

CUMMINS INC
Form 11-K
June 27, 2008

**CUMMINS INC. AND AFFILIATES
RETIREMENT AND SAVINGS PLAN
FOR BARGAINING UNIT EMPLOYEES**

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

December 31, 2007 AND 2006

CUMMINS INC. AND AFFILIATES
RETIREMENT AND SAVINGS PLAN
FOR BARGAINING UNIT EMPLOYEES

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* As the Plan is a member of the Cummins Inc. and Affiliates Retirement and Savings Plans Master Trust (Master Trust), the schedules of assets (held at end of year), at December 31, 2007 and of reportable transactions for the

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year ended December 31, 2007 of the Master Trust have been certified by the Master Trustee and have been separately filed with the Department of Labor. Other Supplemental Schedules not filed herewith are omitted because of the absence of the conditions under which they are required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

report of INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Benefits Policy Committee and

Participants of the Cummins Inc. and

Affiliates Retirement and Savings Plan for Bargaining

Unit Employees

Columbus, Indiana

We have audited the accompanying statements of net assets available for benefits of the Cummins Inc. and Affiliates Retirement and Savings Plan for Bargaining Unit Employees (the Plan) as of December 31, 2007 and 2006, and the related statement of changes in net assets available for benefits for the year ended December 31, 2007. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2007 and 2006, and the changes in net assets available for benefits for the year ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental Schedule H, line 4i Schedule of Assets (Held at End of Year) is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental information is the responsibility of the Plan's management. The supplemental information has been subjected to the auditing procedures applied in the audits 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.

June 25, 2008

Cummins Inc. AND AFFILIATES
 RETIREMENT AND SAVINGS PLAN
 FOR BARGAINING UNIT EMPLOYEES

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

December 31, 2007 and 2006

	2007	2006 As Restated
Assets		
Investments:		
Investment in Cummins Inc. and Affiliates Retirement and Savings Plans Master Trust, at fair value	\$ 275,275,271	\$ 268,896,707
Participant loans	4,539,917	4,015,917
Total investments	279,815,188	272,912,624
Employer contributions receivable	3,100,972	2,461,342
Net assets available for benefits		
Net assets reflecting all investments at fair value	282,916,160	275,373,966
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	1,067,310	2,273,168
Net assets available for benefits	\$ 283,983,470	\$ 277,647,134

See accompanying notes to financial statements.

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Cummins Inc. AND AFFILIATES
 RETIREMENT AND SAVINGS PLAN
 FOR BARGAINING UNIT EMPLOYEES

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

YEAR ENDED december 31, 2007

Additions

Contributions:

Employer	\$	3,589,200
Employee		11,088,938
Plan interest in Cummins Inc. and Affiliates Retirement and Savings Plans Master Trust investment income		24,196,520
Interest income		324,380
Total additions		39,199,038

Deductions

Benefits paid to participants		32,822,888
Other deductions		26,093
Total deductions		32,848,981

Fund transfers with Affiliate Plans

(13,721)

Net change in net assets available for benefits		6,336,336
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Net assets available for benefits, beginning of year as restated		277,647,134
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Net assets available for benefits, end of year	\$	283,983,470
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See accompanying notes to financial statements.

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Cummins Inc. AND AFFILIATES
RETIREMENT AND SAVINGS PLAN
FOR BARGAINING UNIT EMPLOYEES

NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

1. description of the plan

The following description of the Cummins Inc. and Affiliates Retirement and Savings Plan for Bargaining Unit Employees (the Plan) provides only general information. Participants should refer to the Plan document for a more complete description of the Plan s provisions.

General

The Plan is a defined contribution plan designed to provide participants with a systematic method of savings and at the same time enable such participants to benefit from contributions made to the Plan by Cummins Inc. and Affiliates (collectively, the Company). Eligible employees are bargaining unit employees of the Company. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Master Trust

The Cummins Inc. and Affiliates Retirement and Savings Plans Master Trust (Master Trust) holds the assets of the Plan and the following Company-sponsored plans:

- Cummins Inc. and Affiliates Retirement and Savings Plan for Salaried and Non-Bargaining Hourly Employees;
- Cummins Inc. and Affiliates Retirement and Savings Plan for Onan Corporation Employees;
- Cummins Inc. and Affiliates Retirement and Savings Plan for Consolidated Diesel Company, Inc. Employees; and
- Nelson Retirement and Savings Plan

The trustee for the Master Trust is State Street Corporation. As participants transfer between different locations within the Company, their related Plan account transfers to the appropriate Plan, if applicable. Such transfers are reflected in the accompanying financial statements as Fund transfers with Affiliate Plans .

