Office	492,534	481,588	526,144	33,610
Reappraisal Program	310,827	311,150	324,741	13,914
County Trustee's Office	278,297	309,846	312,481	34,184
County Clerk's Office	899,550	849,130	903,730	4,180
Data Processing	102,777	103,850	103,850	1,073
Other Finance	0	1,331,881	0	0
<u>Administration of Justice</u>				
Circuit Court	989,691	1,092,472	1,107,542	117,851
Circuit Court Judge	8,159	0	10,000	1,841
General Sessions Court	212,454	223,300	223,300	10,846
Chancery Court	424,250	405,015	427,115	2,865
Juvenile Court	308,712	321,849	321,849	13,137
District Attorney General	3,600	50,000	3,600	0
Judicial Commissioners	85,741	0	103,000	17,259
Other Administration of Justice	317,301	244,981	307,230	(10,071)
Probation Services	271,263	0	320,428	49,165

(Continued)

Exhibit F-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Public Safety</u>				
Sheriff's Department	\$ 4,535,314	\$ 4,552,952	\$ 5,032,686	\$ 497,372
Administration of the Sexual Offender Registry	2,361	0	0	(2,361)
Jail	4,040,837	4,316,350	4,618,350	577,513
Correctional Incentive Program Improvements	0	320,428	0	0
Juvenile Services	336,171	359,405	371,305	35,134
Fire Prevention and Control	110,350	118,200	110,350	0
Civil Defense	9,850	9,850	9,850	0
Other Emergency Management	872,273	162,630	1,211,227	338,954
<u>Public Health and Welfare</u>				
Local Health Center	1,188,094	1,278,183	1,283,932	95,838
Rabies and Animal Control	247,270	252,320	252,320	5,050
Ambulance/Emergency Medical Services	4,774,976	4,473,799	4,774,976	0
Dental Health Program	121,820	127,960	127,960	6,140
Alcohol and Drug Programs	0	50,000	50,000	50,000
Other Local Health Services	35,586	0	36,944	1,358
Appropriation to State	146,136	183,480	146,136	0
General Welfare Assistance	250	2,000	2,000	1,750
Aid to Dependent Children	800	1,000	1,000	200
Other Local Welfare Services	0	1,000	1,000	1,000
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	124,654	41,000	191,000	66,346
Libraries	853,726	771,718	832,624	(21,102)
<u>Agriculture & Natural Resources</u>				
Agriculture Extension Service	188,950	242,590	242,090	53,140
Soil Conservation	28,642	28,357	28,857	215
Other Agriculture & Natural Resources	0	91,948	0	0
<u>Other Operations</u>				
Tourism	327,122	327,122	327,122	0
Other Economic and Community Development	42,897	71,100	105,995	63,098
Veterans' Services	64,659	97,538	97,538	32,879
Other Charges	1,201,444	1,896,695	1,270,324	68,880
Contributions to Other Agencies	342,293	426,924	426,924	84,631
Employee Benefits	7,417,413	7,637,770	7,626,099	208,686
Miscellaneous	18,000	83,000	33,000	15,000
<u>Highways</u>				
Highway and Bridge Maintenance	1,113	0	0	(1,113)
Total Expenditures	\$ 35,967,683	\$ 37,557,510	\$ 40,056,201	\$ 4,088,518
Excess (Deficiency) of Revenues Over Expenditures				
	\$ 1,986,242	\$ (3,889,531)	\$ (5,057,585)	\$ 7,043,827
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 163,809	\$ 1,629,042	\$ 1,629,042	\$ (1,465,233)
Transfers Out	(76,328)	0	(76,328)	0
Total Other Financing Sources (Uses)	\$ 87,481	\$ 1,629,042	\$ 1,552,714	\$ (1,465,233)
Net Change in Fund Balance				
	\$ 2,073,723	\$ (2,260,489)	\$ (3,504,871)	\$ 5,578,594
Fund Balance, July 1, 2006	21,985,725	20,090,959	20,090,959	1,894,766
Fund Balance, June 30, 2007	\$ 24,059,448	\$ 17,830,470	\$ 16,586,088	\$ 7,473,360

Exhibit F-2

Sumner 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	\$ 68,622	\$ 71,843	3,221	95.52 %	\$ 35,668	9.03 %
6-30-03	58,470	62,101	3,631	94.15	30,688	11.83
6-30-01	50,061	54,159	4,098	92.43	26,726	15.33

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

A. 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 Sumner 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.

B. EXPENDITURES EXCEEDED APPROPRIATIONS

Expenditures exceeded appropriations approved by the County Commission in the following major appropriation categories (the legal level of control) of the General Fund:

<u>Major Category</u>	<u>Amount Overspent</u>
General Fund:	
Other Administration of Justice	\$ 10,071
Administration of the Sexual Offender Registry	2,361
Libraries	21,102
Highway and Bridge Maintenance	1,113

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

**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.

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

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

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.

Highway/Public Works Fund – The Highway/Public Works Fund is used to account for transactions of the county Highway Department.

Exhibit G-1

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

	<u>Special Revenue Funds</u>				
	Drug Control	District Attorney General	Constitu - tional Officers - Fees	Highway / Public Works	Total Nonmajor Governmental Funds
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 145,510	\$ 0	\$ 145,510
Equity in Pooled Cash and Investments	68,846	105,778	0	2,013,551	2,188,175
Accounts Receivable	1,434	2,214	2,375	169,124	175,147
Due from Other Governments	0	0	0	568,317	568,317
Property Taxes Receivable	0	0	0	642,895	642,895
Allowance for Uncollectible Property Taxes	0	0	0	(11,193)	(11,193)
Total Assets	\$ 70,280	\$ 107,992	\$ 147,885	\$ 3,382,694	\$ 3,708,851
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 0	\$ 347	\$ 0	\$ 207,827	\$ 208,174
Accrued Payroll	0	0	0	23,083	23,083
Due to Other Funds	0	0	143,310	0	143,310
Due to Litigants, Heirs, and Others	0	0	4,575	0	4,575
Deferred Revenue - Current Property Taxes	0	0	0	617,248	617,248
Deferred Revenue - Delinquent Property Taxes	0	0	0	12,008	12,008
Other Deferred Revenues	0	0	0	247,229	247,229
Total Liabilities	\$ 0	\$ 347	\$ 147,885	\$ 1,107,395	\$ 1,255,627
<u>Fund Balances</u>					
Unreserved	\$ 70,280	\$ 107,645	\$ 0	\$ 2,275,299	\$ 2,453,224
Total Fund Balances	\$ 70,280	\$ 107,645	\$ 0	\$ 2,275,299	\$ 2,453,224
Total Liabilities and Fund Balances	\$ 70,280	\$ 107,992	\$ 147,885	\$ 3,382,694	\$ 3,708,851

Exhibit G-2

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

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Drug Control	District Attorney General	Constitu - tional Officers - Fees	Highway / Public Works	
<u>Revenues</u>					
Local Taxes	\$ 0	\$ 0	\$ 0	\$ 2,601,727	\$ 2,601,727
Fines, Forfeitures, and Penalties	48,293	30,837	0	0	79,130
Charges for Current Services	0	0	6,043	0	6,043
Other Local Revenues	0	0	0	178,293	178,293
State of Tennessee	0	0	0	3,283,646	3,283,646
Federal Government	0	0	0	68,808	68,808
Total Revenues	<u>\$ 48,293</u>	<u>\$ 30,837</u>	<u>\$ 6,043</u>	<u>\$ 6,132,474</u>	<u>\$ 6,217,647</u>
<u>Expenditures</u>					
Current:					
Administration of Justice	\$ 0	\$ 47,911	\$ 6,043	\$ 0	\$ 53,954
Public Safety	74,070	0	0	0	74,070
Highways	0	0	0	5,948,244	5,948,244
Total Expenditures	<u>\$ 74,070</u>	<u>\$ 47,911</u>	<u>\$ 6,043</u>	<u>\$ 5,948,244</u>	<u>\$ 6,076,268</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (25,777)</u>	<u>\$ (17,074)</u>	<u>\$ 0</u>	<u>\$ 184,230</u>	<u>\$ 141,379</u>
Net Change in Fund Balances	\$ (25,777)	\$ (17,074)	\$ 0	\$ 184,230	\$ 141,379
Fund Balance, July 1, 2006	96,057	124,719	0	2,091,069	2,311,845
Fund Balance, June 30, 2007	<u>\$ 70,280</u>	<u>\$ 107,645</u>	<u>\$ 0</u>	<u>\$ 2,275,299</u>	<u>\$ 2,453,224</u>

Exhibit G-3

Sumner 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	\$ 48,293	\$ 4,500	\$ 40,000	\$ 8,293
Other Local Revenues	0	35,500	0	0
Total Revenues	<u>\$ 48,293</u>	<u>\$ 40,000</u>	<u>\$ 40,000</u>	<u>\$ 8,293</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 74,070	\$ 106,476	\$ 149,176	\$ 75,106
Total Expenditures	<u>\$ 74,070</u>	<u>\$ 106,476</u>	<u>\$ 149,176</u>	<u>\$ 75,106</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (25,777)</u>	<u>\$ (66,476)</u>	<u>\$ (109,176)</u>	<u>\$ 83,399</u>
Net Change in Fund Balance	\$ (25,777)	\$ (66,476)	\$ (109,176)	\$ 83,399
Fund Balance, July 1, 2006	<u>96,057</u>	<u>66,476</u>	<u>66,476</u>	<u>29,581</u>
Fund Balance, June 30, 2007	<u>\$ 70,280</u>	<u>\$ 0</u>	<u>\$ (42,700)</u>	<u>\$ 112,980</u>

Exhibit G-4

Sumner County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
District Attorney General 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	\$ 30,837	\$ 32,000	\$ 32,000	\$ (1,163)
Total Revenues	\$ 30,837	\$ 32,000	\$ 32,000	\$ (1,163)
<u>Expenditures</u>				
<u>Administration of Justice</u>				
District Attorney General	\$ 47,911	\$ 50,000	\$ 50,000	\$ 2,089
Total Expenditures	\$ 47,911	\$ 50,000	\$ 50,000	\$ 2,089
Excess (Deficiency) of Revenues Over Expenditures	\$ (17,074)	\$ (18,000)	\$ (18,000)	\$ 926
Net Change in Fund Balance	\$ (17,074)	\$ (18,000)	\$ (18,000)	\$ 926
Fund Balance, July 1, 2006	124,719	18,000	18,000	106,719
Fund Balance, June 30, 2007	\$ 107,645	\$ 0	\$ 0	\$ 107,645

Exhibit G-5

Sumner County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,601,727	\$ 2,442,361	\$ 2,442,361	\$ 159,366
Other Local Revenues	178,293	109,490	109,490	68,803
State of Tennessee	3,283,646	3,052,128	3,052,128	231,518
Federal Government	68,808	50,000	50,000	18,808
Total Revenues	<u>\$ 6,132,474</u>	<u>\$ 5,653,979</u>	<u>\$ 5,653,979</u>	<u>\$ 478,495</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 182,113	\$ 200,194	\$ 200,194	\$ 18,081
Highway and Bridge Maintenance	2,999,793	3,488,357	3,488,357	488,564
Operation and Maintenance of Equipment	715,964	954,723	954,723	238,759
Quarry Operations	54,890	66,939	66,939	12,049
Litter and Trash Collection	54,472	61,004	61,004	6,532
Other Charges	219,755	213,819	213,819	(5,936)
Employee Benefits	721,438	786,299	786,299	64,861
Capital Outlay	999,819	1,604,500	1,604,500	604,681
Total Expenditures	<u>\$ 5,948,244</u>	<u>\$ 7,375,835</u>	<u>\$ 7,375,835</u>	<u>\$ 1,427,591</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 184,230</u>	<u>\$ (1,721,856)</u>	<u>\$ (1,721,856)</u>	<u>\$ 1,906,086</u>
Net Change in Fund Balance	\$ 184,230	\$ (1,721,856)	\$ (1,721,856)	\$ 1,906,086
Fund Balance, July 1, 2006	<u>2,091,069</u>	<u>2,169,421</u>	<u>2,169,421</u>	<u>(78,352)</u>
Fund Balance, June 30, 2007	<u>\$ 2,275,299</u>	<u>\$ 447,565</u>	<u>\$ 447,565</u>	<u>\$ 1,827,734</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

Sumner 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	\$ 22,338,175	\$ 21,374,756	\$ 21,393,033	\$ 945,142
Other Local Revenues	3,948,546	1,900,000	1,900,000	2,048,546
Other Governments and Citizens Groups	30,000	0	30,000	0
Total Revenues	<u>\$ 26,316,721</u>	<u>\$ 23,274,756</u>	<u>\$ 23,323,033</u>	<u>\$ 2,993,688</u>
<u>Expenditures</u>				
<u>Other Operations</u>				
Other Charges	\$ 398,632	\$ 400,000	\$ 400,000	\$ 1,368
<u>Principal on Debt</u>				
General Government	12,000,000	13,500,000	12,000,000	0
Education	5,000,000	12,675,000	5,000,000	0
<u>Interest on Debt</u>				
General Government	391,371	877,500	877,500	486,129
Education	3,714,758	5,385,375	5,385,375	1,670,617
<u>Other Debt Service</u>				
General Government	47,508	60,000	60,000	12,492
Education	957,638	432,900	837,763	(119,875)
Total Expenditures	<u>\$ 22,509,907</u>	<u>\$ 33,330,775</u>	<u>\$ 24,560,638</u>	<u>\$ 2,050,731</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 3,806,814</u>	<u>\$ (10,056,019)</u>	<u>\$ (1,237,605)</u>	<u>\$ 5,044,419</u>
<u>Other Financing Sources (Uses)</u>				
Refunding Debt Issued	\$ 95,250,000	\$ 0	\$ 95,250,000	\$ 0
Premiums on Debt Issued	4,918,942	0	4,918,942	0
Transfers In	0	560,000	30,000	(30,000)
Transfers Out	(13,674,398)	0	(15,618,573)	1,944,175
Payments to Refunded Debt Escrow Agent	(94,320,506)	0	(94,320,506)	0
Total Other Financing Sources (Uses)	<u>\$ (7,825,962)</u>	<u>\$ 560,000</u>	<u>\$ (9,740,137)</u>	<u>\$ 1,914,175</u>
Net Change in Fund Balance	<u>\$ (4,019,148)</u>	<u>\$ (9,496,019)</u>	<u>\$ (10,977,742)</u>	<u>\$ 6,958,594</u>
Fund Balance, July 1, 2006	<u>24,139,521</u>	<u>24,581,502</u>	<u>24,581,502</u>	<u>(441,981)</u>
Fund Balance, June 30, 2007	<u>\$ 20,120,373</u>	<u>\$ 15,085,483</u>	<u>\$ 13,603,760</u>	<u>\$ 6,516,613</u>

Fiduciary Funds

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

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

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, general sessions, and juvenile courts clerk; clerk and master; register; and sheriff. Such collections include amounts due the state, cities, other county funds, litigants, heirs, and others.

Judicial District Drug Fund – The Judicial District Drug Fund is used to account for state grants and other restricted revenues held for the benefit of the multi-jurisdictional drug task force which was created by contract (mutual aid agreement) between the participating city and county governments.

Exhibit I-1

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

	<u>Agency Funds</u>			
	Cities - Sales Tax	Constitu - tional Officers - Agency	Judicial District Drug	Total
<u>ASSETS</u>				
Cash	\$ 0	\$ 5,892,223	\$ 7,047	\$ 5,899,270
Equity in Pooled Cash and Investments	0	0	873,192	873,192
Accounts Receivable	0	590	0	590
Due from Other Governments	2,586,530	0	0	2,586,530
Total Assets	<u>\$ 2,586,530</u>	<u>\$ 5,892,813</u>	<u>\$ 880,239</u>	<u>\$ 9,359,582</u>
<u>LIABILITIES</u>				
Due to Other Taxing Units	\$ 2,586,530	\$ 0	\$ 0	\$ 2,586,530
Due to State of Tennessee	0	693,957	0	693,957
Due to Litigants, Heirs, and Others	0	5,198,856	30,341	5,229,197
Due to Joint Ventures	0	0	849,898	849,898
Total Liabilities	<u>\$ 2,586,530</u>	<u>\$ 5,892,813</u>	<u>\$ 880,239</u>	<u>\$ 9,359,582</u>

Exhibit I-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 14,555,027	\$ 14,555,027	\$ 0
Due from Other Governments	2,456,565	2,586,530	2,456,565	2,586,530
Total Assets	\$ 2,456,565	\$ 17,141,557	\$ 17,011,592	\$ 2,586,530
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 2,456,565	\$ 17,141,557	\$ 17,011,592	\$ 2,586,530
Total Liabilities	\$ 2,456,565	\$ 17,141,557	\$ 17,011,592	\$ 2,586,530
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 6,759,112	\$ 5,892,223	\$ 6,759,112	\$ 5,892,223
Accounts Receivable	656	590	656	590
Total Assets	\$ 6,759,768	\$ 5,892,813	\$ 6,759,768	\$ 5,892,813
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 5,917,137	\$ 5,198,856	\$ 5,917,137	\$ 5,198,856
Due to State of Tennessee	842,631	693,957	842,631	693,957
Total Liabilities	\$ 6,759,768	\$ 5,892,813	\$ 6,759,768	\$ 5,892,813
<u>Judicial District Drug Fund</u>				
<u>Assets</u>				
Cash	\$ 0	\$ 7,047	\$ 0	\$ 7,047
Equity in Pooled Cash and Investments	917,421	494,235	538,464	873,192
Accounts Receivable	7,524	0	7,524	0
Due from Other Governments	95,000	0	95,000	0
Total Assets	\$ 1,019,945	\$ 501,282	\$ 640,988	\$ 880,239
<u>Liabilities</u>				
Accounts Payable	\$ 3,246	\$ 0	\$ 3,246	\$ 0
Due to Joint Ventures	961,347	470,941	582,390	849,898
Due to Litigants, Heirs, and Others	55,352	30,341	55,352	30,341
Total Liabilities	\$ 1,019,945	\$ 501,282	\$ 640,988	\$ 880,239

(Continued)

Exhibit I-2

Sumner 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	\$ 6,759,112	\$ 5,899,270	\$ 6,759,112	\$ 5,899,270
Equity in Pooled Cash and Investments	917,421	15,049,262	15,093,491	873,192
Accounts Receivable	8,180	590	8,180	590
Due from Other Governments	2,551,565	2,586,530	2,551,565	2,586,530
Total Assets	<u>\$ 10,236,278</u>	<u>\$ 23,535,652</u>	<u>\$ 24,412,348</u>	<u>\$ 9,359,582</u>
<u>Liabilities</u>				
Accounts Payable	\$ 3,246	0	3,246	\$ 0
Due to Other Taxing Units	2,456,565	17,141,557	17,011,592	2,586,530
Due to Joint Ventures	961,347	470,941	582,390	849,898
Due to State of Tennessee	842,631	693,957	842,631	693,957
Due to Litigants, Heirs, and Others	5,972,489	5,229,197	5,972,489	5,229,197
Total Liabilities	<u>\$ 10,236,278</u>	<u>\$ 23,535,652</u>	<u>\$ 24,412,348</u>	<u>\$ 9,359,582</u>

Sumner County School Department

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

General Purpose School Fund – The General Purpose School Fund is used to account for general operations of the School Department.

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.

Exhibit J-1

Sumner County, Tennessee
Statement of Activities
Discretely Presented Sumner County School Department
For the Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Total Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 108,001,815	\$ 717,496	\$ 10,458,188	\$ 0	\$ (96,826,131)
Support Services	51,317,009	18,878	0	508,933	(50,789,198)
Operation of Non-Instructional Services	11,329,329	7,035,084	4,239,480	0	(54,765)
Total Governmental Activities	\$ 170,648,153	\$ 7,771,458	\$ 14,697,668	\$ 508,933	\$ (147,670,094)
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes					\$ 44,445,976
Local Option Sales Taxes					11,002,394
Other Local Taxes					3,966,342
Grants and Contributions Not Restricted to Specific Programs					93,828,730
Unrestricted Investment Income					86,789
Miscellaneous					331,563
Total General Revenues					\$ 153,661,794
Change in Net Assets					\$ 5,991,700
Net Assets, July 1, 2006					186,515,700
Net Assets, June 30, 2007					\$ 192,507,400

Exhibit J-2

Sumner County, Tennessee
 Balance Sheet - Governmental Funds
 Discretely Presented Sumner County School Department
 June 30, 2007

	Major Fund	Nonmajor Fund	Total Govern- mental Funds
	General Purpose School	School Federal Projects Fund	
<u>ASSETS</u>			
Cash	\$ 7,600	\$ 0	\$ 7,600
Equity in Pooled Cash and Investments	13,861,078	1,504,524	15,365,602
Accounts Receivable	142,587	0	142,587
Due from Other Governments	6,453,387	0	6,453,387
Property Taxes Receivable	44,382,675	0	44,382,675
Allowance for Uncollectible Property Taxes	(777,954)	0	(777,954)
Total Assets	<u>\$ 64,069,373</u>	<u>\$ 1,504,524</u>	<u>\$ 65,573,897</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 309,237	\$ 0	\$ 309,237
Payroll Deductions Payable	2,369,765	0	2,369,765
Deferred Revenue - Current Property Taxes	42,592,927	0	42,592,927
Deferred Revenue - Delinquent Property Taxes	841,132	0	841,132
Other Deferred Revenues	1,016,147	0	1,016,147
Total Liabilities	<u>\$ 47,129,208</u>	<u>\$ 0</u>	<u>\$ 47,129,208</u>
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 735,794	\$ 0	\$ 735,794
Other Local Education Reserves	712,003	0	712,003
Reserved for Career Ladder Program	21,409	0	21,409
Reserved for Basic Education Program	725,400	0	725,400
Reserved for Title I Grants to Local Education Agencies	0	45,145	45,145
Reserved for Innovative Education Program Strategies	0	16,626	16,626
Reserved for Special Education - Grants to States	0	1,332,767	1,332,767
Other Federal Reserves	0	109,986	109,986
Unreserved, Reported In:			
General Fund	14,745,559	0	14,745,559
Total Fund Balances	<u>\$ 16,940,165</u>	<u>\$ 1,504,524</u>	<u>\$ 18,444,689</u>
Total Liabilities and Fund Balances	<u>\$ 64,069,373</u>	<u>\$ 1,504,524</u>	<u>\$ 65,573,897</u>

Exhibit J-3

Sumner County, Tennessee
Discretely Presented Sumner County School Department
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 J-2)		\$ 18,444,689
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 7,488,276	
Add: construction in progress	5,547,025	
Add: buildings and improvements net of accumulated depreciation	155,021,223	
Add: other capital assets net of accumulated depreciation	<u>5,661,140</u>	173,717,664
(2) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		1,857,279
(3) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: compensated absences		<u>(1,512,232)</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 192,507,400</u>

Exhibit J-4

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

	Major Fund	Nonmajor Fund	
	General Purpose School	School Federal Projects Fund	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 59,785,647	\$ 0	\$ 59,785,647
Licenses and Permits	7,338	0	7,338
Charges for Current Services	7,762,779	0	7,762,779
Other Local Revenues	688,538	0	688,538
State of Tennessee	93,632,396	3,234	93,635,630
Federal Government	5,385,573	8,538,223	13,923,796
Total Revenues	<u>\$ 167,262,271</u>	<u>\$ 8,541,457</u>	<u>\$ 175,803,728</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 100,434,585	\$ 7,250,595	\$ 107,685,180
Support Services	48,695,911	1,578,770	50,274,681
Operation of Non-Instructional Services	10,834,400	0	10,834,400
Capital Outlay	2,120,873	0	2,120,873
Total Expenditures	<u>\$ 162,085,769</u>	<u>\$ 8,829,365</u>	<u>\$ 170,915,134</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 5,176,502</u>	<u>\$ (287,908)</u>	<u>\$ 4,888,594</u>
<u>Other Financing Sources (Uses)</u>			
Insurance Recovery	\$ 560,584	\$ 0	\$ 560,584
Transfers In	69,506	0	69,506
Transfers Out	0	(69,506)	(69,506)
Total Other Financing Sources (Uses)	<u>\$ 630,090</u>	<u>\$ (69,506)</u>	<u>\$ 560,584</u>
Net Change in Fund Balances	\$ 5,806,592	\$ (357,414)	\$ 5,449,178
Fund Balance, July 1, 2006	11,133,573	1,861,938	12,995,511
Fund Balance, June 30, 2007	<u>\$ 16,940,165</u>	<u>\$ 1,504,524</u>	<u>\$ 18,444,689</u>

Exhibit J-5

Sumner County, Tennessee
Discretely Presented Sumner County School Department
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 J-4)		\$ 5,449,178
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$ 10,471,500	
Less: current year depreciation expense	<u>(10,149,471)</u>	322,029
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to increase net assets.		
Add: assets donated and capitalized	\$ 508,933	
Less: loss on disposal of capital assets	<u>(3,491)</u>	505,442
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes/other deferred June 30, 2007	\$ 1,857,279	
Less: deferred delinquent property taxes/other deferred June 30, 2006	<u>(2,020,107)</u>	(162,828)
(4) 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 the governmental funds.		
Change in compensated absences		<u>(122,121)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 5,991,700</u>

Exhibit J-6

Sumner County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Sumner 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	\$ 59,785,647	\$ 0	\$ 0	\$ 59,785,647	\$ 57,784,250	\$ 57,784,250	\$ 2,001,397
Licenses and Permits	7,338	0	0	7,338	11,000	11,000	(3,662)
Charges for Current Services	7,762,779	0	0	7,762,779	8,137,777	8,137,777	(374,998)
Other Local Revenues	688,538	0	0	688,538	721,554	837,954	(149,416)
State of Tennessee	93,632,396	0	0	93,632,396	90,023,762	93,002,240	630,156
Federal Government	5,385,573	0	0	5,385,573	3,220,029	4,120,761	1,264,812
Total Revenues	\$ 167,262,271	\$ 0	\$ 0	\$ 167,262,271	\$ 159,898,372	\$ 163,893,982	\$ 3,368,289
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 75,921,091	\$ (51,246)	\$ 204,097	\$ 76,073,942	\$ 75,769,193	\$ 76,508,037	\$ 434,095
Alternative Instruction Program	1,446,617	0	0	1,446,617	1,499,742	1,497,142	50,525
Special Education Program	14,937,269	0	0	14,937,269	16,185,127	16,393,510	1,456,241
Vocational Education Program	7,843,780	0	50,913	7,894,693	7,734,314	7,975,511	80,818
Adult Education Program	285,828	0	0	285,828	355,233	348,440	62,612
<u>Support Services</u>							
Attendance	312,877	0	0	312,877	324,925	317,800	4,923
Health Services	476,623	0	0	476,623	380,646	480,146	3,523
Other Student Support	4,031,000	(4,730)	0	4,026,270	4,159,026	4,169,026	142,756
Regular Instruction Program	6,056,806	(7,199)	2,120	6,051,727	5,200,013	6,272,201	220,474
Alternative Instruction Program	235,244	0	0	235,244	244,840	237,340	2,096
Special Education Program	1,237,487	0	0	1,237,487	1,318,733	1,393,410	155,923
Vocational Education Program	193,512	0	0	193,512	201,042	199,042	5,530
Adult Programs	297,447	(23,219)	840	275,068	269,446	283,339	8,271
Board of Education	3,437,071	0	0	3,437,071	3,514,537	3,834,437	397,366
Director of Schools	477,637	0	10,313	487,950	538,547	530,907	42,957

(Continued)

Exhibit J-6

Sumner County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Sumner 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>							
Office of the Principal	\$ 10,000,996	\$ (174)	\$ 148,484	\$ 10,149,306	\$ 10,760,859	\$ 10,946,819	\$ 797,513
Fiscal Services	893,096	(495)	608	893,209	910,995	898,995	5,786
Human Services/Personnel	415,069	0	0	415,069	419,843	419,993	4,924
Operation of Plant	10,997,199	(86,754)	32,934	10,943,379	11,170,041	11,143,541	200,162
Maintenance of Plant	3,362,397	(10,845)	2,049	3,353,601	3,493,347	3,502,347	148,746
Transportation	5,906,164	(673)	4,796	5,910,287	6,134,883	6,276,383	366,096
Central and Other	365,286	0	0	365,286	419,081	388,881	23,595
<u>Operation of Non-Instructional Services</u>							
Food Service	9,769,315	(198,861)	0	9,570,454	11,823,907	11,827,182	2,256,728
Community Services	1,065,085	(6,444)	6,300	1,064,941	1,250,731	1,250,731	185,790
<u>Capital Outlay</u>							
Regular Capital Outlay	2,120,873	(1,196,608)	272,340	1,196,605	1,266,089	2,240,229	1,043,624
Total Expenditures	\$ 162,085,769	\$ (1,587,248)	\$ 735,794	\$ 161,234,315	\$ 165,345,140	\$ 169,335,389	\$ 8,101,074
<u>Excess (Deficiency) of Revenues</u>							
Over Expenditures	\$ 5,176,502	\$ 1,587,248	\$ (735,794)	\$ 6,027,956	\$ (5,446,768)	\$ (5,441,407)	\$ 11,469,363
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 560,584	\$ 0	\$ 0	\$ 560,584	\$ 0	\$ 10,000	\$ 550,584
Transfers In	69,506	0	0	69,506	15,000	15,000	54,506
Transfers Out	0	0	0	0	(15,000)	(30,361)	30,361
Total Other Financing Sources (Uses)	\$ 630,090	\$ 0	\$ 0	\$ 630,090	\$ 0	\$ (5,361)	\$ 635,451
Net Change in Fund Balance	\$ 5,806,592	\$ 1,587,248	\$ (735,794)	\$ 6,658,046	\$ (5,446,768)	\$ (5,446,768)	\$ 12,104,814
Fund Balance, July 1, 2006	11,133,573	(1,587,248)	0	9,546,325	10,334,900	10,334,900	(788,575)
Fund Balance, June 30, 2007	\$ 16,940,165	\$ 0	\$ (735,794)	\$ 16,204,371	\$ 4,888,132	\$ 4,888,132	\$ 11,316,239

Exhibit J-7

Sumner County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Sumner 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>				
State of Tennessee	\$ 3,234	\$ 0	\$ 3,234	\$ 0
Federal Government	8,538,223	10,135,475	11,505,069	(2,966,846)
Total Revenues	\$ 8,541,457	\$ 10,135,475	\$ 11,508,303	\$ (2,966,846)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 3,295,032	\$ 3,745,879	\$ 3,964,798	\$ 669,766
Alternative Instruction Program	23,640	24,381	32,497	8,857
Special Education Program	3,618,713	4,019,310	5,660,801	2,042,088
Vocational Education Program	313,210	311,592	313,159	(51)
<u>Support Services</u>				
Attendance	0	750	0	0
Health Services	0	2,325	0	0
Other Student Support	65,507	98,660	160,259	94,752
Regular Instruction Program	638,325	923,078	998,855	360,530
Special Education Program	756,560	813,834	927,255	170,695
Vocational Education Program	46,950	47,000	47,000	50
Transportation	71,428	75,201	117,160	45,732
Total Expenditures	\$ 8,829,365	\$ 10,062,010	\$ 12,221,784	\$ 3,392,419
Excess (Deficiency) of Revenues Over Expenditures	\$ (287,908)	\$ 73,465	\$ (713,481)	\$ 425,573
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 0	\$ 18,000	\$ (18,000)
Transfers Out	(69,506)	(73,465)	(94,823)	25,317
Total Other Financing Sources (Uses)	\$ (69,506)	\$ (73,465)	\$ (76,823)	\$ 7,317
Net Change in Fund Balance	\$ (357,414)	\$ 0	\$ (790,304)	\$ 432,890
Fund Balance, July 1, 2006	1,861,938	0	0	1,861,938
Fund Balance, June 30, 2007	\$ 1,504,524	\$ 0	\$ (790,304)	\$ 2,294,828

MISCELLANEOUS SCHEDULES

Exhibit K-1

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

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-06	Issued During Period	Paid and/or Matured During Period	Debt Refunded	Outstanding 6-30-07
<u>NOTES PAYABLE</u>									
<u>Payable through General Debt Service Fund</u>									
School	\$ 35,000,000	Variable	8-15-01	5-31-07	\$ 35,000,000	\$ 0	\$ 5,000,000	\$ 30,000,000	\$ 0
School	30,000,000	Variable	7-2-02	4-9-07	30,000,000	0	0	30,000,000	0
Jail	10,500,000	Variable	7-2-02	5-31-07	3,000,000	0	3,000,000	0	0
Jail	9,000,000	Variable	7-2-03	5-31-07	9,000,000	0	9,000,000	0	0
School	20,000,000	Variable	7-2-03	4-9-07	20,000,000	0	0	20,000,000	0
School	15,000,000	Variable	7-2-04	4-9-07	15,000,000	0	0	15,000,000	0
School	17,000,000	4 %	10-12-06	6-1-09	0	17,000,000	0	0	17,000,000
Total Notes Payable					<u>\$ 112,000,000</u>	<u>\$ 17,000,000</u>	<u>\$ 17,000,000</u>	<u>\$ 95,000,000</u>	<u>\$ 17,000,000</u>
<u>BONDS PAYABLE</u>									
<u>Payable through General Debt Service Fund</u>									
School Refunding	95,250,000	3.79	4-9-07	6-1-17	\$ 0	\$ 95,250,000	\$ 0	\$ 0	\$ 95,250,000
Total Bonds Payable					<u>\$ 0</u>	<u>\$ 95,250,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 95,250,000</u>

Exhibit K-2

Sumner County, Tennessee
Schedule of Principal and Interest Requirements by Year

Year Ending June 30	Principal Requirements			Percent Principal Retired	Interest Requirements			Total Debt Service Requirements
	Bonds	Notes	Total		Bonds	Notes	Total	
2008	\$ 7,365,000	\$ 0	\$ 7,365,000		\$ 4,995,443	\$ 680,000	\$ 5,675,443	\$ 13,040,443
2009	8,300,000	17,000,000	25,300,000		4,070,350	680,000	4,750,350	30,050,350
2010	8,635,000	0	8,635,000		3,738,350	0	3,738,350	12,373,350
2011	8,980,000	0	8,980,000		3,392,950	0	3,392,950	12,372,950
2012	9,340,000	0	9,340,000	53%	2,943,950	0	2,943,950	12,283,950
2013	9,710,000	0	9,710,000		2,558,675	0	2,558,675	12,268,675
2014	10,100,000	0	10,100,000		2,146,000	0	2,146,000	12,246,000
2015	10,505,000	0	10,505,000		1,641,000	0	1,641,000	12,146,000
2016	10,925,000	0	10,925,000		1,115,750	0	1,115,750	12,040,750
2017	11,390,000	0	11,390,000	100%	569,500	0	569,500	11,959,500
Total	\$ 95,250,000	\$ 17,000,000	\$ 112,250,000		\$ 27,171,968	\$ 1,360,000	\$ 28,531,968	\$ 140,781,968

Exhibit K-3

Sumner County, Tennessee
Schedule of Investments
June 30, 2007

<u>Fund and Type</u>	<u>Date of Purchase</u>	<u>Date of Maturity</u>	<u>Interest Rates</u>	<u>Amount</u>
<u>General Debt Service Fund</u>				
Treasury Notes	Various	Various	Varies	\$ 8,396,058

Exhibit K-4

Sumner County, Tennessee
Schedule of Notes Receivable
June 30, 2007

Description	Debtor	Original Amount of Note	Date of Issue	Date of Maturity	Interest Rates	Balance 6-30-07
General Fund:						
Construction of Athletic Facility	Station Camp Creek High Boosters Club	\$ 55,000	6-18-03	6-18-08	0 %	\$ 11,000
Construction of Athletic Facility	Whitehouse Dugout Club	100,000	3-1-04	3-1-14	0	70,000
Construction of Athletic Facility	Whitehouse Soccer Club	39,183	3-1-04	3-1-14	0	27,183
Construction of Athletic Facility	Portland Dugout Club	101,233	7-1-05	6-21-15	0	80,433
Construction of Athletic Facility	Beech Baseball Booster Club	79,000	6-19-06	12-31-16	0	71,100
						<u>\$ 259,716</u>
General Debt Service Fund:						
Construction of Athletic Facility	Portland High Quarterback Club	150,000	3-1-03	3-1-13	0	\$ 78,097
Construction of Athletic Facility	Hendersonville High Athletic Club	155,059	3-1-03	3-1-13	0	90,000
						<u>\$ 168,097</u>
Total Notes Receivable						<u>\$ 427,813</u>

Exhibit K-5

Sumner County, Tennessee
Schedule of Transfers
Primary Government and Discretely Presented Sumner County School Department
For the Year Ended June 30, 2007

<u>To Fund</u>	<u>From Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>Primary Government</u>			
General	Self-Insurance	Funds for salaries	\$ 163,809
General Capital Projects	General	Construction project	76,328
General Capital Projects	General Debt Service	Internal loan	8,230,825
General Capital Projects	General Debt Service	Construction project	<u>5,443,573</u>
Total Transfers Primary Government			<u>\$ 13,914,535</u>
<u>Discretely Presented Sumner County</u> <u>School Department</u>			
General School Purpose	School Federal Projects	Indirect costs	<u>\$ 69,506</u>
Total Transfers Discretely Presented Sumner County School Department			<u>\$ 69,506</u>

Exhibit K-6

Sumner County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Primary Government and Discretely Presented Sumner County School Department
For the Year Ended June 30, 2007

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Executive	Sections 8-24-102 and 5-1-310, <u>TCA</u>	\$ 90,996 (1) \$	50,000	Hartford Fire Insurance Co.
Superintendent of Roads	Section 8-24-102, <u>TCA</u>	85,259	100,000	"
Director of Schools	State Board of Education and Local Board of Education	115,467 (2)		
Trustee:				
Betty Gregory (7-1-06 through 8-31-06)	Sections 8-24-102 and 5-1-310, <u>TCA</u>	15,125 (1)	3,538,700	"
Marty Nelson (9-1-06 through 6-30-07)	Sections 8-24-102 and 5-1-310, <u>TCA</u>	63,940	4,656,000	"
Assessor of Property	Sections 8-24-102 and 5-1-310, <u>TCA</u>	79,065 (1)	10,000	Western Surety Co.
Director of Finance	County Commission	73,500	50,000	Hartford Fire Insurance Co.
County Clerk	Sections 8-24-102 and 5-1-310, <u>TCA</u>	79,065 (1)	50,000	"
Circuit Court Clerk	Sections 8-24-102 and 5-1-310, <u>TCA</u>	79,065 (1)	50,000	"
Clerk and Master	Sections 8-24-102 and 5-1-310, <u>TCA</u> , and Chancery Court	85,108 (3)	50,000	The Ohio Casualty Insurance Co.
Register	Sections 8-24-102 and 5-1-310, <u>TCA</u>	79,065 (1)	25,000	Hartford Fire Insurance Co.
Sheriff:				
Jack Vandercook (7-1-06 through 8-31-06)	Section 8-24-102, <u>TCA</u>	14,927	25,000	"
Bob Barker (9-1-06 through 6-30-07)	Section 8-24-102, <u>TCA</u>	70,933 (4)	25,000	"

- (1) Includes \$1,500 education supplement.
- (2) Includes \$100 sick leave supplement and \$257 one-time bonus.
- (3) Includes special commissioner fees totaling \$6,043 and education supplement of \$1,500.
- (4) Includes law enforcement training supplement of \$600.

SINGLE AUDIT 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

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

December 18, 2007

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

To the County Executive and Board of County Commissioners:

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Sumner County, Tennessee, as of and for the year ended June 30, 2007, which collectively comprise Sumner County's basic financial statements and have issued our report thereon dated December 18, 2007. Our report on the aggregate discretely presented component units was qualified due to not including the financial statements of the Resource Authority in Sumner County, Tennessee, and the Sumner County Emergency Communications District, which were not available from other auditors as of the date of this report. Our report was modified to include a reference to other auditors. 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. Other auditors audited the financial statements of the discretely presented Sumner County Regional Airport Authority as described in our report on Sumner County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sumner County'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 Sumner County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Sumner County'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: 07.02, 07.03(B), 07.04, 07.05, 07.07, 07.10, 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 Sumner County'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 items 07.02, 07.04, and 07.07 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sumner County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the

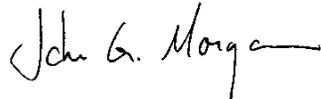
determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as items 07.01, 07.03(A), 07.06, 07.08, 07.09, and 07.12

We also noted certain matters that we reported to management of Sumner County in separate communications.

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

This report is intended solely for the information and use of management, the county executive, director of schools, road superintendent, County Commission, Board of Education, Financial Management Committee, others within Sumner 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,

A handwritten signature in black ink that reads "John G. Morgan" with a stylized flourish at the end.

John G. Morgan
Comptroller of the Treasury

JGM/rd



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

December 18, 2007

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

To the County Executive and Board of County Commissioners:

Compliance

We have audited the compliance of Sumner County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. Sumner County'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 its major federal programs is the responsibility of Sumner County's management. Our responsibility is to express an opinion on Sumner County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Sumner County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our

audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Sumner County's compliance with those requirements.

In our opinion, Sumner County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Sumner County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Sumner County's internal control over compliance with the 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 Sumner County'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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Sumner County as of and for the year ended June 30, 2007, and have issued our report thereon dated December 18, 2007. Our report on the aggregate discretely presented component units was qualified due to not including the financial statements of the Resource Authority in Sumner County, Tennessee, and the Sumner County Emergency Communications District, which were not available from other auditors as of the date of this report. Our audit was performed for the purpose of forming our opinions on the

financial statements that collectively comprise Sumner County'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.

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

This report is intended solely for the information and use of management, the county executive, director of schools, superintendent of roads, County Commission, Board of Education, Financial Management Committee, others within Sumner 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.

Yours very truly,

A handwritten signature in cursive script that reads "John G. Morgan". The signature is written in black ink and is positioned below the typed name.

John G. Morgan
Comptroller of the Treasury

JGM/rd

Sumner County, Tennessee
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	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Agriculture:			
Food Distribution (Noncash Assistance)	10.550	(2)	\$ 494,929
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	(2)	744,876
National School Lunch Program	10.555	(2)	2,883,014
Total U.S. Department of Agriculture			<u>\$ 4,122,819</u>
U.S. Department of the Interior:			
Direct Program:			
Payments in-Lieu-of Taxes	15.226	N/A	\$ 15,288
Total U.S. Department of the Interior			<u>\$ 15,288</u>
U.S. Department of Justice:			
Passed-through State Department of Finance and Administration:			
Edward Byrne Memorial Formula Grant Program	16.579	(2)	\$ 146,104
Passed-through State Office of Criminal Justice Programs:			
Drug Court Discretionary Grant Program	16.585	Z-05-025521	49,935
Total U.S. Department of Justice			<u>\$ 196,039</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Highway Planning and Construction	20.205	(3)	\$ 167,982
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	(2)	5,000
Total U.S. Department of Transportation			<u>\$ 172,982</u>
U.S. Department of Education			
Passed-through State Department of Labor and Workforce:			
Adult Education - State Grant Program	84.002	N/A	\$ 297,208
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	2,599,596
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	4,970,666
Special Education - Preschool Grants	84.173	N/A	138,326
Vocational Education - Basic Grants to States	84.048	N/A	360,159
Safe and Drug Free Schools and Communities	84.184	(2)	150,422
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	88,834
Education for Homeless Children and Youth - Grants for State and Local Activities	84.196	(2)	50,048
21st Century Community Learning Centers	84.287	(2)	393,391
State Grants for Innovative Programs	84.298	N/A	85,941
Education Technology State Grants	84.318	(2)	32,370
English Language Acquisition Grants	84.365	N/A	87,720
Improving Teacher Quality State Grants	84.367	N/A	1,173,910
Hurricane Education Recovery	84.938	N/A	96,401
Total U.S. Department of Education			<u>\$ 10,524,992</u>

(Continued)

Sumner County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1) (Cont.)

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
Elections Assistance Commission:			
Passed-through Tennessee Secretary of State's Office: Help America Vote Act Requirements Payments	90.401	(2)	\$ 250,000
Total Elections Assistance Commission			<u>\$ 250,000</u>
U.S. Department of Health and Human Services:			
Passed-through State Department of Labor and Workforce Development: Child Welfare Services - State Grants (Family Resource Center)	93.645	(2)	\$ 33,025
Total U.S. Department of Health and Human Services			<u>\$ 33,025</u>
U.S. Department of Homeland Security			
Passed through State Department of Military: Homeland Security Cluster: Homeland Security Grant Program	97.004	(4)	\$ 656,082
Total U.S. Department of Homeland Security			<u>\$ 656,082</u>
Total Expenditures of Federal Awards			<u>\$ 15,971,227</u>
		Contract Number	
<u>State Grants</u>			
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	\$ 40,226
Lottery for Education: Afterschool Program - State Department of Education	N/A	N/A	259,994
Safe Schools Act - State Department of Education	N/A	N/A	154,921
Coordinated School Health Initiative - State Department of Education	N/A	N/A	94,197
Development and Coordination of Rural Health Services - State Department of Health	N/A	N/A	1,028,225
Juvenile Justice States Supplemental Funds - State Commission on Children and Youth	N/A	(2)	9,000
Litter Program - State Department of Transportation	N/A	Z-06-028013-00	1,085
Litter Program - State Department of Transportation	N/A	Z-07-022851-00	58,534
Total State Grants			<u>\$ 1,646,182</u>

CFDA = Catalog of Federal Domestic Assistance

N/A = Not Applicable

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
(2) Information not available.
(3) CDP203169-01: \$49,235; CDP050088-01: \$118,747.
(4) Z-04-022497-01: \$182,333; Z-05-025212-00: \$451,636; (2): \$22,113.

Sumner County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2007

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

OFFICE OF FINANCE DIRECTOR

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
06.02	146	Financial transactions were not recorded in accordance with the county uniform chart of accounts
06.04	147	Expenditures exceeded appropriations at the major category level of control

OFFICE OF DIRECTOR OF SCHOOLS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
06.06	149	The office had deficiencies in budget operations
06.08	152	The office did not bid certain purchases

OTHER FINDINGS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
06.12	154	Duties were not segregated adequately in the Offices of Circuit Court Clerk and Clerk and Master
06.13	156	The county does not comply with its private act regarding purchasing

SUMNER COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2007

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the aggregate discretely presented component units is qualified. Our report on the governmental activities, each major fund, and the aggregate remaining fund information is unqualified.
2. The audit of the financial statements of Sumner County disclosed significant deficiencies in internal control. Three of these deficiencies were considered to be material weaknesses.
3. The audit disclosed no instances of noncompliance that are material to the financial statements of Sumner County.
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. Food Distribution (CFDA No. 10.550), the Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555), and Special Education Cluster: Special Education – Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173) were determined to be major programs.
8. A \$479,137 threshold was used to distinguish between Type A and Type B federal programs.
9. Sumner County did qualify as a low-risk auditee.

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 trustee and the emergency medical services director are included 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 ACCOUNTING RECORDS WERE NOT MAINTAINED IN CONFORMITY WITH THE COUNTY UNIFORM CHART OF ACCOUNTS
(Noncompliance Under Government Auditing Standards)

The accounting record's fund numbers, fund titles, and account numbers did not conform with the County Uniform Chart of Accounts. The failure to maintain accounts in conformity with the chart defeats the intent of the County Uniform Chart of Accounts as established by the Office of the Comptroller of the Treasury under provisions of Section 5-8-501, Tennessee Code Annotated. This deficiency resulted in a significant increase in total audit hours.

RECOMMENDATION

Accounting records should be maintained in conformity with the County Uniform Chart of Accounts.

FINDING 07.02 CERTAIN RECEIVABLES AND PAYABLES WERE NOT DETERMINED AND RECORDED IN THE ACCOUNTING RECORDS
(Internal Control – Material Weakness Under Government Auditing Standards)

Certain receivables and payables at June 30, 2007, were not determined and recorded in the accounting records for various funds as required by generally accepted accounting principles. We performed audit procedures and identified the following additional receivables and payables at June 30, 2007:

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>
General	\$ 683,510	\$ 0
General Debt Service	58,929	0
Highway/Public Works	247,229	0
General Capital Projects	0	1,299,317

We have presented audit adjustments to management for their approval and posting to properly present these receivables and payables in the financial statements of this report.

RECOMMENDATION

Receivables and payables should be properly determined and recorded in the accounting records as required by generally accepted accounting principles.

FINDING 07.03 **THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS**
 (A. – Noncompliance Under Government Auditing Standards; B. – Internal Control – Significant Deficiency Under Government Auditing Standards)

Our examination revealed the following deficiencies in budget operations:

- A. Expenditures exceeded appropriations approved by the County Commission in the major appropriation categories (the legal level of control) of the funds listed below:

<u>Fund/Major Category</u>	<u>Amount Overspent</u>
General:	
Other Administration of Justice	\$ 10,071
Administration of the Sexual Offender Registry	2,361
Libraries	21,102
Highway and Bridge Maintenance	1,113
General Debt Service:	
Other Debt Service - Education	119,875
Highway/Public Works:	
Other Charges	5,936

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.”

- B. The budget and subsequent amendments submitted to and approved by the County Commission for the Drug Control Fund resulted in appropriations exceeding available funding by \$42,700.

RECOMMENDATION

Expenditures should be held within appropriations approved by the County Commission as required by state statute. Appropriations that exceed estimated available funds should not be submitted to or approved by the County Commission.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 07.04 **APPROPRIATIONS EXCEEDED AVAILABLE FUNDING IN THE SCHOOL FEDERAL PROJECTS FUND**
(Internal Control – Material Weakness Under Government Auditing Standards)

The budget and subsequent amendments submitted to and approved by the County Commission for the School Federal Projects Fund resulted in appropriations exceeding available funding by \$790,304.

RECOMMENDATION

Appropriations that exceed estimated available funds should not be submitted to or approved by the County Commission.

FINDING 07.05 **A CASH SHORTAGE OF \$2,022.70 EXISTED AT THE STATION CAMP HIGH SCHOOL CAFETERIA**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

In October 2007, food service personnel observed that collections for September 4, 2007, at Station Camp High School were not deposited into the bank account.

We reviewed the accounting records at the Station Camp High School Cafeteria for the period August 13, 2007, through October 31, 2007, and noted the following deficiencies:

- A. Collections totaling \$2,022.70 for September 4, 2007, were not deposited or accounted for in any manner.
- B. Food service personnel reconciled the monthly bank statements with the daily summary reports from the computer system. However, original deposit slips and supporting documentation (original receipts) were not reviewed and reconciled with the summary reports and bank deposits. Any differences between daily collections and deposits were noted on the bank reconciliation, but an explanation of the differences was not always given.

- C. Duties were not segregated adequately. Employees who were responsible for maintaining accounting records were also involved in receipting and depositing funds.
- D. Funds were not adequately safeguarded because several employees had access to collections.

It should be noted that in the prior year audit we reported a cash shortage of \$7,121.85 at the Hendersonville High School Cafeteria. We have discussed this finding with the district attorney general.

RECOMMENDATION

Officials should seek restitution for any missing funds. Also, officials should take immediate steps to develop improved internal control procedures over the operations of the Station Camp High School Cafeteria and correct the above-noted deficiencies. School officials should randomly perform internal audit procedures at all of the School Department cafeterias to ensure control over collections.

FINDING 07.06 **THE OFFICE DID NOT BID THE PURCHASE OF FENCES**
(Noncompliance Under Government Auditing Standards)

Competitive bids were not solicited for the purchase of fences (\$103,560) at Station Camp High School. Sumner County operates under the provisions of Chapter 113, Private Acts of 2002. This private act does not provide a dollar amount requiring advertisement and competitive bidding, and the financial management committee has not formally adopted a dollar amount requiring competitive bids. Therefore, public advertising for the School Department falls under the provisions of Section 49-2-203, Tennessee Code Annotated, which provide for the county Board of Education, through its executive committee, to make all purchases, and for competitive bids to be solicited through newspaper advertisement on all purchases exceeding \$10,000.

RECOMMENDATION

All purchases estimated to exceed \$10,000 should be competitively bid.

FINDING 07.07 **CERTAIN RECEIVABLES WERE NOT DETERMINED AND RECORDED IN THE GENERAL PURPOSE SCHOOL FUND**
(Internal Control – Material Weakness Under Government Auditing Standards)

Certain receivables at June 30, 2007, were not determined and recorded on the accounting records for the General Purpose School Fund as required by generally accepted accounting principles. We performed audit procedures and identified additional receivables of

\$1,016,147 at June 30, 2007. We have presented audit adjustments to management for their approval and posting to present properly these receivables in the financial statements of this report.

RECOMMENDATION

Receivables should be properly determined and recorded in the accounting records as required by generally accepted accounting principles.

OFFICE OF TRUSTEE

FINDING 07.08 **THE OFFICE DID NOT REQUIRE TWO DEPOSITORIES TO ADEQUATELY COLLATERALIZE FUNDS EXCEEDING FDIC COVERAGE**
(Noncompliance Under Government Auditing Standards)

The trustee did not require two depositories holding county funds to pledge adequate securities to protect funds that exceeded Federal Deposit Insurance Corporation (FDIC) coverage. At June 30, 2007, deposits at these depositories exceeded FDIC coverage and collateral securities pledged by \$578,879. 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 trustee should require all depositories to pledge adequate securities to protect county funds exceeding FDIC coverage as required by state statute.

MANAGEMENT'S RESPONSE – TRUSTEE

As of June 30, 2007, the face value of pledged securities for the two depositories exceeded 105 percent, but the market value of securities did not. As soon as the Tennessee statute was brought to my attention by the auditor, the depositories were immediately contacted and remedied the insufficient securities. The two depositories and I were not aware that the statute stated “market” value specifically. Additionally, one of the depositories has now been approved as a member of the collateral pool.

OTHER FINDINGS AND RECOMMENDATIONS

**FINDING 07.09 EMERGENCY MEDICAL SERVICES DEPARTMENT EMPLOYEES PERFORMED WORK FOR A NONPROFIT ORGANIZATION AND THE CHAMBER OF COMMERCE ON COUNTY TIME
(Noncompliance Under Government Auditing Standards)**

Emergency Medical Services Department employees performed various work for Ashley's Place – Sumner County Child Advocacy Center and the Gallatin Chamber of Commerce. This work was performed during county business hours when the employees were on duty and being paid by Sumner County. Section 5-9-109, Tennessee Code Annotated, provides that a county may appropriate funds for the financial aid of any nonprofit charitable organization or chamber of commerce if certain guidelines are followed; however, the Sumner County Commission did not appropriate funds or authorize the use of county employees to provide labor for these organizations.

RECOMMENDATION

County employees should not perform work for nonprofits unless it has been approved by the County Commission.

**FINDING 07.10 THE EMERGENCY MEDICAL SERVICES DIRECTOR HAD QUESTIONABLE LEAVE BALANCES
(Internal Control – Significant Deficiency Under Government Auditing Standards)**

Leave records maintained at the Emergency Medical Services (EMS) are not accurate. The EMS director earns vacation and sick leave as provided in the county's personnel policies and procedures manual. However, records at the EMS indicate that the director has never used any sick leave. The Tennessee Bureau of Investigation (TBI) was requested to review the director's personnel files. At the conclusion of the review by the TBI, the director deducted 312 hours of sick leave from his accumulated balances related to an injury that purportedly occurred during September 2005.

RECOMMENDATION

Accurate leave records should be maintained at the EMS. All personnel, including the director, should maintain daily time and attendance records to document their leave earned and used. Leave records should reflect beginning period balances, leave earned, leave used, and ending period balances.

MANAGEMENT'S RESPONSE – EMERGENCY MEDICAL SERVICES DIRECTOR

I am currently tracking my time via our computer aided dispatch, and that time is being input into our in-house payroll system and will also be reported to the EMS Committee on a monthly basis.

FINDING 07.11 DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF CIRCUIT COURT CLERK AND CLERK AND MASTER,
(Internal Control – Significant Deficiency Under Government Auditing Standards)

Duties were not segregated adequately among the employees in the Offices of Circuit Court Clerk and Clerk and Master. Employees responsible for maintaining the accounting records were also involved in receipting, depositing, and/or disbursing funds.

RECOMMENDATION

To strengthen internal controls over operations, officials should segregate duties adequately among employees.

FINDING 07.12 THE COUNTY DOES NOT COMPLY WITH ITS PRIVATE ACT REGARDING PURCHASING
(Noncompliance Under Government Auditing Standards)

Chapter 113, Private Acts of 2002, provides that the financial management committee, with the assistance of the purchasing agent, shall establish a purchasing system for the county. This act also provides for the purchasing agent to review specifications and changes developed by individual departments to allow for maximum competition of prospective bidders; prepare formal and informal bids; collect sealed bids; and open bids through a procedure open to the public. In addition, the purchasing agent shall evaluate, compare, and submit bids for approval by the financial management committee, if so deemed by the committee; issue purchase orders and contracts; and verify receiving the merchandise or service. Sumner County hired a purchasing agent May 1, 2006; however, a purchasing system has not been established.

RECOMMENDATION

The financial management committee should establish a purchasing system in compliance with its private act.

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

There were no findings and questioned costs for federal awards.

**SUMNER COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2007**

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