

Upper Cumberland Community Services Agency

**For the Year Ended
June 30, 2002**

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STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
State Capitol
Nashville, Tennessee 37243-0260
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John G. Morgan
Comptroller

September 30, 2003

The Honorable Phil Bredesen, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and
Board of Directors
Upper Cumberland Community Services Agency
417 East Broad Street
Cookeville, Tennessee 38501

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Upper Cumberland Community Services Agency for the year ended June 30, 2002. You will note from the independent auditor's report that an unqualified opinion was given on the fairness of the presentation of the financial statements.

Consideration of internal control over financial reporting and tests of compliance disclosed certain deficiencies, which are detailed in the Results of the Audit section of this report. The agency's management has responded to the audit finding; the response is included following the finding. The Division of State Audit will follow up the audit to examine the application of the procedures instituted because of the audit finding.

Sincerely,

John G. Morgan
Comptroller of the Treasury

JGM/mb
03/085

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit
Upper Cumberland Community Services Agency
For the Year Ended June 30, 2002

AUDIT OBJECTIVES

The objectives of the audit were to consider the agency's internal control over financial reporting; to determine compliance with certain provisions of laws, regulations, and contracts; to determine the fairness of the presentation of the financial statements; and to recommend appropriate actions to correct any deficiencies.

COMPLIANCE FINDING

Controls Over Contracts Need Improvement

Management permitted liabilities to be incurred before contracts were approved and included in the plan of operation. Also, Upper Cumberland Community Services Agency operated the Independent Living program without having a contract with the Department of Children's Services for the program.

OPINION ON THE FINANCIAL STATEMENTS

The opinion on the financial statements is unqualified.

"Audit Highlights" is a summary of the audit report. To obtain the complete audit report, which contains all findings, recommendations, and management comments, please contact

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Audit Report
Upper Cumberland Community Services Agency
For the Year Ended June 30, 2002

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Upper Cumberland Community Services Agency For the Year Ended June 30, 2002

INTRODUCTION

POST-AUDIT AUTHORITY

This is a report on the financial and compliance audit of the Upper Cumberland Community Services Agency. The audit was conducted pursuant to Section 37-5-313, *Tennessee Code Annotated*, which authorizes the Comptroller of the Treasury to “make an annual audit of the program established by this part as part of the comptroller’s annual audit pursuant to Section 9-3-211.”

BACKGROUND

Tennessee’s 12 community health agencies were created by Chapter 567 of the Public Acts of 1989, known as the Community Health Agency Act of 1989. This legislation established a defined system of health services to make health care available to the indigent citizens of Tennessee. The community health agencies determined areas of need in their geographic areas and ensured that services were available to meet those needs.

In May 1996, the Community Services Agency Act of 1996 replaced the community health agencies with the community services agencies. The purpose of these agencies is to coordinate funds and programs designated for care of children and other citizens in the state.

The Upper Cumberland Community Services Agency serves the following counties: Cannon, Clay, Cumberland, Dekalb, Fentress, Jackson, Macon, Overton, Pickett, Putnam, Smith, Van Buren, Warren and White. The agency’s administrative offices are in Cookeville, Tennessee.

The governing body of the Upper Cumberland Community Services Agency is the board of directors. As of June 30, 2002, the board was composed of 14 members. (See Appendix.) An executive committee, consisting of three board members, has the authority to act on behalf of the board of directors in the management of the agency’s property, affairs, and funds in extraordinary circumstances when the governing board cannot convene.

The agency’s programs are carried out by staff under the supervision of the executive director, who is appointed by the Commissioner of the Department of Children’s Services, subject to the approval of the board.

AUDIT SCOPE

The audit was limited to the period July 1, 2001, through June 30, 2002, and was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Financial statements are presented for the year ended June 30, 2002. The Upper Cumberland Community Services Agency has been included as a component unit in the *Tennessee Comprehensive Annual Financial Report*.

OBJECTIVES OF THE AUDIT

The objectives of the audit were

1. to consider the agency's internal control over financial reporting to determine auditing procedures for the purpose of expressing an opinion on the financial statements;
2. to determine compliance with certain provisions of laws, regulations, and contracts;
3. to determine the fairness of the presentation of the financial statements; and
4. to recommend appropriate actions to correct any deficiencies.

PRIOR AUDIT FINDINGS

There were no findings in the prior audit report.

OBSERVATIONS AND COMMENTS

As noted in prior audits, the Upper Cumberland Community Services Agency has entered into a contract with the Department of Children's Services, specifying that the community services agency (CSA) would assist in implementing various state programs. However, the department's participation in this contract was greater than indicated in the contract. Through

this contract, state officials directly supervised CSA employees. And although these CSA employees' salaries, travel costs, and other program costs were paid by the CSA, the Department of Children's Services reimbursed the CSA for these costs, including the CSA's administrative costs for serving as a fiscal agent. This contract appears to create "employer-employee" relationships between the department and these individuals.

Programs under the supervision of the Department of Children's Services included Children and Family Services, Family Support Services, Flexible Funding, and Emergency Residential. According to the CSA organization chart at the Department of Children's Services, several CSA employees reported to Department of Children's Services supervisors.

The practice of allowing employees of non-state entities such as the community services agencies to report directly to officials or employees of the Department of Children's Services, in carrying out what can be construed as state programs, raises policy and legal issues. We do not believe these situations should be accepted as a matter of policy. Section 37-5-314, *Tennessee Code Annotated*, considers CSA employees "state employees" for the purposes of negligent acts or omissions within the scope of their authority. However, Section 37-5-315(2), *Tennessee Code Annotated*, states: "This part shall not be construed as creating an employer-employee relationship between the department, the community services agencies or their contractors." This legal concern arises from the legislative intent that the department not create an employer-employee relationship with community services agencies and a review of the factors commonly used in determining the existence of an employer-employee relationship. These factors include the Department of Children's Services' ability to direct and control the work of CSA employees it supervises. These relationships also create inherent problems for the Department of Children's Services supervisory personnel in that they have less direct control over the performance of CSA case managers.

In addition, the state apparently has incurred additional cost by contracting with non-state entities to operate programs. Over the years, the CSAs have operated programs for various departments of the state. In addition to direct program costs, the CSAs have received funding from each state department to defray the costs of administration. These costs included the salaries and benefits of the executive director and fiscal officer and costs of travel, supplies, and equipment used by the administrative staff.

The most recent audit of the Department of Children's Services includes an audit finding on these inappropriate contracts with the Upper Cumberland Community Services Agency and other CSAs serving the department.

RESULTS OF THE AUDIT

AUDIT CONCLUSIONS

Internal Control

As part of the audit of the Upper Cumberland Community Services Agency's financial statements for the year ended June 30, 2002, we considered internal control over financial reporting to determine auditing procedures for the purpose of expressing an opinion on the financial statements, as required by auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Consideration of internal control over financial reporting disclosed no material weaknesses.

Compliance

The results of our audit tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. Immaterial instances of noncompliance, along with recommendations and management's response, are included in the finding and recommendation.

Fairness of Financial Statement Presentation

The Division of State Audit has rendered an unqualified opinion on the Upper Cumberland Community Services Agency's financial statements.



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**Report on Compliance and on Internal Control
Over Financial Reporting Based on an Audit of
Financial Statements Performed in Accordance With
*Government Auditing Standards***

June 17, 2003

The Honorable John G. Morgan
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Morgan:

We have audited the financial statements of the Upper Cumberland Community Services Agency, a component unit of the State of Tennessee, as of and for the year ended June 30, 2002, and have issued our report thereon dated June 17, 2003. As discussed in Note 11 to the financial statements, the Upper Cumberland Community Services Agency implemented Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*; and 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus—an amendment of GASB Statements No. 21 and No. 34*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Upper Cumberland Community Services Agency's financial statements are free of material misstatement, we performed tests of the agency's compliance with certain provisions of laws, regulations, and contracts, 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

The Honorable John G. Morgan
June 17, 2003
Page 2

We did, however, note certain immaterial instances of noncompliance that we have included in the Finding and Recommendation section of this report. We also noted a certain other less significant instance of noncompliance that we have reported to the agency's management in a separate letter.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Upper Cumberland Community Services Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that we have reported to the agency's management in a separate letter.

This report is intended solely for the information and use of the General Assembly of the State of Tennessee, the board of directors, and management, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record.

Sincerely,

A handwritten signature in black ink that reads "Arthur A. Hayes, Jr." The signature is written in a cursive style with a prominent initial "A".

Arthur A. Hayes, Jr., CPA,
Director

AAH/th

FINDING AND RECOMMENDATION

Controls over contracts should be improved

Finding

Management of the Upper Cumberland Community Services Agency (CSA) did not ensure adequate controls over contracts. As a result, the following problems were noted:

- Liabilities were incurred pertaining to two contracts before the contracts were approved and included in the CSA's plan of operation.
- There was no written contract between the CSA and the Department of Children's Services for the Independent Living program, nor was this program listed in the plan of operation as required by *Tennessee Code Annotated*.
- Two of five grantor contracts (40%) were not signed by the executive director.
- One of five grantor contracts (20%) was not signed by the board chair.
- Twenty-three of 23 vendor contracts (100%) were not signed by the executive director.
- Contracts and plan of operation amendments were dated by someone other than the board chair.

Section 37-5-310(a)(2), *Tennessee Code Annotated*, requires the plan of operation to include contracts for services. Also, according to the agency's internal operations policy entitled "Contract Approval Processes," both the board chair and the executive director must sign contracts in order for them to be valid. In addition, grantor contracts state that the CSA is not bound by the contract until the appropriate officials sign the contract.

Recommendation

The executive director should ensure that services are not authorized or provided, or liabilities incurred, until all approvals have been obtained. All contracts and contract amendments should be prepared and signed in a timely manner and reflected in the agency's plan of operation or subsequent plan amendments. Also, all contracts should be signed and dated by both the board chair and the executive director in accordance with agency policy.

Management's Comment

We concur. The agency took the proper steps to include the two contracts mentioned into the Plan of Operation by getting Board approval and submitting to the State for inclusion into the Plan of Operation. The Department of Education contract (a short term, six-month contract set to end on June 30, 2002) was approved by the Board and submitted to the State for inclusion in the

Plan of Operation in January, 2002; however, approvals did not occur in a timely enough manner to avoid incurring expenses to provide services necessary to fulfill the contract prior to June 30. The VITA contract was for the purchase of emergency bed services for custodial children. The agency had no reasonable expectation that these placements would exceed \$5,000 when the children were initially placed. However, the children had to remain in this placement longer than anticipated and by the time that agency realized that, the costs had exceeded the \$5,000 threshold, thereby requiring a contract. The agency did not issue payment for these services, however, until the contract and Plan had been approved. In the future, we will insure that we do not incur liabilities before the proper State approvals have been granted.

The agency provided services to youth for the independent living program through an informal agreement with the Department of Children's Services (DCS) in an effort to expedite services at the local level, rather than the youth not being able to receive services due to delays in getting payments processed at the State level. This has since been corrected and the DCS now contracts with us for these services.

For the past twelve years, the agency has operated by obtaining either the Executive Director or Board Chair signature on contracts thinking this was an acceptable practice since it had never been indicated as an audit problem before. All contracts are approved by the Board prior to implementation, thereby indicating that the Board has granted authority for an individual representing the agency to negotiate such an agreement. Additionally, staff did date the contracts as a courtesy for the Board Chair or Executive Director. We do agree, however, that since the Internal Operations Policy states that both signatures will be on contracts, we have already modified our practice to now include both the Executive Director and Board Chair signature. Although the agency's policy does not speak to the contracts being dated by the Executive Director and Board Chair, they will now enter the date that they signed the contract rather than staff entering it.



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT

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Independent Auditor's Report

June 17, 2003

The Honorable John G. Morgan
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Morgan:

We have audited the accompanying financial statements of the governmental activities and the general fund of the Upper Cumberland Community Services Agency, a component unit of the State of Tennessee, as of and for the year ended June 30, 2002, which collectively comprise the agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the agency's management. Our responsibility is to express an opinion on these financial statements, based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Upper Cumberland Community Services Agency as of June 30, 2002, and the respective

The Honorable John G. Morgan
June 17, 2003
Page 2

changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 11 to the financial statements, the Upper Cumberland Community Services Agency adopted the provisions of Governmental Accounting Standards Board Statements 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*; and 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus—an amendment of GASB Statements No. 21 and No. 34*. This resulted in changes to the format and content of the financial statements.

The management's discussion and analysis and the Schedule of Pension Funding Progress for Upper Cumberland Community Services Agency are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the agency's basic financial statements. The accompanying financial information on page 32 is presented for purposes of additional analysis 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2003, on our consideration of Upper Cumberland Community Services Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Sincerely,

A handwritten signature in black ink, appearing to read "Arthur A. Hayes, Jr.", written in a cursive style.

Arthur A. Hayes, Jr., CPA
Director

AAH/mb

UPPER CUMBERLAND COMMUNITY SERVICES AGENCY MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of Upper Cumberland Community Services Agency provides this *Management's Discussion and Analysis* for readers of the financial statements. This narrative overview and analysis of the financial activities of the Upper Cumberland Community Services Agency is for the fiscal year ended June 30, 2002. Because the Upper Cumberland Community Services Agency is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. In future years, as prior-year information becomes available, a comparative analysis of government-wide data will be presented.

FINANCIAL HIGHLIGHTS

Government-Wide Highlights:

Net Assets – The assets of the agency exceeded its liabilities at fiscal year ended June 30, 2002, by \$423,057.13 (presented as “net assets”). Of this amount, \$386,092.56 was reported as “unrestricted net assets.” Unrestricted net assets represent the amount available to be used to meet the agency’s ongoing obligations.

Changes in Net Assets – The agency’s total net assets increased by \$102,628.82 in fiscal year 2002.

Fund Highlights:

Governmental Funds Fund Balances – As of the close of fiscal year 2002, the agency’s only governmental fund, the general fund, reported an ending fund balance of \$464,365.20, an increase of \$76,348.31 in comparison with the prior year. Of this total amount, \$464,315.20 represents the “unreserved fund balance.”

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Upper Cumberland Community Services Agency’s basic financial statements. The basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains additional required supplementary information (the Schedule of Pension Funding Progress) and supplementary information which is not required (the Budgetary Comparison Schedule) in addition to the basic financial statements. These components are described below:

Basic Financial Statements

The basic financial statements include two kinds of financial statements that present different views of the agency—the *Government-Wide Financial Statements* and the *Fund Financial Statements*. These financial statements also include the *Notes to the Financial Statements* that explain some of the information in the financial statements and provide more detail.

Government-Wide Financial Statements

The *government-wide financial statements* provide a broad view of the agency’s operations using accounting methods similar to a private-sector business. The statements provide both short-term and long-term information about the agency’s financial position, which assists in assessing the agency’s economic condition at the end of the fiscal year. These are prepared using the economic resources measurement focus and the accrual basis of accounting. They take into account all revenues and expenses connected with the fiscal year even if cash involved has not been received or paid. The government-wide financial statements include two statements:

The *Statement of Net Assets* presents all of the government’s assets and liabilities, with the difference between the two reported as “net assets.” Over time, increases or decreases in the agency’s net assets may serve as a useful indicator of whether the financial position of the agency is improving or deteriorating.

The *Statement of Activities* presents information showing how the government’s net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (such as earned but unused vacation leave). This statement also presents a comparison between direct expenses and program revenues for each of the agency’s programs.

Governmental Activities – All of the agency’s services are included here. Most of the agency’s basic services are providing help to children and families and transportation for TennCare enrollees. These activities are supported primarily by governmental revenues (state grants) and revenue from TennCare Managed Care Organizations and Behavioral Health Organizations. Most services normally associated with the agency fall into services provided for children as funded by the Department of Children’s Services and the Department of Health.

The government-wide financial statements can be found immediately following this discussion and analysis.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The agency, like other agencies and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related

legal requirements. The fund financial statements focus on individual parts of the agency, reporting the agency's operations in more detail than the government-wide statements.

Governmental Funds Financial Statements – The basic services provided by the agency are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements. This approach is known as using the current financial resources measurement focus and the modified accrual basis of accounting. These statements provide a detailed short-term view of the agency's finances that assists in determining whether there will be adequate financial resources available to meet the current needs of the agency. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the agency's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and the governmental activities. These reconciliations are presented on the same pages as the governmental fund financial statements. The agency has one governmental fund, the General Fund. The basic governmental funds financial statements can be found immediately following the government-wide statements.

Notes to the Financial Statements

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

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information, which consists of a Schedule of Pension Funding Progress.

Supplementary Information

The Budgetary Comparison Schedule is presented as supplementary information. It follows the required supplementary information.

FINANCIAL ANALYSIS

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of an agency's financial position. The agency's net assets (governmental activities) totaled \$423,057.13 at the end of 2002, compared to \$320,428.31 at the end of the previous year.

UCCSA'S NET ASSETS

Governmental Activities

	<u>2002</u>
Current and other assets	\$962,150.98
Capital assets	<u>36,964.57</u>
Total assets	<u>999,115.55</u>
Current and other liabilities	497,785.78
Long-term liabilities	<u>78,272.64</u>
Total liabilities	<u>576,058.42</u>
Net assets	
Invested in capital assets	36,964.57
Unrestricted	<u>386,092.56</u>
Total net assets	<u>\$423,057.13</u>

Changes in Net Assets

The agency's net assets increased by \$102,628.82 or 32%. Approximately 72% of the agency's total revenue came from the State of Tennessee, 17% from federal revenue sources, and 10% resulted from charges for various goods and services provided.

Changes in UCCSA's Net Assets

Governmental Activities

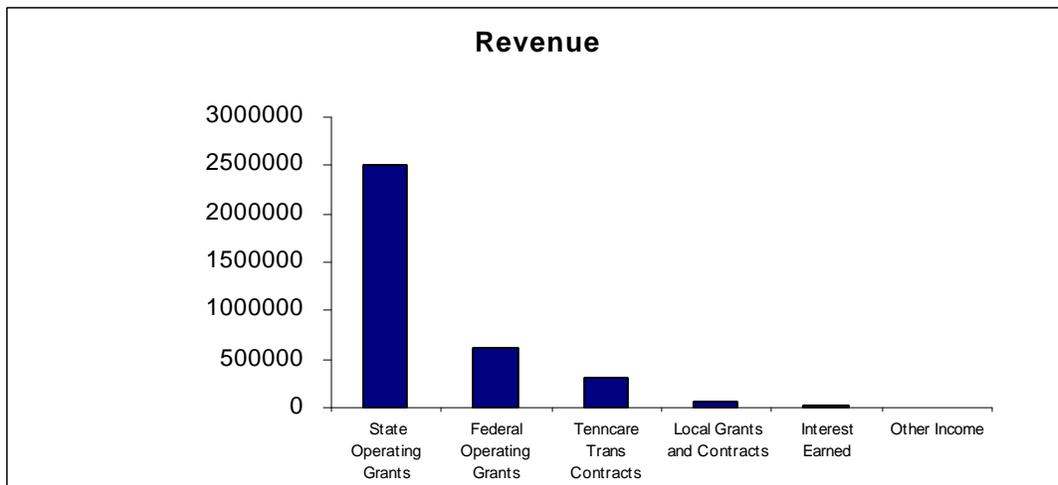
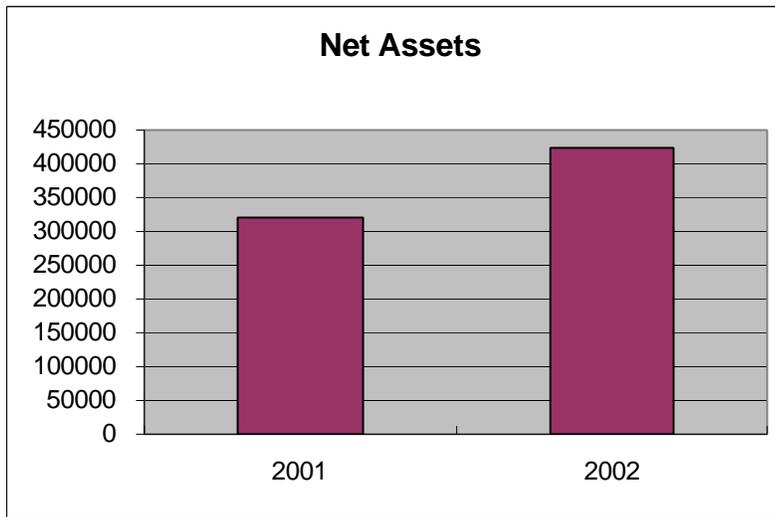
Revenues	<u>2002</u>
Program revenues	
Charges for services	\$ 369,188.56
State grants and contracts	2,241,830.71
Federal grants and contracts	612,113.40
Other	1,215.00
General revenues	

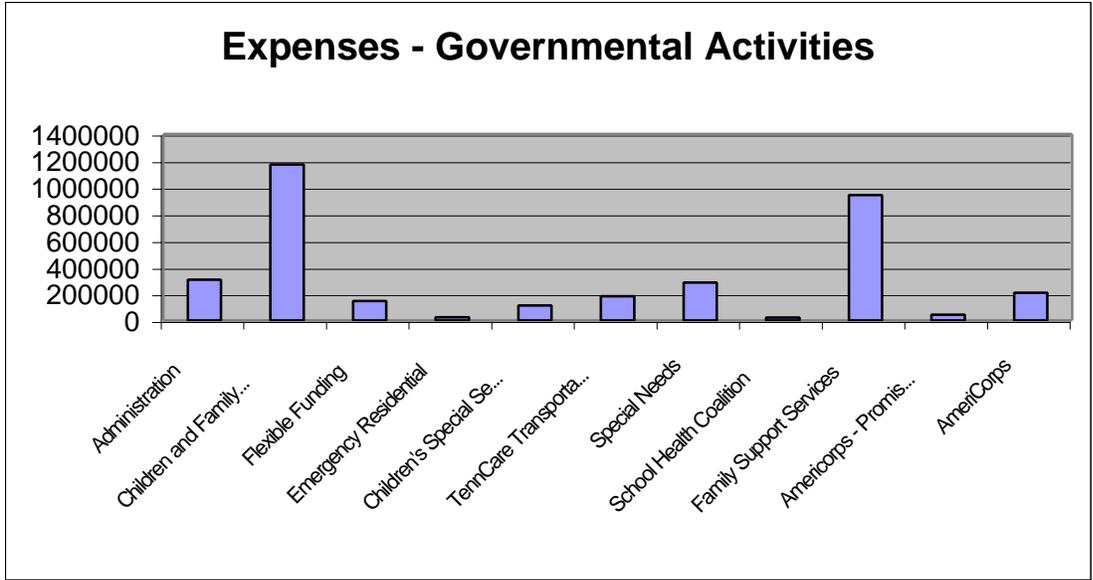
Payment from state	266,071.22
Interest	<u>18,468.48</u>
Total revenues	<u>3,508,887.37</u>

Expenses

Administration	275,496.97
Health and social services	<u>3,130,761.58</u>
Total expenses	<u>3,406,258.55</u>

Increase in net assets **\$ 102,628.82**



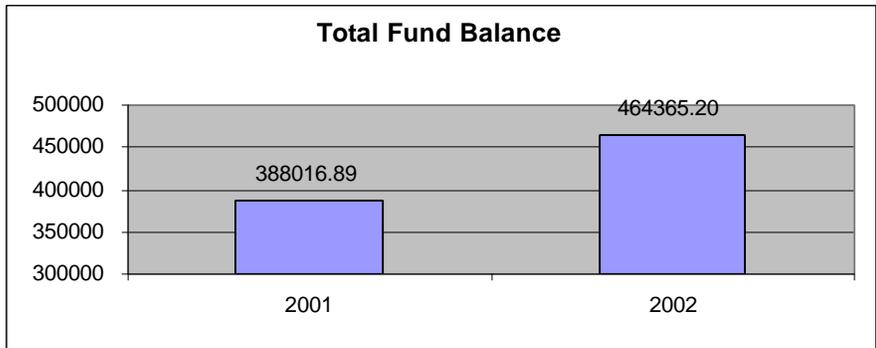


FINANCIAL ANALYSIS OF THE AGENCY'S INDIVIDUAL FUND

As noted earlier, the agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Fund

The focus of the agency's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the agency's financing requirements. In particular, unreserved fund balance may serve as a useful measure of an agency's net resources available for spending at the end of the fiscal year. The agency's governmental fund reported an ending fund balance of \$464,365.20, an increase of \$76,348.31 in comparison with the prior year.



GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final budget were relatively minor (\$190,544 increase in revenues) and can be briefly summarized as follows. The agency added a Coordinated School Health program and an Americorps Promise Fellows program during the fiscal year. Also, differences between the final budget and actual exist for both DCS Revenue and Child and Family Services. The differences were caused by the Child and Family Services budget, which is a Department of Children's Services program. Several positions within the Child and Family Services program transferred to state positions; thus, the budget was reduced and actual expenditures were less than expected.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The agency's investment in capital assets for its governmental activities as of June 30, 2002, amounts to \$47,059.00, which, net of accumulated depreciation of \$10,094.43, leaves a net book value of \$36,964.57. This investment in capital assets does not constitute a material balance on the statement of net assets. Note 3 to the financial statements provides additional capital assets detail. Liabilities for future payments for compensated absences are described in detail in the Notes to the Financial Statements (Note 4).

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Management does foresee significant changes in their programs in the near future. As economic factors and budgets affect the State of Tennessee, they will probably affect our agency since we are almost totally funded by the State.

Upper Cumberland Community Services Agency
Statement of Net Assets
June 30, 2002

Assets	Governmental Activities
Cash (Note 2)	\$ 800,916.72
Accounts receivable	419.66
Due from the State of Tennessee	154,347.48
Due from other CSA	6,417.12
Prepaid item	50.00
Capital assets (Note 3):	
Equipment	47,059.00
Less accumulated depreciation	<u>(10,094.43)</u>
Total assets	<u>999,115.55</u>
Liabilities	
Accrued payroll, payroll taxes, and benefits	85,337.30
Accounts payable	63,272.65
Due to the State of Tennessee	342,152.83
Due to other CSA	416.67
Due to other component unit	1,223.00
Deferred revenue	5,383.33
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences (Note 4)	50,838.01
Portion due or payable after one year:	
Compensated absences (Note 4)	<u>27,434.63</u>
Total liabilities	<u>576,058.42</u>
Net Assets	
Invested in capital assets	36,964.57
Unrestricted	<u>386,092.56</u>
Total net assets	<u>\$ 423,057.13</u>

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

Upper Cumberland Community Services Agency
Statement of Activities
For the Year Ended June 30, 2002

Programs	Program Revenues				Net (Expense) Revenue and Change in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Administration	\$ 275,496.97	\$ -	\$ -	\$ -	\$ (275,496.97)
Children and Family Services	1,170,470.39	-	1,169,697.56	-	(772.83)
Family Support Services	942,909.28	-	940,311.36	-	(2,597.92)
Flexible Funding	144,611.53	-	144,611.53	-	-
Emergency Residential	22,745.66	-	22,745.66	-	-
TennCare Transportation	180,496.21	298,590.18	-	-	118,093.97
Children's Special Services	111,269.11	-	111,615.39	-	346.28
AmeriCorp Promise Fellows	43,181.63	6,173.34	22,874.26	-	(14,134.03)
AmeriCorp	209,056.87	64,425.04	147,070.42	-	2,438.59
Special Needs	283,768.52	-	273,980.55	-	(9,787.97)
School Health Coalition	22,252.38	-	22,252.38	-	-
Total	<u>\$ 3,406,258.55</u>	<u>\$ 369,188.56</u>	<u>\$ 2,855,159.11</u>	<u>\$ -</u>	<u>(181,910.88)</u>
General revenues:					
Payment from the State of Tennessee					266,071.22
Unrestricted investment earnings					18,468.48
Total general revenues					<u>284,539.70</u>
Change in net assets					102,628.82
Net assets - beginning					320,428.31
Net assets - ending					<u>\$ 423,057.13</u>

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

Upper Cumberland Community Services Agency
 Balance Sheet
 General Fund
 June 30, 2002

Assets	
Cash (Note 2)	\$ 800,916.72
Accounts receivable	419.66
Due from the State of Tennessee	154,347.48
Due from other CSA	6,417.12
Prepaid item	50.00
Total assets	<u>\$ 962,150.98</u>
 Liabilities and Fund Balance	
Liabilities:	
Accrued payroll, payroll taxes, and benefits	\$ 85,337.30
Accounts payable	63,272.65
Due to the State of Tennessee	342,152.83
Due to other CSA	416.67
Due to other component unit	1,223.00
Deferred revenue	5,383.33
Total liabilities	<u>497,785.78</u>
 Fund balance:	
Reserved for prepaid item	50.00
Unreserved	464,315.20
Total fund balance	<u>464,365.20</u>
Total liabilities and fund balance	<u>\$ 962,150.98</u>

Reconciliation of the general fund balance sheet to the statement of net assets:

Total fund balance	\$ 464,365.20
 Amounts reported in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the general fund.	36,964.57
 Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the general fund. Long-term liabilities at year-end consist of:	
Compensated absences	<u>(78,272.64)</u>
Total net assets	<u>\$ 423,057.13</u>

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

Upper Cumberland Community Services Agency
Statement of Revenues, Expenditures, and Changes in Fund Balance
General Fund
For the Year Ended June 30, 2002

Revenues

State grants and contracts	\$ 2,514,075.27
Federal grants and contracts	612,113.40
Local grants and contracts	64,425.04
TennCare Transportation contracts	298,590.18
Interest	18,468.48
Other	1,215.00
Total revenues	3,508,887.37

Expenditures

Administration	306,980.34
Children and Family Services	1,169,697.56
Family Support Services	940,311.36
Flexible Funding	144,611.53
Emergency Residential	22,745.66
TennCare Transportation	180,512.80
Children's Special Services	111,615.39
AmeriCorp Promise Fellows	43,154.22
AmeriCorp	207,153.97
Special Needs	283,503.85
School Health Coalition	22,252.38
Total expenditures	3,432,539.06
Excess of revenues over expenditures and net change in fund balance	76,348.31

Fund balance - July 1, 2001	388,016.89
Fund balance - June 30, 2002	\$ 464,365.20

Reconciliation of the general fund statement of revenues, expenditures, and changes in fund balance to the statement of activities:

Net change in fund balance	\$ 76,348.31
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Amounts reported in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the period. 31,978.94

The expense for compensated absences reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds. (5,698.43)

Changes in net assets of governmental activities	\$ 102,628.82
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The notes to the financial statements are an integral part of this statement.

Upper Cumberland Community Services Agency
Notes to the Financial Statements
June 30, 2002

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Title 37, Chapter 5, of *Tennessee Code Annotated*, established the CSA as “a political subdivision and instrumentality of the state.” The Upper Cumberland Community Services Agency is a component unit of the State of Tennessee and is discretely presented in the *Tennessee Comprehensive Annual Financial Report*. Although the CSA is a separate legal entity, the state is financially accountable for the CSA because the state appoints a majority of the CSA’s governing body and approves the CSA’s Plan of Operation (budget). The CSA’s reporting entity does not include any component units.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

The CSA’s basic financial statements consist of government-wide financial statements (the statement of net assets and the statement of activities) and fund financial statements (the balance sheet and the statement of revenues, expenditures, and changes in fund balance). The Upper Cumberland Community Services Agency does not have any proprietary or fiduciary funds, and its only governmental fund is the general fund.

The statement of net assets presents all of the CSA’s financial and capital resources including both short-term and long-term information. The statement of activities presents a comparison between the direct expenses and program revenues for each of the CSA’s programs. Direct expenses are those that are specifically associated with a program. Program revenues include (a) charges paid by the recipients for services provided by the program and (b) grants and contributions that are restricted to meeting the operational requirements of the program. Revenues that are not classified as program revenues are presented as general revenues.

Measurement Focus and Basis of Accounting

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

Upper Cumberland Community Services Agency
Notes to the Financial Statements (Cont.)
June 30, 2002

timing of related cash flows. Grants are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual, generally when they are measurable and become available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. Revenues that the CSA earns by incurring obligations are recognized in the same period the obligations are recognized. All other revenue items are considered to be available if collected within 60 days after the end of the current period.

Expenditures are recorded when the related fund liability is incurred, except for compensated absences, which are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds.

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

Assets and Liabilities

Cash

Cash reported in both the government-wide and the fund financial statements consists of petty cash, demand deposits, and deposits in the Local Government Investment Pool (LGIP) administered by the State Treasurer. The liquidity of the LGIP is sufficient to cover any withdrawal request by a participant.

Capital Assets

Capital assets are defined by the CSA as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capitalized assets are reported in the government-wide financial statements. Capitalized assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The CSA does not own any infrastructure. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capitalized assets are depreciated on a straight-line basis over the following estimated useful lives of the assets.

Upper Cumberland Community Services Agency
Notes to the Financial Statements (Cont.)
June 30, 2002

<u>Description</u>	<u>Estimated Life</u>
Computer Software	5 years
Telephone Equipment	5 years

Compensated Absences

It is the CSA'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 the CSA's policy is to pay this benefit only if the employee is sick or upon death. In the government-wide financial statements, the liability for all vacation pay is accrued when earned. In the fund financial statements, a liability for these amounts is reported only if they have matured, for example, because of employee resignations and retirements.

Budgetary Process

Legislation requires the CSA board to submit an annual plan of operation for review and approval to the Commissioner of Children's Services, Commissioner of Finance and Administration, and the Comptroller of the Treasury. As part of this plan, the CSA is to submit a financial plan for operating and capital expenditures. This financial plan is prepared on the modified accrual basis of accounting. The Plan of Operation may be amended during the year with the written approval of the Commissioners and the Comptroller.

The agency does not have an annual appropriated budget. The Plan of Operation serves as an annual financial plan for budgetary purposes.

NOTE 2. DEPOSITS

The Upper Cumberland Community Services Agency's bank accounts are in financial institutions that participate in the bank collateral pool administered by the Treasurer of the State of Tennessee. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

Upper Cumberland Community Services Agency
Notes to the Financial Statements (Cont.)
June 30, 2002

The Upper Cumberland Community Services Agency also has deposits in the Local Government Investment Pool (LGIP) administered by the State Treasurer. The LGIP is part of the Pooled Investment Fund. The fund's investment policy and custodial credit risk are presented in the *Tennessee Comprehensive Annual Financial Report* for the year ended June 30, 2002. That report may be obtained by writing to the Tennessee Department of Finance and Administration, Division of Accounts, 14th Floor William R. Snodgrass Tennessee Tower, 312 Eighth Avenue North, Nashville, Tennessee 37243-0298, or by calling (615) 741-2140.

NOTE 3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2002, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Equipment	\$ 22,559.65	\$ 35,134.00	\$ 10,634.65	\$ 47,059.00
Less accumulated depreciation	<u>(17,574.02)</u>	<u>(3,155.06)</u>	<u>(10,634.65)</u>	<u>(10,094.43)</u>
Total capital assets, net of depreciation	\$ <u>4,985.63</u>	\$ <u>31,978.94</u>	\$ <u>-</u>	\$ <u>36,964.57</u>

Depreciation expense was charged to the CSA programs as follows:

<u>Program</u>	<u>Amount</u>
Administration	\$ 2,452.97
Children and Family Services	172.52
Family Support Services	205.20
TennCare Transportation	249.88
AmeriCorp Promise Fellows	27.41
AmeriCorp	33.31
Special Needs	<u>13.77</u>
Total depreciation expense	\$ <u>3,155.06</u>

NOTE 4. LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2002, was as follows:

Upper Cumberland Community Services Agency
Notes to the Financial Statements (Cont.)
June 30, 2002

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Compensated absences	\$ <u>72,574.21</u>	\$ <u>101,181.48</u>	\$ <u>95,483.05</u>	\$ <u>78,272.64</u>
Total long-term liabilities	\$ <u>72,574.21</u>	\$ <u>101,181.48</u>	\$ <u>95,483.05</u>	\$ <u>78,272.64</u>

NOTE 5. OPERATING LEASES

The agency leases office space and equipment to carry out its activities and to administer the various grant programs. Total expenditures under operating leases for space and equipment were \$85,950.00 and \$8,282.35 for the year ended June 30, 2002. The leases were cancelable at the lessee's option.

In addition, the State of Tennessee has entered into cancelable lease agreements for space on behalf of the agency. The agency reimburses the state for these lease payments each month. Total reimbursements to the state for operating leases were \$2,778.84 for the year ended June 30, 2002. The agency is not obligated to continue making the lease payments should it discontinue use of the space.

NOTE 6. DEFINED BENEFIT PENSION PLAN

Plan Description

All full-time employees 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). The TCRS administers a defined benefit pension plan that provides retirement, disability, and death benefits, as well as annual cost-of-living adjustments, to plan members and beneficiaries. Benefit provisions are established in state statute found in Title 8, Chapters 34-37, *Tennessee Code Annotated*. State statutes are amended by the Tennessee General Assembly. Amendments to the TCRS are not applicable to a political subdivision unless approved by the political subdivision's 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 Department of the Treasury, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, Tennessee 37243-0230, or can be accessed at www.treasury.state.tn.us.

Upper Cumberland Community Services Agency
Notes to the Financial Statements (Cont.)
June 30, 2002

Funding Policy

As authorized by the agency's board of directors, the agency pays the total pension contribution for its employees. The agency is required to contribute an actuarially determined rate; for the year ended June 30, 2002, the rate was 6.57% of annual covered payroll. The contribution requirements of plan members are set by state statutes and approved by the political subdivision's governing body. Contribution requirements for the agency are established and may be amended by the TCRS' Board of Trustees.

Annual Pension Cost

The agency's annual pension cost of \$105,021.05 for the year ended June 30, 2002, was equal to the agency's required and actual contributions.

The required contribution for the year ended June 30, 2002, was determined as part of the July 1, 1999, actuarial valuation using the frozen initial liability actuarial cost method, a projected-benefit cost method. Significant actuarial assumptions used include (a) rate of return on investment of present and future assets of 7.5% a year compounded annually, (b) projected salary increases of 5.5% a year (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries) compounded annually, (c) projected 4.5% annual increase in the social security wage base, and (d) projected post-retirement benefit increases of 3% of the retiree's most recent benefit. The actuarial value of the agency's assets was determined using techniques that smooth the effect of short-term volatility in the market value of both fixed income and equity securities over a five-year period. The agency's unfunded actuarial accrued liability is being amortized as a level-dollar amount of projected payroll on a closed basis. The remaining amortization period at July 1, 1999, was 22 years.

Three-Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2002	\$ 105,021.05	100%	-
June 30, 2001	\$ 99,457.63	100%	-
June 30, 2000	\$ 93,945.16	100%	-

Upper Cumberland Community Services Agency
Notes to the Financial Statements (Cont.)
June 30, 2002

NOTE 7. OTHER POST-EMPLOYMENT BENEFITS

The State of Tennessee administers a group health insurance program that provides post-employment health insurance benefits to eligible agency retirees. This benefit is provided and administered by the State of Tennessee. The agency assumes no liability for retiree health care programs. Information related to this plan is available at the statewide level in the *Tennessee Comprehensive Annual Financial Report*. Refer to Note 2 for information to obtain the *Tennessee Comprehensive Annual Financial Report*.

NOTE 8. CONTINGENCIES

Sick Leave—The agency records the cost of sick leave when paid. Generally, since sick leave (earned one day per month with unlimited accumulation) is paid only when an employee dies or is absent because of illness, injury, or related family death, there is no liability for sick leave at June 30. The amount of unused sick leave was \$98,352.15 at June 30, 2002.

NOTE 9. IN-KIND CONTRIBUTIONS

In-kind contributions represent the value of noncash contributions provided by an external organization. These contributions may consist of volunteer time, services, space, utilities, supplies, or equipment use. Because the receipt of in-kind contributions does not result in current financial resources, the value of the contributions is not recognized in the financial statements.

The Departments of Children's Services and Health donate office space, utilities, telephone service, and copier and computer use to the Upper Cumberland Community Services Agency. The value of the donation is not recorded in the financial statements.

In addition, teachers and members of the community contribute their time and supplies to the Americorps program. Also, supplies are donated by local businesses and space is donated by participating school systems. Upper Cumberland Community Services Agency received in-kind contributions for this program of \$78,715.27 for the year ended June 30, 2002.

Upper Cumberland Community Services Agency
Notes to the Financial Statements (Cont.)
June 30, 2002

NOTE 10. RISK MANAGEMENT

The agency is exposed to various risks of loss related to general liability; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Commercial Coverage

The agency carries commercial insurance for risks of loss of its personal property and surety bond coverage for risks of employee dishonesty. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

State of Tennessee's Claims Award Fund

The agency participates in the State of Tennessee's Claims Award Fund, an internal service fund in which the state has set aside assets for claims settlement. This fund services all claims for risk of loss to which the state is exposed, including general liability, automobile liability, professional malpractice, and workers' compensation. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the participating agencies based on a percentage of each agency's expected loss costs, which include both experience and exposures. This charge considers recent trends in actual claims experience of the state as a whole. An actuarial valuation is performed as of each fiscal year-end to determine the fund liability and premium allocation. As a participant in the Claims Award Fund, the agency is subject to the liability limitations under the provisions of the Tennessee Claims Commission Act, *Tennessee Code Annotated*, Section 9-8-101 et seq. Liability for negligence of the agency for bodily injury and property damage is limited to \$300,000 per person and \$1,000,000 per occurrence. The limits under workers' compensation are set forth in *Tennessee Code Annotated*, Section 50-6-101 et seq.

Health Coverage

The agency has elected to provide health coverage for its employees through a health plan for eligible local governments and quasi-governmental agencies in Tennessee. The Local Government Group Insurance Fund provides access to affordable health insurance by pooling risk among the groups. The plan provides for greater stability in controlling premium increases and, through a structured managed-care program, helps contain health care costs of participating members.

Upper Cumberland Community Services Agency
Notes to the Financial Statements (Cont.)
June 30, 2002

The plan is administered by the State of Tennessee, using a separately established fund. Premiums of participating units are deposited to this fund and used to pay claims for health care costs of participants, as well as the state's administrative costs of the plan. The agency's obligation under the plan is limited to 80% of the total premiums. The employees are responsible for the remaining 20% of the total premiums. Claims are administered by Blue Cross Blue Shield of Tennessee, which is currently under contract to provide these and other services to the state. Insurance premiums are adjusted at the end of the year based on the claims experience of the pool. Individual pool participants are not assessed additional premiums based on individual claims experience. Employees and providers have 13 months to file medical claims under Blue Cross Blue Shield of Tennessee.

NOTE 11. NEW ACCOUNTING PRONOUNCEMENTS

The Upper Cumberland Community Services Agency has implemented the provisions of Governmental Accounting Standards Board (GASB) Statements 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*; and 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus—an amendment of GASB Statements No. 21 and No. 34*. These statements establish new financial reporting requirements and restructure much of the information that governments have presented in the past. Comparability with reports issued in all prior years will be affected. The State of Tennessee implemented these statements, as required, for the year ended June 30, 2002. As a component unit of the state, the Upper Cumberland Community Services Agency has also implemented the statements for the year ended June 30, 2002.

**Upper Cumberland Community Services Agency
Required Supplementary Information
Schedule of Pension Funding Progress**

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Funding Excess) AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded (Funding Excess) AAL as a Percentage of Covered Payroll [(b-a)/c]
July 1, 2001	\$1,603,516	\$1,616,546	\$13,030	99%	\$1,506,476	.86%
July 1, 1999	\$1,219,906	\$1,219,906	-	100%	\$1,077,432	-
June 30, 1997	\$890,108	\$890,108	-	100%	\$1,120,411	-

Changes in Actuarial Assumptions

An actuarial valuation was performed as of July 1, 2001, to establish contribution rates as of July 1, 2002. The July 1, 1999, actuarial valuation established contribution rates for the year ended June 30, 2002. Significant actuarial assumptions used in both valuations included a rate of return on investment of present and future assets of 7.5% a year compounded annually and a projected annual increase in post-retirement benefits of 3% of the retiree's most recent benefit. Projected salary increases used in the 2001 valuation were 4.75% a year compounded annually, down from 5.5% a year in the 1999 valuation (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries). The 2001 valuation projected a 3.5% annual increase in the social security wage base, down from 4.5% in the 1999 valuation.

Supplementary Information
Upper Cumberland Community Services Agency
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2002

	Budgeted Amounts		Actual	Variance with Final Budget - Over (Under)
	Original	Final		
Sources of Financial Resources:				
Fund Balance, July 1				
Amount approved for expenditure	\$ 21,479.00	\$ 94,504.00	\$ 94,504.00	
Amount not approved for expenditure	366,537.89	293,512.89	293,512.89	
Revenues				
Department of Children's Services	2,996,090.00	3,033,990.00	2,483,625.58	\$ (550,364.42)
TennCare Managed Care Organizations/ Behavioral Health Organizations	306,000.00	306,000.00	298,590.18	(7,409.82)
Department of Health	156,742.00	150,467.00	118,975.03	(31,491.97)
Tennessee Commission on National and Community Service	187,015.00	239,191.00	178,060.74	(61,130.26)
Local Education Authorities	62,500.00	62,700.00	64,425.04	1,725.04
Department of Human Services	363,914.00	349,411.00	315,077.63	(34,333.37)
Department of Education	-	65,124.00	24,032.57	(41,091.43)
In-kind contributions - Americorp Promise Fellows	-	13,312.00	-	(13,312.00)
In-kind contributions - Americorp	46,278.00	73,888.00	-	(73,888.00)
Other CSAs	-	15,000.00	6,417.12	(8,582.88)
Interest revenue	-	-	18,468.48	18,468.48
Other	-	-	1,215.00	1,215.00
Total sources of financial resources	<u>4,506,555.89</u>	<u>4,697,099.89</u>	<u>3,896,904.26</u>	<u>(800,195.63)</u>
Expenditures				
Administration	300,428.00	338,379.00	306,980.34	(31,398.66)
Children and Family Services	1,499,028.00	1,499,028.00	1,169,697.56	(329,330.44)
Family Support Services	1,086,844.00	1,086,844.00	940,311.36	(146,532.64)
Flexible Funding	163,300.00	201,200.00	144,611.53	(56,588.47)
Emergency Residential	24,500.00	24,500.00	22,745.66	(1,754.34)
TennCare Transportation	294,789.00	294,789.00	180,512.80	(114,276.20)
Children's Special Services	147,797.00	141,932.00	111,615.39	(30,316.61)
AmeriCorp Promise Fellows	-	110,689.00	43,154.22	(67,534.78)
AmeriCorp	292,452.00	326,438.00	207,153.97	(119,284.03)
Special Needs	290,399.00	319,488.00	283,503.85	(35,984.15)
Families First Incentive Awards	40,481.00	-	-	-
School Health Coalition	-	60,300.00	22,252.38	(38,047.62)
Total expenditures	<u>4,140,018.00</u>	<u>4,403,587.00</u>	<u>3,432,539.06</u>	<u>(971,047.94)</u>
Fund Balance, June 30	\$ <u>366,537.89</u>	\$ <u>293,512.89</u>	\$ <u>464,365.20</u>	\$ <u>170,852.31</u>

APPENDIX

UPPER CUMBERLAND COMMUNITY SERVICES AGENCY

Sue Standifer, Executive Director

BOARD OF DIRECTORS

Board Officers and Executive Committee Members

Howard Groce, Chair
Byron Houston, Vice-Chair
Lilian Fox, Secretary

Other Members of the Board of Directors

Glennis Bassi
Carolyn Fox
Doyle Gaines
William Johnson
Cris McCall
Jean McFall
Nolan Northcutt
Walteen Parker
Dr. James Smith
Ben Sparkman
Bonnie Stephens