Contributions

Participants may contribute up to 50% of their eligible pay through a combination of pre-tax and after-tax contributions. Participants may direct their contributions in any of twenty-one investment options, including Cummins Inc. common stock.

Cummins Inc. AND AFFILIATES
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December 31, 2007 and 2006

Matching Contributions

The Company matches participant contributions in amounts ranging from 50% of the first 2% of participant wages contributed (up to a maximum of \$325), 50% of \$900, 100% of the first 2% of participant wages contributed, 50% on the next 2%, and 25% on the next 4% of participant wages contributed based on the participant's employing company, as defined. The matching contribution is made in the form of cash or Company stock, based on the participant's employing company, as defined. The entire amount of Company stock received as a match is available for diversification.

Participant Accounts

Each participant's account is credited with the participant's contributions, the Company's contributions and an allocation of Plan earnings. Allocations of Plan earnings are made daily and are based upon the participant's weighted average account balance for the day, as described in the Plan document.

Vesting

Participants are fully vested in all employee and employer contributions and earnings thereon at all times.

Benefit Payments

Upon termination of employment or retirement, account balances are paid either as a lump-sum distribution or annual installments not to exceed the lesser of 15 years or the life expectancy of the participant and/or joint life expectancy of the participant and beneficiary, and commence no later than the participant reaching age 70-1/2. The Plan also permits hardship withdrawals from participant pre-tax contributions and actual earnings thereon. Participants may also withdraw their after-tax contributions.

Voting Rights

Each participant is entitled to exercise voting rights attributable to the Company shares allocated to his or her account. The Trustee shall vote all Company shares for which no voting instructions were received in the same manner and proportion as the shares for which voting instructions were received.

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Participant Loans

A participant can obtain a loan up to a maximum of the lesser of \$50,000 or 50% of the participant's account balance. Loans are secured by the participant's account balance and bear interest at the prime rate plus one percent, and mature no later than 4½ years from the date of the loan.

Plan Termination

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Plan have been prepared on an accrual basis of accounting.

Investments

The Plan's investment in the Master Trust is stated at fair value based on the fair value of the underlying investments of the Master Trust, determined primarily by quoted market prices, except for the fixed income fund. The fixed income fund consists primarily of insurance contracts and bank investment contracts with various companies. Insurance contracts and bank contracts are nontransferable, but provide for benefit-responsive withdrawals by plan participants at contract value. Alternative investment contracts consist of investments together with contracts under which a bank or other institution provides for benefit-responsive withdrawals by plan participants at contract value. Fair value is determined using a discounted cash flow method by considering such factors as the benefit-responsiveness of the investment contracts, the ability of the parties to perform in accordance with the terms of the contracts, and the likelihood that plan-directed withdrawals would cause payment to plan participants to be at amounts other than contract value. There are no limitations on liquidity guarantees and no valuation reserves are being recorded to adjust contract amounts.

Cummins Inc. AND AFFILIATES
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NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

Allocation of Master Trust Assets and Transactions

The investment income and expenses of the Master Trust are allocated to each plan based on the relationship of the Plan's investment balances to the total Master Trust investment balances.

Use of Estimates

The preparation of financial statements, in accordance with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Risks and Uncertainties

The Master Trust invests in various securities. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Payment of Benefits

Benefit payments are recorded when paid.

Administrative Expenses

Substantially all costs of administering the Plan are paid by the Company.

Reclassifications

Certain prior year amounts have been reclassified herein to conform to the current method of presentation.

3. RESTATEMENT

The accompanying 2006 financial statements have been restated to correct the adjustment from fair value to contract value for the fully benefit-responsive investment contracts held by the Master Trust that were improperly allocated between the Cummins Inc. and Affiliates Retirement and Savings Plan for Bargaining Unit Employees and the Cummins Inc. and Affiliates Retirement and Savings Plan for Consolidated Diesel Company, Inc. Employees. The correction of this allocation has the effect of decreasing the Plan's investment in Cummins Inc. and Affiliates Retirement and Savings Plans Master Trust by \$1,949,780 at December 31, 2006.

Cummins Inc. AND AFFILIATES
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NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

4. INVESTMENTS IN MASTER TRUST

The Plan's investments are held in the Master Trust. At December 31, 2007 and 2006, the Plan's interest in the net assets of the Master Trust was 16.4% and 19.0%, respectively. The following investments are held by the Master Trust as of December 31: