

**ANNUAL FINANCIAL REPORT  
OF  
CANNON COUNTY, TENNESSEE  
CANNON COUNTY SCHOOL DEPARTMENT  
AND  
CANNON COUNTY INDUSTRIAL  
DEVELOPMENT BOARD**

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**SINGLE AUDIT REPORT**



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

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

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

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*State Auditors*

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

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## CANNON COUNTY, TENNESSEE TABLE OF CONTENTS

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	Exhibit	Page(s)
Audit Highlights		1-2
<u>INTRODUCTORY SECTION</u>		3
Cannon County Officials		5
<u>FINANCIAL SECTION</u>		7
Independent Auditor's Report		9-11
BASIC FINANCIAL STATEMENTS:		13
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	A	15
Statement of Revenues, Expenditures, and Changes in Fund Balances	B	16
Fiduciary Funds:		
Statement of Fiduciary Assets and Liabilities	C	17
Notes to the Financial Statements		19-35
REQUIRED SUPPLEMENTARY INFORMATION:		37
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
General Fund	D-1	39-40
Highway/Public Works Fund	D-2	41
Notes to the Required Supplementary Information		43
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		45
Nonmajor Governmental Funds:		47
Combining Balance Sheet	E-1	49
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	E-2	50
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
Solid Waste/Sanitation Fund	E-3	51
Drug Control Fund	E-4	52

	Exhibit	Page(s)
Major Governmental Fund:		53
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
General Debt Service Fund	F	55
Fiduciary Funds:		57
Combining Statement of Fiduciary Assets and Liabilities	G-1	59
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	G-2	60
Miscellaneous Schedules:		61
Schedule of Changes in Long-term Notes and Other Loans	H-1	63
Schedule of Transfers	H-2	64
Schedule of Salaries and Official Bonds of Principal Officials	H-3	65
Schedule of Detailed Revenues – All Governmental Fund Types	H-4	66-69
Schedule of Detailed Expenditures – All Governmental Fund Types	H-5	70-84
Schedule of Detailed Receipts, Disbursements, and Changes in Cash Balance – City Agency Fund	H-6	85

# ***Audit Highlights***

Annual Financial Report  
Cannon County, Tennessee  
For the Year Ended June 30, 2006

## ***Scope***

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

## ***Results***

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

Our audit resulted in ten findings and recommendations, which we have reviewed with Cannon County management. Detailed findings and recommendations are included in the Single Audit Report.

## ***Findings***

The following are summaries of the audit findings:

### **CANNON COUNTY**

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

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### **OFFICE OF COUNTY EXECUTIVE**

- ◆ The budget and subsequent amendments for the Solid Waste/Sanitation Fund contained appropriations that exceeded estimated available funds resulting in a budgeted fund deficit of \$29,744. Expenditures exceeded appropriations approved by the County Commission in ten major categories in the General Fund and two major categories in the General Debt Service Fund.
  - ◆ Purchase orders were not issued in some required instances, several invoices were paid without documentation of the receipt of goods or services, and some invoices were paid without canceling or marking them paid.
  - ◆ Competitive bids were not solicited for certain purchases exceeding \$5,000.
  - ◆ The county used several methods of reimbursing employees for travel expenses that did not comply with the county's travel policy.
  - ◆ County officials did not maintain inventory records for assets owned by the general county government.
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## **OFFICE OF SHERIFF**

- ◆ The commissary's general ledger accounts were not reviewed by office personnel and reconciled with the bank account on a current basis. In addition, some funds were not deposited to the office bank account within three days of collection.
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## **OTHER FINDINGS**

- ◆ County officials had not adopted a central system of accounting, budgeting, and purchasing.
- ◆ Duties were not segregated adequately in the Offices of County Executive, Road Supervisor, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff.
- ◆ The county's practice of paying the School Department's buildings and contents insurance premiums from the General Fund is of questionable legality.

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# INTRODUCTORY SECTION

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# Cannon County Officials

## June 30, 2006

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### **Officials**

Mike Gannon, County Executive  
Thomas Lovvorn, Road Supervisor  
Donald Preston, Assessor of Property  
James Maxwell, Trustee  
Bobby Smith, County Clerk  
Robert Davenport, Circuit and General Sessions Courts Clerk  
Harold Patrick, Clerk and Master  
Deborah Morris, Register  
Kenneth Wetzel, Sheriff

### **Board of County Commissioners**

Mike Gannon, Chairman  
Karen Ashford  
Clarence Barker  
Lofton Barrett  
Sterling Bush, Jr.  
Palmer Cook, Jr.  
Wayne LeFevers  
Greg Mitchell  
Rebekah Parton  
Georgia Pitts  
Joe Wimberly

### **Highway Commission**

Jerry Pelham, Chairman  
Wayne Alexander  
James Hancock



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## FINANCIAL SECTION

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

INDEPENDENT AUDITOR'S REPORT

August 24, 2006

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

To the County Executive and County Commissioners:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of Cannon County, Tennessee, as of and for the year ended June 30, 2006, as shown on pages 15 through 35, which collectively comprise a portion of the county's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Cannon County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities and discretely presented component units. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the county's governmental activities and discretely presented component units are not reasonably determinable.

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

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

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

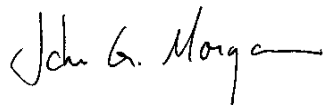
In accordance with Government Auditing Standards, we have also issued our report dated August 24, 2006, on our consideration of Cannon County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 39 through 43 is not a required part of the basic financial statements but is supplementary information required by

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

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

Very truly yours,



John G. Morgan  
Comptroller of the Treasury

JGM/sb

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

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

	Major Funds			Nonmajor Funds	Total Govern- mental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 61,838	\$ 61,838
Equity in Pooled Cash and Investments	551,704	527,535	2,550,902	120,611	3,750,752
Accounts Receivable	347,833	0	0	0	347,833
Allowance for Uncollectibles	(88,533)	0	0	0	(88,533)
Due from Other Governments	160,098	237,258	0	23,105	420,461
Due from Other Funds	1,548	0	5,517	330	7,395
Property Taxes Receivable	2,264,757	0	66,610	283,095	2,614,462
Allowance for Uncollectible Property Taxes	(36,020)	0	(1,059)	(4,502)	(41,581)
Total Assets	\$ 3,201,387	\$ 764,793	\$ 2,621,970	\$ 484,477	\$ 7,072,627
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 373	\$ 0	\$ 0	\$ 0	\$ 373
Payroll Deductions Payable	0	52	0	0	52
Contracts Payable	43,050	0	0	2,298	45,348
Due to Other Funds	330	0	0	7,065	7,395
Deferred Revenue - Current Property Taxes	2,114,117	0	62,180	264,265	2,440,562
Deferred Revenue - Delinquent Property Taxes	108,438	0	3,189	13,555	125,182
Other Deferred Revenues	271,916	114,860	0	5,900	392,676
Total Liabilities	\$ 2,538,224	\$ 114,912	\$ 65,369	\$ 293,083	\$ 3,011,588
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 0	\$ 0	\$ 0	\$ 3,000	\$ 3,000
Reserved for Purchase of Electronic Fingerprint Imaging System	0	0	0	14,007	14,007
Reserved for Alcohol and Drug Treatment	47,270	0	0	0	47,270
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	79,105	0	0	0	79,105
Reserved for Computer System - Register	7,779	0	0	0	7,779
Reserved for Automation Purposes - Circuit Court	598	0	0	0	598
Reserved for Automation Purposes - General Sessions Court	10,292	0	0	0	10,292
Reserved for Automation Purposes - Chancery Court	816	0	0	0	816
Reserved for Automation Purposes - Sheriff	5,888	0	0	0	5,888
Unreserved, Reported In:					
General Fund	511,415	0	0	0	511,415
Special Revenue Funds	0	649,881	0	174,387	824,268
Debt Service Funds	0	0	2,556,601	0	2,556,601
Total Fund Balances	\$ 663,163	\$ 649,881	\$ 2,556,601	\$ 191,394	\$ 4,061,039
Total Liabilities and Fund Balances	\$ 3,201,387	\$ 764,793	\$ 2,621,970	\$ 484,477	\$ 7,072,627

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

Exhibit B

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

	Major Funds			Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Funds Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 2,385,342	\$ 30,486	\$ 678,489	\$ 328,712	\$ 3,423,029
Licenses and Permits	772	0	0	0	772
Fines, Forfeitures, and Penalties	80,675	0	0	28,656	109,331
Charges for Current Services	416,483	0	0	225,682	642,165
Other Local Revenues	397,238	62,052	0	0	459,290
Fees Received from County Officials	263,574	0	0	0	263,574
State of Tennessee	272,828	1,525,576	0	48,498	1,846,902
Federal Government	271,619	50,000	0	0	321,619
Other Governments and Citizens Groups	94,482	0	250,000	40,000	384,482
Total Revenues	\$ 4,183,013	\$ 1,668,114	\$ 928,489	\$ 671,548	\$ 7,451,164
<u>Expenditures</u>					
Current:					
General Government	\$ 735,438	\$ 0	\$ 0	\$ 13,467	\$ 748,905
Finance	148,917	0	0	196,755	345,672
Administration of Justice	391,901	0	0	0	391,901
Public Safety	1,372,960	0	0	22,934	1,395,894
Public Health and Welfare	909,346	0	0	391,569	1,300,915
Social, Cultural, and Recreational Services	118,272	0	0	0	118,272
Agricultural and Natural Resources	51,317	0	0	0	51,317
Other Operations	378,860	0	0	0	378,860
Highways	0	1,702,332	0	0	1,702,332
Operation of Non-Instructional Services	52,721	0	0	0	52,721
Debt Service:					
Principal on Debt	0	0	451,000	0	451,000
Interest on Debt	0	0	441,208	0	441,208
Other Debt Service	0	0	21,222	0	21,222
Capital Projects	0	0	0	333,439	333,439
Total Expenditures	\$ 4,159,732	\$ 1,702,332	\$ 913,430	\$ 958,164	\$ 7,733,658
Excess (Deficiency) of Revenues Over Expenditures	\$ 23,281	\$ (34,218)	\$ 15,059	\$ (286,616)	\$ (282,494)
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 341,956	\$ 341,956
Transfers In	0	0	5,517	0	5,517
Transfers Out	0	0	0	(5,517)	(5,517)
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 5,517	\$ 336,439	\$ 341,956
Net Change in Fund Balances	\$ 23,281	\$ (34,218)	\$ 20,576	\$ 49,823	\$ 59,462
Fund Balance, July 1, 2005	639,882	684,099	2,536,025	141,571	4,001,577
Fund Balance, June 30, 2006	\$ 663,163	\$ 649,881	\$ 2,556,601	\$ 191,394	\$ 4,061,039

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

Exhibit C

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

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 555,407
Due from Other Governments	<u>52,374</u>
Total Assets	<u><u>\$ 607,781</u></u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 52,374
Due to Litigants, Heirs, and Others	<u>555,407</u>
Total Liabilities	<u><u>\$ 607,781</u></u>

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



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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

**A. Reporting Entity**

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

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

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

The Cannon County School Department operates the public school system in the county, and the voters of Cannon 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 Cannon County Industrial Development Board provides assistance in industrial recruitment in Cannon County, and the Cannon County Commission appoints its ten-member board. The board is funded primarily through lease payments collected from industries that lease buildings from the Industrial Development Board.

The Cannon County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Cannon County, and the Cannon 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 Cannon County School Department, Cannon County Industrial Development Board, and Cannon County Emergency Communications District issue separate financial statements from those of the county. The School Department's and the Industrial Development Board's financial statements are published as separate reports but under the same cover as the county's financial statements. Cannon County Emergency Communications District's financial statements are published as a separate report. Complete financial statements of the Cannon County Emergency Communications District can be obtained from its administrative office at the following address:

Cannon County Emergency Communications District  
P. O. Box 475  
Woodbury, TN 37910

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

Fund financial statements of Cannon 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. Funds are organized into three major categories: governmental, proprietary, and fiduciary. However, the county does not have any proprietary funds to report. An emphasis is placed on major funds within the governmental category.

Separate financial statements are provided for governmental funds 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 fiduciary funds in total are reported in a single column.

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

Fiduciary fund 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.

Cannon County reports the following major governmental funds:

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

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

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

Additionally, Cannon County reports the following fund types:

**Capital Projects Fund** – The General Capital Projects Fund is used to account for general capital expenditures of the county.

**Agency Funds** – These funds account for amounts collected in an agency capacity by the constitutional officers and local sales taxes received by the state to be forwarded to the various cities in Cannon County. 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.

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

**1. Deposits and Investments**

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 Cannon County, Cannon County School Department, and Cannon County Industrial Development Board funds. Each fund’s portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Fund. Cannon County, Cannon County School Department, and Cannon County Industrial Development Board 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 are reported at cost. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

## **2. Receivables and Payables**

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

All ambulance and property taxes receivable are shown with an allowance for uncollectibles. Ambulance receivables allowance for uncollectibles is based on historical collection data. The allowance for uncollectible property taxes is equal to .85 percent of total taxes levied.

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

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

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

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

3. **Capital Assets**

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

4. **Compensated Absences**

The general policy of Cannon County is to permit employees to accumulate a limited amount of vacation benefits, which will be paid to the employee upon separation. Records were not maintained reflecting the dollar amount of accumulated vacation time at June 30, 2006; however, the amount of accumulated leave would not materially affect the financial statements. The general policy of Cannon County permits the unlimited accumulation of unused sick leave days for county employees and up to 60 days for ambulances service employees. The granting of sick leave has no guaranteed payment attached and therefore is not required to be accrued or recorded.

The Highway Department does not allow for the accumulation of unused vacation leave beyond year-end.

5. **Long-term Obligations**

Only the matured portion (the portion that has come due for payment) of long-term indebtedness, including notes and other loans 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, are recognized to the extent that the liabilities have matured (come due for payment) each period.

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

**6. Fund Equity**

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

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

**A. Budgetary Information**

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

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

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, County 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 statement.

**B. Expenditures Exceeded Appropriations**

Expenditures exceeded appropriations in ten of 38 major categories (the legal level of control) of the General Fund as follows:

Register of Deeds	\$ 1,714
Development	271,786
County Buildings	1,532
Property Assessor's Office	4,173
County Clerk's Office	968
Chancery Court	365
Other Emergency Management	3,451

Libraries	\$ 3,599
Other Charges	9,199
Contributions to Other Agencies	59

Expenditures exceeded appropriations in the Interest - General Government (\$8,224) and Other Debt Service - General Government (\$26) major categories in the General Debt Service Fund. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by greater than anticipated revenues.

**C. The Solid Waste/Sanitation Fund Had a Budgeted Fund Deficit**

The budget and subsequent amendments submitted to and approved by the County Commission for the Solid Waste/Sanitation Fund contained appropriations that exceeded estimated available funding causing a budgeted fund deficit of \$29,744.

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

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

**Deposits**

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



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

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

**Investments**

**Legal Provisions.** Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and the county’s own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer’s Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state director of Local Finance and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the market value of the securities on the day of purchase. The county had no pooled and nonpooled investments as of June 30, 2006.

**B. Construction Commitments**

At June 30, 2006, the county had uncompleted construction contracts of approximately \$3,000 for improvements to the senior center. Funding has been received for these future expenditures.

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

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

**Due to/from other funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 1,548
General Debt Service	"	5,517
Nonmajor governmental	General	330

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

**Interfund Transfers:**

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

<u>Transfers Out</u>	<u>Transfers In</u> <u>General Debt</u> <u>Service</u> <u>Fund</u>
Nonmajor governmental fund	\$ 5,517
Total	<u>\$ 5,517</u>

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

The county made a one-time transfer of \$5,517 from the General Capital Projects Fund to the General Debt Service Fund for excess note proceeds.

**D. Long-term Debt**

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

Capital Outlay Notes and Other Loans

The county issues other loans to provide funds for the acquisition and construction of major capital facilities. Capital outlay notes are also issued to fund capital outlay purchases, such as equipment.

Capital outlay notes and other loans are direct obligations and pledge the full faith and credit of the government. Capital outlay notes and other loans outstanding were issued for original terms of up to five years for notes and up to 25 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All notes and other loans included in long-term debt as of June 30, 2006, will be retired from the General Debt Service Fund.

Capital outlay notes and other loans outstanding as of June 30, 2006, are as follows:

Type	Interest Rate	Amount
Capital Outlay Notes	2.4 to 4%	\$ 371,956
Other Loans	Variable	12,629,000

In prior years, Cannon County entered into loan agreements with the Montgomery County Public Building Authority. Under these loan agreements, the authority loaned \$13,042,000 and \$1,420,000 to Cannon County on an as needed basis for school renovations and to refund jail construction bonds. These loans are repayable at interest rates that are tax-exempt variable rates determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the county pays various other fees (trustee, letter of credit, and debt remarketing) in connection with these loans. At June 30, 2006, the variable interest rate was 3.52 percent on the school renovation loan and 3.7 percent on the jail construction loan. The letter of credit fee was .25 percent of the outstanding loan principal on the school renovation loans and .45 percent of the outstanding loan principal on the jail construction loan. On each of these loans, the remarketing fee was calculated at .08 percent of the outstanding loan principal and the trustee fee was assessed at \$100 per month.

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

Year Ending June 30	Notes	
	Principal	Interest
2007	\$ 124,879	\$ 13,181
2008	128,935	8,935
2009	118,142	4,364
Total	\$ 371,956	\$ 26,481

Year Ending June 30	Other Loan (\$13,042,000)			Total
	Principal	Interest	Other Fees	
2007	\$ 379,000	\$ 404,026	\$ 39,077	\$ 822,103
2008	399,000	390,685	37,827	827,512
2009	419,000	376,640	36,510	832,150
2010	440,000	361,891	35,127	837,018
2011	462,000	346,403	33,675	842,078
2012-2016	2,678,000	1,471,325	143,937	4,293,262
2017-2021	3,147,000	955,117	95,542	4,197,659
2022-2026	3,554,000	475,833	46,151	4,075,984
Total	\$ 11,478,000	\$ 4,781,920	\$ 467,846	\$ 16,727,766

Year Ending June 30	Other Loan (\$1,420,000)			Total
	Principal	Interest	Other Fees	
2007	\$ 77,000	\$ 42,587	\$ 7,300	\$ 126,887
2008	80,000	39,738	6,892	126,630
2009	83,000	36,778	6,468	126,246
2010	86,000	33,707	6,028	125,735
2011	90,000	30,525	5,572	126,097
2012-2016	506,000	100,085	20,337	626,422
2017-2018	229,000	12,765	4,229	245,994
Total	\$ 1,151,000	\$ 296,185	\$ 56,826	\$ 1,504,011

There is \$2,556,601 available in the General Debt Service Fund to service long-term debt. Total debt per capita, including notes and other loans, amounted to \$1,013, based on the 2000 federal census.

#### Changes in Long-term Liabilities

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

Governmental Activities:	Notes	Other Loans
Balance, July 1, 2005	\$ 45,000	\$ 13,065,000
Additions	341,956	0
Deductions	(15,000)	(436,000)
Balance, June 30, 2006	\$ 371,956	\$ 12,629,000
Balance Due Within One Year	\$ 124,879	\$ 456,000

#### **E. Short-term Debt**

Cannon County issued tax anticipation notes in advance of property tax collections and deposited the proceeds in the General Fund (\$200,000) and the Solid Waste/Sanitation Fund (\$100,000). These notes were necessary because funds were not available to meet obligations coming due before current tax collections. Short-term debt activity for the year ended June 30, 2006, was as follows:

	Balance 7-1-05	Issued	Redeemed	Balance 6-30-06
Tax Anticipation Notes	\$ 0	\$ 300,000	\$ (300,000)	\$ 0

#### IV. OTHER INFORMATION

##### A. Risk Management

Cannon County participates in the Tennessee School Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by the Tennessee School Boards Association, an association of member school districts. The county pays an annual premium to the TSB-RMT for its general liability, property, casualty and workers' compensation insurance coverage. The creation of the TSB-RMT provides for it to be self-sustaining through member premiums. The TSB-RMT reinsures through commercial insurance companies for claims exceeding \$100,000 for each insured.

Cannon County provides employee health insurance coverage through a commercial insurance company. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

##### B. Accounting Changes

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

The provisions of GASB Statement No. 44, Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1) became effective for the year ended June 30, 2006. GASB Statement No. 44 applies to the preparation of the statistical section. State and local governments may, but are not required to, prepare a statistical section to accompany basic financial statements. However, a statistical section is required to accompany a comprehensive annual financial report. Since Cannon County is not presenting a comprehensive annual financial report, it has elected not to prepare a statistical section. A limited statistical section was presented in the prior year's report. GASB Statement No. 44 amends guidance related to the preparation of the statistical section. This statement improves the understandability and usefulness of statistical information by addressing the comparability problems that have developed in practice and by adding information from the new financial reporting model for state and local

governments required by GASB Statement No. 34. GASB Statement No. 44 establishes the objectives of the statistical section and the five categories it contains: financial trends, revenue capacity, debt capacity, demographic and economic, and operating. It is reasonably expected that Cannon County will prepare and present a statistical section in subsequent years that follows the requirements of GASB Statement No. 44.

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

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

**C. Contingent Liabilities**

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

**D. Subsequent Event**

Billy Nichols was elected the new sheriff and succeeds Kenneth Wetzel effective September 1, 2006.

**E. Joint Venture**

The Sixteenth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of

the Sixteenth Judicial District, Cannon and Rutherford Counties, and the various cities within these counties. 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, sheriffs, and police chiefs of participating law enforcement agencies within the judicial district. Cannon County made no contributions to the DTF for the year ended June 30, 2006, and does not have any equity interest in this joint venture. Complete financial statements for the DTF can be obtained from its administrative office at the following address:

Office of District Attorney General  
Sixteenth Judicial District  
20 North Side Public Square, Suite 303  
Murfreesboro, TN 37130

**F. Retirement Commitments**

**Plan Description**

Employees of Cannon 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 Cannon County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

Copies of footnotes in PDF format can be accessed at <http://www.treasury.state.tn.us/tcrs/PS/>.

### **Funding Policy**

Cannon County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2006, was 5.92 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Cannon County is established and may be amended by the TCRS Board of Trustees.

### **Annual Pension Cost**

For the year ended June 30, 2006, Cannon County's annual pension cost of \$179,167 to TCRS was equal to Cannon 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. Cannon 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, 2003, was 12 years.

#### Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-06	\$179,167	100%	\$0
6-30-05	164,197	100	0
6-30-04	157,924	100	0



Required Supplementary Information  
 Schedule of Funding Progress for Cannon County  
 (Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b) - (a)	(a/b)	(c)	((b-a)/c)
6-30-03	\$5,060	\$5,391	\$331	93.86%	\$2,657	12.46%
6-30-01	4,590	5,012	422	91.58	2,195	19.23
6-30-99	3,977	4,283	306	92.86	1,822	16.80

**G. Purchasing Laws**

Office of County Executive

Purchasing procedures for the Office of County Executive are governed by the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, Tennessee Code Annotated (TCA), which provide for all purchases exceeding \$5,000 to be made after public advertisement and solicitation of competitive bids.

Office of Road Supervisor

Purchasing procedures for the Highway Department are governed by Chapter 788, Private Acts of 1933, and provisions of the Uniform Road Law, Section 54-7-113, TCA. Provisions of the Private Act provide for the Highway Commission to make all purchases and to rent or lease equipment as necessary. Provisions of the County Uniform Road Law require that competitive bids be solicited through public advertisement on all purchases exceeding \$10,000.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit D-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,385,342	\$ 2,268,516	\$ 2,274,516	\$ 110,826
Licenses and Permits	772	1,150	1,150	(378)
Fines, Forfeitures, and Penalties	80,675	96,235	96,235	(15,560)
Charges for Current Services	416,483	373,720	373,720	42,763
Other Local Revenues	397,238	222,138	294,904	102,334
Fees Received from County Officials	263,574	257,100	251,100	12,474
State of Tennessee	272,828	335,017	345,870	(73,042)
Federal Government	271,619	166,000	270,263	1,356
Other Governments and Citizens Groups	94,482	48,280	94,547	(65)
<b>Total Revenues</b>	<b>\$ 4,183,013</b>	<b>\$ 3,768,156</b>	<b>\$ 4,002,305</b>	<b>\$ 180,708</b>
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 2,078	\$ 4,000	\$ 4,192	\$ 2,114
County Mayor/Executive	150,506	129,244	154,630	4,124
Election Commission	95,609	103,420	110,673	15,064
Register of Deeds	93,311	83,287	91,597	(1,714)
Development	271,786	0	0	(271,786)
County Buildings	120,569	102,534	119,037	(1,532)
Preservation of Records	1,579	5,000	5,000	3,421
<u>Finance</u>				
Property Assessor's Office	97,718	84,845	93,545	(4,173)
County Trustee's Office	20,021	10,500	21,182	1,161
County Clerk's Office	31,178	15,298	30,210	(968)
<u>Administration of Justice</u>				
Circuit Court	154,266	140,428	154,638	372
General Sessions Court	71,072	64,148	71,751	679
Chancery Court	84,229	75,598	83,864	(365)
Juvenile Court	22,793	21,256	23,315	522
Judicial Commissioners	16,542	16,100	17,214	672
Other Administration of Justice	42,999	43,000	43,000	1
<u>Public Safety</u>				
Sheriff's Department	844,891	735,945	891,814	46,923
Jail	413,996	448,600	448,755	34,759
Fire Prevention and Control	37,953	43,800	43,800	5,847
Other Emergency Management	76,120	7,800	72,669	(3,451)
<u>Public Health and Welfare</u>				
Local Health Center	37,508	36,762	38,512	1,004
Ambulance/Emergency Medical Services	646,958	612,062	665,332	18,374
Maternal and Child Health Services	150,000	150,000	150,000	0
Crippled Children Services	784	784	784	0
Regional Mental Health Center	3,351	3,800	3,800	449
General Welfare Assistance	12,528	12,038	12,529	1

(Continued)

Exhibit D-1

Cannon 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 Health and Welfare (Cont.)</u>				
Other Local Welfare Services	\$ 19,816	\$ 30,000	\$ 30,000	\$ 10,184
Sanitation Management	24,997	31,737	29,237	4,240
Other Public Health and Welfare	13,404	11,000	13,405	1
<u>Social, Cultural, and Recreational Services</u>				
Libraries	65,196	55,317	61,597	(3,599)
Parks and Fair Boards	53,076	50,000	53,373	297
<u>Agriculture &amp; Natural Resources</u>				
Agriculture Extension Service	51,317	51,317	51,317	0
<u>Other Operations</u>				
Veterans' Services	1,109	2,100	2,100	991
Other Charges	229,300	220,101	220,101	(9,199)
Contributions to Other Agencies	16,959	17,700	16,900	(59)
Employee Benefits	31,589	360,000	136,354	104,765
Miscellaneous	99,903	54,200	117,421	17,518
<u>Operation of Non-Instructional Services</u>				
Community Services	52,721	0	52,722	1
Total Expenditures	\$ 4,159,732	\$ 3,833,721	\$ 4,136,370	\$ (23,362)
Excess (Deficiency) of Revenues Over Expenditures				
	\$ 23,281	\$ (65,565)	\$ (134,065)	\$ 157,346
Net Change in Fund Balance				
Fund Balance, July 1, 2005	\$ 639,882	\$ 445,055	\$ 445,055	\$ 194,827
Fund Balance, June 30, 2006	\$ 663,163	\$ 379,490	\$ 310,990	\$ 352,173

Exhibit D-2

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 30,486	\$ 26,500	\$ 26,500	\$ 3,986
Other Local Revenues	62,052	40,000	40,000	22,052
State of Tennessee	1,525,576	2,053,794	1,903,794	(378,218)
Federal Government	50,000	50,000	200,000	(150,000)
Total Revenues	<u>\$ 1,668,114</u>	<u>\$ 2,170,294</u>	<u>\$ 2,170,294</u>	<u>\$ (502,180)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 116,786	\$ 121,729	\$ 121,729	\$ 4,943
Highway and Bridge Maintenance	745,956	1,055,537	1,055,537	309,581
Operation and Maintenance of Equipment	270,211	191,889	276,709	6,498
Other Charges	116,390	109,014	116,494	104
Employee Benefits	60,076	53,600	62,700	2,624
Capital Outlay	392,913	832,000	832,000	439,087
Total Expenditures	<u>\$ 1,702,332</u>	<u>\$ 2,363,769</u>	<u>\$ 2,465,169</u>	<u>\$ 762,837</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (34,218)</u>	<u>\$ (193,475)</u>	<u>\$ (294,875)</u>	<u>\$ 260,657</u>
Net Change in Fund Balance	\$ (34,218)	\$ (193,475)	\$ (294,875)	\$ 260,657
Fund Balance, July 1, 2005	<u>684,099</u>	<u>559,261</u>	<u>559,261</u>	<u>124,838</u>
Fund Balance, June 30, 2006	<u>\$ 649,881</u>	<u>\$ 365,786</u>	<u>\$ 264,386</u>	<u>\$ 385,495</u>

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

**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 Cannon 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 Cannon 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 statement.

**B. EXPENDITURES EXCEEDED APPROPRIATIONS**

Expenditures exceeded appropriations approved by the County Commission in ten of 38 major categories (the legal level of control) of the General Fund as follows:

Register of Deeds	\$ 1,714
Development	271,786
County Buildings	1,532
Property Assessor's Office	4,173
County Clerk's Office	968
Chancery Court	365
Other Emergency Management	3,451
Libraries	3,599
Other Charges	9,199
Contributions to Other Agencies	59

Such overexpenditures are a violation of state statutes. These overexpenditures were funded by greater than anticipated revenues.

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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

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

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

Constitutional Officers - Fees Fund – The Constitutional Officers - Fees Fund is used to account for transactions of the fee and commission accounts of the trustee, clerks, register, and sheriff. Revenues from fees and commissions earned by these officials are remitted to the county's General Fund.

## Capital Projects Fund

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Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

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General Capital Projects Fund – The General Capital Projects Fund is used to account for general capital expenditures of the county.



Exhibit E-1

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

	Special Revenue Funds				Capital Projects Fund	Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	Total	General Capital Projects	
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 61,838	\$ 61,838	\$ 0	\$ 61,838
Equity in Pooled Cash and Investments	25,326	84,470	0	109,796	10,815	120,611
Due from Other Governments	23,105	0	0	23,105	0	23,105
Due from Other Funds	330	0	0	330	0	330
Property Taxes Receivable	283,095	0	0	283,095	0	283,095
Allowance for Uncollectible Property Taxes	(4,502)	0	0	(4,502)	0	(4,502)
Total Assets	<u>\$ 327,354</u>	<u>\$ 84,470</u>	<u>\$ 61,838</u>	<u>\$ 473,662</u>	<u>\$ 10,815</u>	<u>\$ 484,477</u>
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Contracts Payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,298	\$ 2,298
Due to Other Funds	1,548	0	0	1,548	5,517	7,065
Deferred Revenue - Current Property Taxes	264,265	0	0	264,265	0	264,265
Deferred Revenue - Delinquent Property Taxes	13,555	0	0	13,555	0	13,555
Other Deferred Revenues	5,900	0	0	5,900	0	5,900
Total Liabilities	<u>\$ 285,268</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 285,268</u>	<u>\$ 7,815</u>	<u>\$ 293,083</u>
<u>Fund Balances</u>						
Reserved for Encumbrances	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,000	\$ 3,000
Reserved for Purchase of Electronic Fingerprint Imaging System	0	14,007	0	14,007	0	14,007
Unreserved	42,086	70,463	61,838	174,387	0	174,387
Total Fund Balances	<u>\$ 42,086</u>	<u>\$ 84,470</u>	<u>\$ 61,838</u>	<u>\$ 188,394</u>	<u>\$ 3,000</u>	<u>\$ 191,394</u>
Total Liabilities and Fund Balances	<u>\$ 327,354</u>	<u>\$ 84,470</u>	<u>\$ 61,838</u>	<u>\$ 473,662</u>	<u>\$ 10,815</u>	<u>\$ 484,477</u>

Exhibit E-2

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

	Special Revenue Funds				Capital Projects Fund	Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	Total	General Capital Projects	
<u>Revenues</u>						
Local Taxes	\$ 328,712	\$ 0	\$ 0	\$ 328,712	\$ 0	\$ 328,712
Fines, Forfeitures, and Penalties	0	28,656	0	28,656	0	28,656
Charges for Current Services	13,524	0	212,158	225,682	0	225,682
State of Tennessee	48,498	0	0	48,498	0	48,498
Other Governments and Citizens Groups	40,000	0	0	40,000	0	40,000
Total Revenues	<u>\$ 430,734</u>	<u>\$ 28,656</u>	<u>\$ 212,158</u>	<u>\$ 671,548</u>	<u>\$ 0</u>	<u>\$ 671,548</u>
<u>Expenditures</u>						
Current:						
General Government	\$ 0	\$ 0	\$ 13,467	\$ 13,467	\$ 0	\$ 13,467
Finance	0	0	196,755	196,755	0	196,755
Public Safety	0	22,934	0	22,934	0	22,934
Public Health and Welfare	391,569	0	0	391,569	0	391,569
Capital Projects	0	0	0	0	333,439	333,439
Total Expenditures	<u>\$ 391,569</u>	<u>\$ 22,934</u>	<u>\$ 210,222</u>	<u>\$ 624,725</u>	<u>\$ 333,439</u>	<u>\$ 958,164</u>
Excess (Deficiency) of Revenues						
Over Expenditures	\$ 39,165	\$ 5,722	\$ 1,936	\$ 46,823	\$ (333,439)	\$ (286,616)
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 341,956	\$ 341,956
Transfers Out	0	0	0	0	(5,517)	(5,517)
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 336,439</u>	<u>\$ 336,439</u>
Net Change in Fund Balances						
Fund Balance, July 1, 2005	\$ 2,921	\$ 78,748	\$ 59,902	\$ 141,571	\$ 3,000	\$ 141,571
Fund Balance, June 30, 2006	<u>\$ 42,086</u>	<u>\$ 84,470</u>	<u>\$ 61,838</u>	<u>\$ 188,394</u>	<u>\$ 3,000</u>	<u>\$ 191,394</u>

Exhibit E-3

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 328,712	\$ 310,377	\$ 310,377	\$ 18,335
Charges for Current Services	13,524	20,000	20,000	(6,476)
State of Tennessee	48,498	10,094	38,579	9,919
Other Governments and Citizens Groups	40,000	0	40,000	0
Total Revenues	<u>\$ 430,734</u>	<u>\$ 340,471</u>	<u>\$ 408,956</u>	<u>\$ 21,778</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Management	\$ 391,569	\$ 400,184	\$ 428,669	\$ 37,100
Total Expenditures	<u>\$ 391,569</u>	<u>\$ 400,184</u>	<u>\$ 428,669</u>	<u>\$ 37,100</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 39,165</u>	<u>\$ (59,713)</u>	<u>\$ (19,713)</u>	<u>\$ 58,878</u>
Net Change in Fund Balance	\$ 39,165	\$ (59,713)	\$ (19,713)	\$ 58,878
Fund Balance, July 1, 2005	2,921	(10,031)	(10,031)	12,952
Fund Balance, June 30, 2006	<u>\$ 42,086</u>	<u>\$ (69,744)</u>	<u>\$ (29,744)</u>	<u>\$ 71,830</u>

Exhibit E-4

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 28,656	\$ 15,500	\$ 15,983	\$ 12,673
Total Revenues	\$ 28,656	\$ 15,500	\$ 15,983	\$ 12,673
<u>Expenditures</u>				
<u>Public Safety</u>				
Sheriff's Department	\$ 22,934	\$ 54,000	\$ 54,483	\$ 31,549
Total Expenditures	\$ 22,934	\$ 54,000	\$ 54,483	\$ 31,549
Excess (Deficiency) of Revenues Over Expenditures	\$ 5,722	\$ (38,500)	\$ (38,500)	\$ 44,222
Net Change in Fund Balance	\$ 5,722	\$ (38,500)	\$ (38,500)	\$ 44,222
Fund Balance, July 1, 2005	78,748	77,749	77,749	999
Fund Balance, June 30, 2006	\$ 84,470	\$ 39,249	\$ 39,249	\$ 45,221

# Major Governmental Fund

## General Debt Service Fund

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

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Exhibit F

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 678,489	\$ 651,424	\$ 651,424	\$ 27,065
Other Governments and Citizens Groups	250,000	0	250,000	0
Total Revenues	<u>\$ 928,489</u>	<u>\$ 651,424</u>	<u>\$ 901,424</u>	<u>\$ 27,065</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 89,000	\$ 94,000	\$ 94,000	\$ 5,000
Education	362,000	362,000	362,000	0
<u>Interest on Debt</u>				
General Government	43,794	35,570	35,570	(8,224)
Education	397,414	400,000	400,000	2,586
<u>Other Debt Service</u>				
General Government	4,326	4,300	4,300	(26)
Education	16,896	18,000	18,000	1,104
Total Expenditures	<u>\$ 913,430</u>	<u>\$ 913,870</u>	<u>\$ 913,870</u>	<u>\$ 440</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 15,059</u>	<u>\$ (262,446)</u>	<u>\$ (12,446)</u>	<u>\$ 27,505</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 5,517	\$ 250,000	\$ 0	\$ 5,517
Total Other Financing Sources (Uses)	<u>\$ 5,517</u>	<u>\$ 250,000</u>	<u>\$ 0</u>	<u>\$ 5,517</u>
Net Change in Fund Balance	\$ 20,576	\$ (12,446)	\$ (12,446)	\$ 33,022
Fund Balance, July 1, 2005	<u>2,536,025</u>	<u>2,544,562</u>	<u>2,544,562</u>	<u>(8,537)</u>
Fund Balance, June 30, 2006	<u><u>\$ 2,556,601</u></u>	<u><u>\$ 2,532,116</u></u>	<u><u>\$ 2,532,116</u></u>	<u><u>\$ 24,485</u></u>

# Fiduciary Funds

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

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

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

Exhibit G-1

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

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 555,407	\$ 555,407
Due from Other Governments	52,374	0	52,374
Total Assets	<u>\$ 52,374</u>	<u>\$ 555,407</u>	<u>\$ 607,781</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 52,374	\$ 0	\$ 52,374
Due to Litigants, Heirs, and Others	0	555,407	555,407
Total Liabilities	<u>\$ 52,374</u>	<u>\$ 555,407</u>	<u>\$ 607,781</u>



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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 336,766	\$ 336,766	\$ 0
Due From Other Governments	48,000	52,374	48,000	52,374
Total Assets	\$ 48,000	\$ 389,140	\$ 384,766	\$ 52,374
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 48,000	\$ 389,140	\$ 384,766	\$ 52,374
Total Liabilities	\$ 48,000	\$ 389,140	\$ 384,766	\$ 52,374
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 525,126	\$ 6,473,914	\$ 6,443,633	\$ 555,407
Total Assets	\$ 525,126	\$ 6,473,914	\$ 6,443,633	\$ 555,407
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 525,126	\$ 6,473,914	\$ 6,443,633	\$ 555,407
Total Liabilities	\$ 525,126	\$ 6,473,914	\$ 6,443,633	\$ 555,407
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 336,766	\$ 336,766	\$ 0
Cash	525,126	6,473,914	6,443,633	555,407
Due From Other Governments	48,000	52,374	48,000	52,374
Total Assets	\$ 573,126	\$ 6,863,054	\$ 6,828,399	\$ 607,781
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 48,000	\$ 389,140	\$ 384,766	\$ 52,374
Due to Litigants, Heirs, and Others	525,126	6,473,914	6,443,633	555,407
Total Liabilities	\$ 573,126	\$ 6,863,054	\$ 6,828,399	\$ 607,781

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## MISCELLANEOUS SCHEDULES

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Exhibit H-1

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

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-05	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-06
<u>NOTES PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Ambulance	\$ 75,000	2.4 %	7-17-03	7-18-08	\$ 45,000	\$ 0	\$ 15,000	\$ 30,000
ADA Improvements	166,956	3.37	11-9-05	11-8-08	0	166,956	0	166,956
Senior Center Addition	175,000	4	3-16-06	3-14-09	0	175,000	0	175,000
Total Notes Payable					\$ 45,000	\$ 341,956	\$ 15,000	\$ 371,956
<u>OTHER LOANS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
School Construction/Improvements	13,042,000	Variable	9-17-99	5-25-26	\$ 11,840,000	\$ 0	\$ 362,000	\$ 11,478,000
Jail Construction Bond Refunding	1,420,000	Variable	7-18-02	5-25-18	1,225,000	0	74,000	1,151,000
Total Other Loans Payable					\$ 13,065,000	\$ 0	\$ 436,000	\$ 12,629,000

Exhibit H-2

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

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General Capital Projects	General Debt Service	Excess note proceeds	<u>\$ 5,517</u>
Total Transfers			<u><u>\$ 5,517</u></u>

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

<u>Official</u>	<u>Authorization for Salary</u>	<u>Salary Paid During Period</u>	<u>Bond</u>	<u>Surety</u>
County Executive	Section 8-24-102, <u>TCA</u>	\$ 57,804	\$ 25,000	Nationwide Mutual Insurance Company
Road Supervisor	Section 8-24-102, <u>TCA</u>	55,052	100,000	Western Surety Company
Trustee	Section 8-24-102, <u>TCA</u>	50,048	407,000	RLI Insurance Company
Assessor of Property	Section 8-24-102, <u>TCA</u>	50,048	10,000	Nationwide Mutual Insurance Company
County Clerk	Section 8-24-102, <u>TCA</u>	50,048	25,000	"
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	50,048	25,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u>	63,515 (1)	45,000	Allied Mutual Insurance Company
Register	Section 8-24-102, <u>TCA</u>	50,048	15,000	Nationwide Mutual Insurance Company
Sheriff	Section 8-24-102, <u>TCA</u>	55,052	25,000	Western Surety Company
Employee Blanket Bond Coverage:				
General County Employees			150,000	Tennessee School Boards Liability Trust

(1) Includes special commissions of \$13,467.

Exhibit H-4

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

	Special Revenue Funds					Debt Service Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Local Taxes</u>							
<u>County Property Taxes</u>							
Current Property Tax	\$ 1,970,454	\$ 246,097	\$ 0	\$ 0	\$ 0	\$ 57,955	\$ 2,274,506
Trustee's Collections - Prior Year	114,476	10,101	0	0	0	3,367	127,944
Circuit/Clerk & Master Collections - Prior Years	18,089	1,584	0	0	0	544	20,217
Interest and Penalty	20,642	1,915	0	0	0	607	23,164
Payments in-Lieu-of Taxes - Other	1,643	0	0	0	0	0	1,643
<u>County Local Option Taxes</u>							
Local Option Sales Tax	66,907	66,907	0	0	0	0	133,814
Wheel Tax	0	0	0	0	0	615,709	615,709
Litigation Tax - General	38,978	0	0	0	0	0	38,978
Litigation Tax - Special Purpose	12,681	0	0	0	0	0	12,681
Litigation Tax - Jail, Workhouse, or Courthouse	11,488	0	0	0	0	0	11,488
Business Tax	39,815	0	0	0	1,500	0	41,315
Mineral Severance Tax	0	0	0	0	28,986	0	28,986
<u>Statutory Local Taxes</u>							
Bank Excise Tax	10,431	1,304	0	0	0	307	12,042
Wholesale Beer Tax	78,934	0	0	0	0	0	78,934
Interstate Telecommunications Tax	804	804	0	0	0	0	1,608
<b>Total Local Taxes</b>	<b>\$ 2,385,342</b>	<b>\$ 328,712</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 30,486</b>	<b>\$ 678,489</b>	<b>\$ 3,423,029</b>
<u>Licenses and Permits</u>							
<u>Licenses</u>							
Marriage Licenses	\$ 522	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 522
<u>Permits</u>							
Beer Permits	250	0	0	0	0	0	250
<b>Total Licenses and Permits</b>	<b>\$ 772</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 772</b>
<u>Fines, Forfeitures, and Penalties</u>							
<u>Circuit Court</u>							
Fines	\$ 10,589	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,589
Drug Control Fines	0	0	17,043	0	0	0	17,043
DUI Treatment Fines	370	0	0	0	0	0	370
Data Entry Fee - Circuit Court	245	0	0	0	0	0	245

(Continued)

Exhibit H-4

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

	Special Revenue Funds					Debt Service Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>							
<u>General Sessions Court</u>							
Fines	\$ 43,223	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	43,223
Officers Costs	12,765	0	0	0	0	0	12,765
Drug Control Fines	0	0	9,542	0	0	0	9,542
DUI Treatment Fines	2,953	0	0	0	0	0	2,953
Data Entry Fee - General Sessions Court	2,807	0	0	0	0	0	2,807
Courtroom Security Fee	15	0	0	0	0	0	15
<u>Juvenile Court</u>							
Jail Fees	2,444	0	0	0	0	0	2,444
<u>Chancery Court</u>							
Officers Costs	950	0	0	0	0	0	950
Data Entry Fee - Chancery Court	215	0	0	0	0	0	215
<u>Other Courts - In-county</u>							
Fines	4,099	0	0	0	0	0	4,099
<u>Other Fines, Forfeitures, and Penalties</u>							
Proceeds from Confiscated Property	0	0	2,071	0	0	0	2,071
<b>Total Fines, Forfeitures, and Penalties</b>	<b>\$ 80,675</b>	<b>\$ 0</b>	<b>\$ 28,656</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>109,331</b>
<u>Charges for Current Services</u>							
<u>General Service Charges</u>							
Commercial and Industrial Waste Collection Charge	\$ 0	\$ 13,524	\$ 0	\$ 0	\$ 0	\$ 0	13,524
Patient Charges	377,375	0	0	0	0	0	377,375
Other General Service Charges	6,769	0	0	0	0	0	6,769
<u>Fees</u>							
Copy Fees	773	0	0	0	0	0	773
Telephone Commissions	2,991	0	0	0	0	0	2,991
Vending Machine Collections	837	0	0	0	0	0	837
Constitutional Officers' Fees and Commissions	0	0	0	212,158	0	0	212,158
Data Processing Fee - Register	6,308	0	0	0	0	0	6,308
Data Processing Fee - Sheriff	1,436	0	0	0	0	0	1,436
Sexual Offender Registration Fees - Sheriff	650	0	0	0	0	0	650
<u>Education Charges</u>							
Community Service Fees - Children	19,344	0	0	0	0	0	19,344
<b>Total Charges for Current Services</b>	<b>\$ 416,483</b>	<b>\$ 13,524</b>	<b>\$ 0</b>	<b>\$ 212,158</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>642,165</b>

(Continued)

Exhibit H-4

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

	Special Revenue Funds					Debt Service Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Other Local Revenues</u>							
<u>Recurring Items</u>							
Investment Income	\$ 206,682	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	206,682
Lease/Rentals	38,185	0	0	0	0	0	38,185
Sale of Gasoline	40,067	0	0	0	44,487	0	84,554
Miscellaneous Refunds	36,699	0	0	0	17,565	0	54,264
<u>Nonrecurring Items</u>							
Insurance Recovery	64,643	0	0	0	0	0	64,643
Damages Recovered from Individuals	195	0	0	0	0	0	195
Contributions & Gifts	10,487	0	0	0	0	0	10,487
<u>Other Local Revenues</u>							
Other Local Revenues	280	0	0	0	0	0	280
<b>Total Other Local Revenues</b>	<b>\$ 397,238</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 62,052</b>	<b>\$ 0</b>	<b>459,290</b>
<u>Fees Received from County Officials</u>							
<u>Excess Fees</u>							
County Clerk	\$ 5,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	5,000
Trustee	50,000	0	0	0	0	0	50,000
<u>Fees-In-Lieu of Salary</u>							
Circuit Court Clerk	26,587	0	0	0	0	0	26,587
General Sessions Court Clerk	76,618	0	0	0	0	0	76,618
Clerk and Master	23,969	0	0	0	0	0	23,969
Register	77,682	0	0	0	0	0	77,682
Sheriff	3,718	0	0	0	0	0	3,718
<b>Total Fees Received from County Officials</b>	<b>\$ 263,574</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>263,574</b>
<u>State of Tennessee</u>							
<u>General Government Grants</u>							
Juvenile Services Program	\$ 9,495	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	9,495
State Reappraisal Grant	4,517	0	0	0	0	0	4,517
Solid Waste Grants	0	48,498	0	0	0	0	48,498
<u>Health and Welfare Grants</u>							
Health Department Programs	3,351	0	0	0	0	0	3,351

(Continued)



Exhibit H-4

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

	Special Revenue Funds					Debt Service Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>State of Tennessee (Cont.)</u>							
<u>Public Works Grants</u>							
State Aid Program	\$ 0	\$ 0	\$ 0	\$ 0	\$ 140,954	\$ 0	\$ 140,954
Litter Program	29,236	0	0	0	0	0	29,236
<u>Other State Revenues</u>							
Income Tax	22,278	0	0	0	0	0	22,278
Beer Tax	17,212	0	0	0	0	0	17,212
Alcoholic Beverage Tax	20,188	0	0	0	0	0	20,188
Contracted Prisoner Boarding	89,723	0	0	0	0	0	89,723
Gasoline and Motor Fuel Tax	0	0	0	0	1,374,304	0	1,374,304
Petroleum Special Tax	0	0	0	0	10,318	0	10,318
Registrar's Salary Supplement	20,475	0	0	0	0	0	20,475
Other State Grants	52,722	0	0	0	0	0	52,722
Other State Revenues	3,631	0	0	0	0	0	3,631
Total State of Tennessee	\$ 272,828	\$ 48,498	\$ 0	\$ 0	\$ 1,525,576	\$ 0	\$ 1,846,902
<u>Federal Government</u>							
<u>Federal Through State</u>							
Homeland Security Grants	\$ 61,208	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 61,208
Medicaid	800	0	0	0	0	0	800
Other Federal through State	209,611	0	0	0	50,000	0	259,611
Total Federal Government	\$ 271,619	\$ 0	\$ 0	\$ 0	\$ 50,000	\$ 0	\$ 321,619
<u>Other Governments and Citizens Groups</u>							
<u>Other Governments</u>							
Contributions	\$ 0	\$ 40,000	\$ 0	\$ 0	\$ 0	\$ 250,000	\$ 290,000
Contracted Services	63,280	0	0	0	0	0	63,280
<u>Citizens Groups</u>							
Donations	31,202	0	0	0	0	0	31,202
Total Other Governments and Citizens Groups	\$ 94,482	\$ 40,000	\$ 0	\$ 0	\$ 0	\$ 250,000	\$ 384,482
Total	\$ 4,183,013	\$ 430,734	\$ 28,656	\$ 212,158	\$ 1,668,114	\$ 928,489	\$ 7,451,164

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

General FundGeneral GovernmentCounty Commission

Other Per Diem & Fees	\$	1,930	
Social Security		148	
Total County Commission			\$ 2,078

County Mayor/Executive

County Official/Administrative Officer	\$	57,804	
Accountants/Bookkeepers		40,958	
Social Security		7,963	
State Retirement		6,162	
Audit Services		3,006	
Communication		4,066	
Contracts with Government Agencies		8,650	
Contracts with Other Public Agencies		3,416	
Legal Services		499	
Legal Notices, Recording, and Court Costs		1,991	
Maintenance & Repair Services - Office Equipment		1,548	
Postal Charges		1,285	
Travel		1,422	
Office Supplies		3,913	
Office Equipment		7,823	
Total County Mayor/Executive			150,506

Election Commission

County Official/Administrative Officer	\$	42,541	
Clerical Personnel		15,500	
Election Commission		2,185	
Election Workers		11,160	
In-Service Training		693	
Social Security		4,353	
State Retirement		3,436	
Employee and Dependent Insurance		5,030	
Communication		1,707	
Legal Notices, Recording, and Court Costs		1,706	
Maintenance Agreements		3,055	
Maintenance & Repair Services - Office Equipment		118	
Postal Charges		817	
Printing, Stationery, and Forms		1,692	
Custodial Supplies		139	
Office Supplies		1,015	
Office Equipment		462	
Total Election Commission			95,609

(Continued)

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

General Fund (Cont.)

General Government (Cont.)

Register of Deeds

County Official/Administrative Officer	\$	50,048	
Secretary(ies)		18,750	
Social Security		4,900	
State Retirement		4,073	
Employee and Dependent Insurance		2,688	
Communication		1,888	
Data Processing Services		6,147	
Dues and Memberships		449	
Postal Charges		699	
Printing, Stationery, and Forms		3,074	
Office Supplies		595	
Total Register of Deeds			\$ 93,311

Development

Contracts for Development Costs	\$	271,786	
Total Development			271,786

County Buildings

Social Security	\$	931	
State Retirement		695	
Contracts with Private Agencies		200	
Janitorial Services		13,306	
Maintenance & Repair Services - Buildings		25,104	
Custodial Supplies		2,443	
Utilities		77,193	
Other Charges		697	
Total County Buildings			120,569

Preservation of Records

Other Supplies and Materials	\$	1,579	
Total Preservation of Records			1,579

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	50,048	
Secretary(ies)		18,750	
Other Salaries & Wages		2,056	
Board and Committee Members Fees		1,050	
Social Security		5,167	
State Retirement		4,195	

(Continued)

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Employee and Dependent Insurance	\$	5,380	
Audit Services		4,405	
Communication		659	
Data Processing Services		3,284	
Dues and Memberships		808	
Postal Charges		399	
Travel		183	
Office Supplies		1,334	
Total Property Assessor's Office			\$ 97,718

County Trustee's Office

Social Security	\$	6,371	
State Retirement		4,798	
Communication		865	
Data Processing Services		2,031	
Dues and Memberships		334	
Legal Notices, Recording, and Court Costs		647	
Postal Charges		2,786	
Printing, Stationery, and Forms		1,199	
Office Supplies		990	
Total County Trustee's Office			20,021

County Clerk's Office

Secretary(ies)	\$	7,491	
Board and Committee Members Fees		262	
Social Security		9,145	
State Retirement		6,420	
Communication		1,157	
Dues and Memberships		334	
Postal Charges		1,500	
Printing, Stationery, and Forms		3,431	
Office Supplies		1,438	
Total County Clerk's Office			31,178

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	50,048	
Clerical Personnel		63,289	
Jury and Witness Fees		3,694	
Social Security		8,548	

(Continued)

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

State Retirement	\$	6,710	
Employee and Dependent Insurance		5,030	
Communication		1,777	
Contracts with Other Public Agencies		2,486	
Dues and Memberships		334	
Legal Notices, Recording, and Court Costs		423	
Maintenance & Repair Services - Office Equipment		1,002	
Postal Charges		2,137	
Printing, Stationery, and Forms		1,809	
Other Contracted Services		1,605	
Office Supplies		5,374	
Total Circuit Court			\$ 154,266

General Sessions Court

Judge(s)	\$	60,048	
Social Security		4,594	
State Retirement		3,555	
Communication		930	
Travel		79	
Other Contracted Services		1,200	
Office Supplies		666	
Total General Sessions Court			71,072

Chancery Court

County Official/Administrative Officer	\$	50,048	
Deputy(ies)		18,750	
Social Security		4,853	
State Retirement		4,073	
Employee and Dependent Insurance		2,688	
Communication		887	
Postal Charges		678	
Printing, Stationery, and Forms		1,797	
Office Supplies		455	
Total Chancery Court			84,229

Juvenile Court

Other Salaries & Wages	\$	16,256	
Social Security		1,244	
State Retirement		962	
Contracts with Other Public Agencies		3,925	

(Continued)

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

General Fund (Cont.)

Administration of Justice (Cont.)

Juvenile Court (Cont.)

Other Supplies and Materials	\$ 406	
Total Juvenile Court		\$ 22,793

Judicial Commissioners

Other Salaries & Wages	\$ 14,556	
Social Security	1,114	
Communication	491	
Travel	381	
Total Judicial Commissioners		16,542

Other Administration of Justice

Other Salaries & Wages	\$ 7,300	
Social Security	558	
Other Fringe Benefits	1,074	
Communication	1,755	
Rentals	2,500	
Travel	1,955	
Other Contracted Services	17,979	
Other Supplies and Materials	9,878	
Total Other Administration of Justice		42,999

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$ 55,052
Assistant(s)	11,231
Deputy(ies)	142,305
Investigator(s)	23,727
Captain(s)	3,058
Lieutenant(s)	20,337
Sergeant(s)	23,776
Accountants/Bookkeepers	21,173
Dispatchers/Radio Operators	143,357
Clerical Personnel	19,945
Overtime Pay	42,195
Other Salaries & Wages	21,307
In-Service Training	4,811
Social Security	55,892
State Retirement	14,086
Employee and Dependent Insurance	46,000
Advertising	250

(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Communication	\$	14,467	
Maintenance & Repair Services - Equipment		9,248	
Maintenance & Repair Services - Vehicles		18,881	
Postal Charges		974	
Gasoline		38,748	
Office Supplies		7,180	
Uniforms		3,024	
Vehicle and Equipment Insurance		25,079	
Law Enforcement Equipment		8,571	
Motor Vehicles		70,217	
Total Sheriff's Department			\$ 844,891

Jail

Medical Personnel	\$	37,308	
Guards		153,961	
Cafeteria Personnel		32,730	
Maintenance & Repair Services - Buildings		14,675	
Travel		2,083	
Other Contracted Services		4,467	
Custodial Supplies		13,902	
Food Supplies		59,505	
Utilities		40,807	
Medical Claims		51,012	
Food Service Equipment		2,158	
Office Equipment		1,388	
Total Jail			413,996

Fire Prevention and Control

Consultants	\$	1,200	
Forest Resource Services		1,500	
Maintenance & Repair Services - Equipment		2,356	
Maintenance & Repair Services - Vehicles		12,818	
Gasoline		3,950	
Uniforms		7,760	
Other Supplies and Materials		1,508	
Vehicle and Equipment Insurance		1,567	
Communication Equipment		341	
Other Equipment		4,953	
Total Fire Prevention and Control			37,953

(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

Other Emergency Management

In-Service Training	\$	375	
Communication		4,351	
Maintenance & Repair Services - Vehicles		60	
Gasoline		2,000	
Office Supplies		100	
Other Supplies and Materials		61	
Other Charges		61,208	
Communication Equipment		7,965	
Total Other Emergency Management			\$ 76,120

Public Health and Welfare

Local Health Center

Communication	\$	2,610	
Contracts with Government Agencies		15,630	
Janitorial Services		3,172	
Maintenance & Repair Services - Buildings		8,840	
Custodial Supplies		654	
Drugs and Medical Supplies		1,390	
Office Supplies		1,499	
Utilities		3,713	
Total Local Health Center			37,508

Ambulance/Emergency Medical Services

Supervisor/Director	\$	38,316	
Medical Personnel		423,732	
Secretary(ies)		2,500	
Overtime Pay		8,407	
In-Service Training		4,288	
Social Security		35,620	
State Retirement		17,231	
Employee and Dependent Insurance		44,763	
Communication		7,799	
Dues and Memberships		680	
Maintenance Agreements		2,693	
Maintenance & Repair Services - Equipment		640	
Maintenance & Repair Services - Vehicles		7,385	
Postal Charges		917	
Custodial Supplies		693	
Drugs and Medical Supplies		12,025	
Gasoline		10,663	

(Continued)



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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services (Cont.)

Office Supplies	\$	4,453	
Uniforms		3,871	
Utilities		3,838	
Other Supplies and Materials		2,338	
Vehicle and Equipment Insurance		14,106	
Total Ambulance/Emergency Medical Services			\$ 646,958

Maternal and Child Health Services

Accountants/Bookkeepers	\$	4,000	
Educational Assistants		80,261	
Other Salaries & Wages		40,000	
Social Security		9,200	
State Retirement		3,922	
Employee and Dependent Insurance		2,688	
Other Fringe Benefits		2,990	
Communication		2,475	
Travel		1,434	
Other Supplies and Materials		3,030	
Total Maternal and Child Health Services			150,000

Crippled Children Services

Contributions	\$	784	
Total Crippled Children Services			784

Regional Mental Health Center

Other Salaries & Wages	\$	2,642	
Social Security		202	
Other Fringe Benefits		204	
Travel		303	
Total Regional Mental Health Center			3,351

General Welfare Assistance

Contributions	\$	11,528	
Other Contracted Services		1,000	
Total General Welfare Assistance			12,528

Other Local Welfare Services

Other Salaries & Wages	\$	17,116	
Social Security		1,309	
Other Fringe Benefits		291	

(Continued)

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Other Local Welfare Services (Cont.)

Other Contracted Services	\$ 1,100	
Total Other Local Welfare Services		\$ 19,816

Sanitation Management

Laborers	\$ 19,882	
Social Security	1,521	
Advertising	1,001	
Maintenance & Repair Services - Vehicles	631	
Instructional Supplies and Materials	1,560	
Other Supplies and Materials	402	
Total Sanitation Management		24,997

Other Public Health and Welfare

Supervisor/Director	\$ 13,179	
Social Security	225	
Total Other Public Health and Welfare		13,404

Social, Cultural, and Recreational Services

Libraries

County Official/Administrative Officer	\$ 24,904	
Assistant(s)	20,382	
Social Security	3,406	
State Retirement	1,474	
Employee and Dependent Insurance	5,030	
Contributions	10,000	
Total Libraries		65,196

Parks and Fair Boards

Assistant(s)	\$ 4,550	
Supervisor/Director	18,500	
Other Salaries & Wages	5,894	
Social Security	2,156	
State Retirement	715	
Employee and Dependent Insurance	2,345	
Communication	542	
Dues and Memberships	340	
Maintenance & Repair Services - Buildings	1,406	
Maintenance & Repair Services - Equipment	607	
Travel	189	
Custodial Supplies	117	

(Continued)

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Parks and Fair Boards (Cont.)

Office Supplies	\$	70	
Utilities		12,645	
Other Supplies and Materials		3,000	
Total Parks and Fair Boards			\$ 53,076

Agriculture & Natural Resources

Agriculture Extension Service

Salary Supplements	\$	37,389	
Other Fringe Benefits		8,462	
Communication		3,152	
Maintenance & Repair Services - Buildings		141	
Printing, Stationery, and Forms		594	
Other Supplies and Materials		1,579	
Total Agriculture Extension Service			51,317

Other Operations

Veterans' Services

Communication	\$	1,020	
Office Supplies		89	
Total Veterans' Services			1,109

Other Charges

Building and Contents Insurance	\$	72,101	
Premiums on Corporate Surety Bonds		2,819	
Trustee's Commission		48,731	
Workers' Compensation Insurance		105,649	
Total Other Charges			229,300

Contributions to Other Agencies

Contributions	\$	16,959	
Total Contributions to Other Agencies			16,959

Employee Benefits

Social Security	\$	18,743	
State Retirement		5,179	
Employee and Dependent Insurance		155	
Unemployment Compensation		7,512	
Total Employee Benefits			31,589

(Continued)

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

General Fund (Cont.)

Other Operations (Cont.)

Miscellaneous

Contracts with Private Agencies	\$	13,125	
Gasoline		41,668	
Other Supplies and Materials		44,934	
Other Charges		176	
Total Miscellaneous			\$ 99,903

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	4,091	
Accountants/Bookkeepers		1,333	
Educational Assistants		20,369	
Other Fringe Benefits		3,925	
Communication		1,946	
Travel		1,500	
Other Contracted Services		18,326	
Other Supplies and Materials		1,231	
Total Community Services			52,721

Total General Fund

\$ 4,159,732

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Laborers	\$	37,771	
Overtime Pay		1,469	
Social Security		2,684	
State Retirement		1,008	
Employee and Dependent Insurance		2,166	
Advertising		229	
Communication		570	
Contracts with Other Public Agencies		291,584	
Maintenance Agreements		2,000	
Maintenance & Repair Services - Equipment		20,208	
Maintenance & Repair Services - Vehicles		4,646	
Other Contracted Services		4,335	
Gasoline		2,612	
Utilities		1,780	
Trustee's Commission		5,854	
Solid Waste Equipment		12,653	
Total Sanitation Management			\$ 391,569

Total Solid Waste/Sanitation Fund

391,569

(Continued)

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

Drug Control Fund

Public Safety

Sheriff's Department

In-Service Training	\$	2,600	
Contributions		140	
Maintenance & Repair Services - Vehicles		2,930	
Other Charges		258	
Law Enforcement Equipment		12,814	
Other Equipment		4,192	
Total Sheriff's Department			\$ 22,934

Total Drug Control Fund \$ 22,934

Constitutional Officers - Fees Fund

General Government

Other General Administration

Constitutional Officers' Operating Expenses	\$	13,467	
Total Other General Administration			\$ 13,467

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$	83,280	
Total County Trustee's Office			83,280

County Clerk's Office

Constitutional Officers' Operating Expenses	\$	113,475	
Total County Clerk's Office			113,475

Total Constitutional Officers - Fees Fund 210,222

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	55,052	
Accountants/Bookkeepers		31,210	
Board and Committee Members Fees		1,200	
Social Security		4,992	
Employer Medicare		1,168	
Communication		7,068	
Data Processing Services		5,860	
Dues and Memberships		1,988	
Legal Notices, Recording, and Court Costs		916	
Licenses		34	

(Continued)

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Postal Charges	\$	479	
Printing, Stationery, and Forms		987	
Electricity		1,875	
Natural Gas		1,587	
Water and Sewer		167	
Other Supplies and Materials		2,203	
Total Administration			\$ 116,786

Highway and Bridge Maintenance

Equipment Operators	\$	101,896	
Truck Drivers		71,408	
Laborers		130,487	
Social Security		16,927	
State Retirement		15,390	
Employer Medicare		3,959	
Other Contracted Services		1,850	
Asphalt		13,686	
Asphalt - Cold Mix		32,949	
Asphalt - Liquid		76,204	
Concrete		1,608	
Crushed Stone		227,640	
Pipe - Metal		18,264	
Road Signs		7,613	
Structural Steel		23,934	
Wood Products		1,281	
Other Supplies and Materials		860	
Total Highway and Bridge Maintenance			745,956

Operation and Maintenance of Equipment

Mechanic(s)	\$	54,751	
Social Security		3,099	
Employer Medicare		725	
Maintenance & Repair Services - Equipment		3,701	
Other Contracted Services		530	
Diesel Fuel		102,667	
Equipment and Machinery Parts		54,430	
Garage Supplies		10,453	
Gasoline		23,939	
Lubricants		4,193	
Tires and Tubes		11,674	

(Continued)

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment (Cont.)

Other Supplies and Materials	\$ 49	
Total Operation and Maintenance of Equipment		\$ 270,211

Other Charges

Liability Insurance	\$ 24,138	
Trustee's Commission	13,897	
Vehicle and Equipment Insurance	19,750	
Workers' Compensation Insurance	58,605	
Total Other Charges		116,390

Employee Benefits

Medical Insurance	\$ 54,646	
Unemployment Compensation	5,430	
Total Employee Benefits		60,076

Capital Outlay

Engineering Services	\$ 12,583	
Bridge Construction	10,000	
Highway Equipment	61,814	
State Aid Projects	206,298	
Other Capital Outlay	102,218	
Total Capital Outlay		392,913

Total Highway/Public Works Fund		\$ 1,702,332
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General Debt Service Fund

Principal on Debt

General Government

Principal on Notes	\$ 15,000	
Principal on Other Loans	74,000	
Total General Government		\$ 89,000

Education

Principal on Other Loans	\$ 362,000	
Total Education		362,000

Interest on Debt

General Government

Interest on Notes	\$ 1,096	
Interest on Other Loans	42,698	
Total General Government		43,794

(Continued)

Exhibit H-5

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

General Debt Service Fund (Cont.)

Interest on Debt (Cont.)

Education

Interest on Other Loans	\$ 397,414	
Total Education		\$ 397,414

Other Debt Service

General Government

Trustee's Commission	\$ 1,244	
Other Debt Service	3,082	
Total General Government		4,326

Education

Other Debt Service	\$ 16,896	
Total Education		<u>16,896</u>

Total General Debt Service Fund		\$ 913,430
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General Capital Projects Fund

Capital Projects

Other General Government Projects

Architects	\$ 30,000	
Building Improvements	301,154	
Site Development	2,285	
Total Other General Government Projects		<u>\$ 333,439</u>

Total General Capital Projects Fund		<u>333,439</u>
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Total Governmental Funds - Primary Government		<u>\$ 7,733,658</u>
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Exhibit H-6

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

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	<u>\$ 336,766</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 333,399
Trustee's Commission	<u>3,367</u>
Total Cash Disbursements	<u>\$ 336,766</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0
Cash Balance, July 1, 2005	<u>0</u>
Cash Balance, June 30, 2006	<u><u>\$ 0</u></u>

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

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

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

*ARTHUR L. ALEXANDER*  
*Director*

*CARL LOWE, CGFM*  
*Audit Manager*

*MICHAEL FORD, CPA, CGFM*  
*Auditor 4*

*JESSICA L. COX, CGFM*  
*KELLEY J. McNEAL, CPA, CGFM*  
*State Auditors*

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

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**CANNON COUNTY SCHOOL DEPARTMENT  
A COMPONENT UNIT OF CANNON COUNTY, TENNESSEE  
TABLE OF CONTENTS**

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	Exhibit	Page(s)
Audit Highlights		1
<u>INTRODUCTORY SECTION</u>		3
Cannon County School Officials		5
<u>FINANCIAL SECTION</u>		7
Independent Auditor's Report		9-11
BASIC FINANCIAL STATEMENTS:		13
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	A	15
Statement of Revenues, Expenditures, and Changes in Fund Balances	B	16
Notes to the Financial Statements		17-27
REQUIRED SUPPLEMENTARY INFORMATION:		29
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual (Budgetary Basis) and Budget:		
General Purpose School Fund	C	31-32
Notes to the Required Supplementary Information		33
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		35
Nonmajor Governmental Fund:		37
Combining Balance Sheet	D-1	39
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	D-2	40
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
School Federal Projects Fund	D-3	41
Central Cafeteria Fund	D-4	42
Miscellaneous Schedules:		43
Schedule of Transfers	E-1	45
Schedule of Salaries and Official Bonds of Principal Officials	E-2	46
Schedule of Detailed Revenues – All Governmental Fund Types	E-3	47-48
Schedule of Detailed Expenditures – All Governmental Fund Types	E-4	49-58

# ***Audit Highlights***

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

## ***Scope***

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

## ***Results***

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

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

## ***Findings***

The following are summaries of the audit findings:

### **CANNON COUNTY SCHOOL DEPARTMENT**

- ◆ Government-wide financial statements were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion.
- ◆ Purchase orders were not issued in some required instances, and some invoices were paid without canceling or marking them paid.

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### **OTHER FINDINGS**

- ◆ County officials had not adopted a central system of accounting, budgeting, and purchasing.
- ◆ Duties were not segregated adequately in the Office of Director of Schools.
- ◆ The county's practice of paying the School Department's buildings and contents insurance premiums from the General Fund is of questionable legality.

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## INTRODUCTORY SECTION

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Cannon County School Officials  
June 30, 2006

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**Official**

Edward Diden, Director of Schools

**Board of Education**

Tommy Hale, Chairman

Mark Bailey

Charles Cooper

Roy Parker

Ray Todd

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## FINANCIAL SECTION

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

**INDEPENDENT AUDITOR'S REPORT**

August 24, 2006

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

To the Director of Schools and Board of Education:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Cannon County School Department, a component unit of Cannon County, Tennessee, as of and for the year ended June 30, 2006, as shown on pages 15 through 27, which collectively comprise a portion of the Cannon County School Department's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Cannon County School Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

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



Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the School Department's governmental activities are not reasonably determinable.

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

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

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

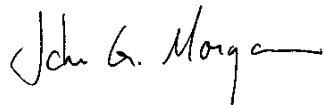
In accordance with Government Auditing Standards, we have also issued our report dated August 24, 2006, on our consideration of the Cannon County School Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 31 through 33 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have

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

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

Very truly yours,

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

John G. Morgan  
Comptroller of the Treasury

JGM/sb

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

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

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	<u>Total Govern- mental Funds</u>
	General Purpose School	Other Govern- mental Funds	Govern- mental Funds
<u>ASSETS</u>			
Cash	\$ 0	\$ 100	\$ 100
Equity in Pooled Cash and Investments	2,044,588	94,923	2,139,511
Due from Other Governments	92,785	232,837	325,622
Property Taxes Receivable	1,781,831	0	1,781,831
Allowance for Uncollectible Property Taxes	(28,339)	0	(28,339)
Total Assets	<u>\$ 3,890,865</u>	<u>\$ 327,860</u>	<u>\$ 4,218,725</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 0	\$ 232	\$ 232
Accrued Payroll	0	3,925	3,925
Contracts Payable	137,000	0	137,000
Due to State of Tennessee	0	1,747	1,747
Deferred Revenue - Current Property Taxes	1,663,312	0	1,663,312
Deferred Revenue - Delinquent Property Taxes	85,316	0	85,316
Other Deferred Revenues	38,000	0	38,000
Total Liabilities	<u>\$ 1,923,628</u>	<u>\$ 5,904</u>	<u>\$ 1,929,532</u>
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 463,939	\$ 145,514	\$ 609,453
Reserved for Career Ladder - Extended Contract	38,749	0	38,749
Reserved for Basic Education Program	1,411,972	0	1,411,972
Reserved for Title I Grants to Local Education Agencies	0	24,168	24,168
Reserved for Special Education - Grants to States	0	10,243	10,243
Other Federal Reserves	0	6,606	6,606
Unreserved, Reported In:			
General Fund	52,577	0	52,577
Special Revenue Funds	0	135,425	135,425
Total Fund Balances	<u>\$ 1,967,237</u>	<u>\$ 321,956</u>	<u>\$ 2,289,193</u>
Total Liabilities and Fund Balances	<u>\$ 3,890,865</u>	<u>\$ 327,860</u>	<u>\$ 4,218,725</u>

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

Exhibit B

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

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 2,148,371	\$ 0	\$ 2,148,371
Licenses and Permits	523	0	523
Charges for Current Services	7,366	404,120	411,486
Other Local Revenues	100,174	607	100,781
State of Tennessee	9,467,586	11,342	9,478,928
Federal Government	103,307	1,630,121	1,733,428
Total Revenues	<u>\$ 11,827,327</u>	<u>\$ 2,046,190</u>	<u>\$ 13,873,517</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 7,732,329	\$ 838,419	\$ 8,570,748
Support Services	3,633,222	387,015	4,020,237
Operation of Non-Instructional Services	146,867	876,122	1,022,989
Capital Outlay	1,260,294	0	1,260,294
Debt Service:			
Other Debt Service	250,000	0	250,000
Total Expenditures	<u>\$ 13,022,712</u>	<u>\$ 2,101,556</u>	<u>\$ 15,124,268</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (1,195,385)</u>	<u>\$ (55,366)</u>	<u>\$ (1,250,751)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	\$ 16,978	\$ 0	\$ 16,978
Transfers Out	0	(16,978)	(16,978)
Total Other Financing Sources (Uses)	<u>\$ 16,978</u>	<u>\$ (16,978)</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ (1,178,407)	\$ (72,344)	\$ (1,250,751)
Fund Balance, July 1, 2005	3,145,644	394,300	3,539,944
Fund Balance, June 30, 2006	<u>\$ 1,967,237</u>	<u>\$ 321,956</u>	<u>\$ 2,289,193</u>

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

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

**A. Reporting Entity**

The Cannon County School Department operates the public school system in the county, and the voters of Cannon County elect its five-member board. The School Department is a component unit of Cannon County, the primary government. The School Department is fiscally dependent on the county because it may not issue debt without county approval, and its budget and property tax levy are subject to the County Commission's approval. The

School Department's taxes are levied under the taxing authority of the county and are included as part of the county's total tax levy.

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

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

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

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

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

The School Department reports the following major governmental fund:

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

Additionally, the School Department reports the following fund type:

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

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

1. **Deposits and Investments**

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 Cannon County, Cannon County School Department, and Cannon County Industrial Development Board funds. Each fund's portion of this pool is displayed on the balance sheets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the primary government's General Fund. Cannon County, Cannon County School Department, and Cannon County Industrial Development Board 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 are reported at cost. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. **Receivables and Payables**

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to .85 percent of total taxes levied.

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

Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. This date is January 1 and is referred to as the lien date. However, revenues from property taxes are recognized in the period for which the taxes are levied, which is the ensuing fiscal year. Since the receivable is recognized before the



period of revenue recognition, the entire amount of the receivable, less an estimated allowance for uncollectible taxes, is reported as deferred revenue as of June 30.

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

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

**3. Capital Assets**

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

**4. Compensated Absences**

The general policy of the School Department is to permit employees to accumulate a limited amount of vacation benefits, which will be paid to the employee upon separation. Records are not maintained reflecting the dollar amount of accumulated vacation time at June 30, 2006; however, the amount of accumulated leave would not materially affect the financial statements. The general policy of the School Department for professional personnel (teachers) permits the unlimited accumulation of unused sick leave days. The granting of sick leave has no guaranteed payment attached and therefore is not required to be accrued or recorded.

**5. Fund Equity**

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

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

**Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds. All annual appropriations lapse at fiscal year end.

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

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

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

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

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

## Deposits

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

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

## Investments

**Legal Provisions.** Cannon County, the School Department's primary government, is authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state director of Local Finance and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the market value of the securities on the day of purchase. The county had no pooled and nonpooled investments as of June 30, 2006.

### **B. Interfund Transfers**

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

<u>Transfers Out</u>	<u>Transfers In</u> General Purpose School Fund
Nonmajor governmental fund	\$ 16,978
Total	<u>\$ 16,978</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.

#### IV. OTHER INFORMATION

##### A. Risk Management

The Cannon County School Department participates in the Tennessee School Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by the Tennessee School Boards Association, an association of member school districts. The School Department pays an annual premium to the TSB-RMT for its general liability, property, casualty and workers' compensation insurance coverage. The creation of the TSB-RMT provides for it to be self-sustaining through member premiums. The TSB-RMT reinsures through commercial insurance companies for claims exceeding \$100,000 for each insured.

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

##### B. Accounting Changes

The provisions of Governmental Accounting Standards Board (GASB) Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries became effective for the year ended June 30, 2006. GASB Statement No. 42 requires governments to report the effects of capital asset impairments in their financial statements

when they occur rather than as a part of the ongoing depreciation expense for the capital asset or upon disposal of the capital asset. In addition, GASB Statement No. 42 clarifies and establishes accounting requirements for insurance recoveries. GASB Statement No. 42 had no effect on the financial statements for the year ended June 30, 2006, since no capital asset impairment and insurance recoveries occurred. However, it is reasonably expected that capital asset impairment and insurance recoveries may occur in subsequent years that will be subject to the provisions of Statement No. 42.

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

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

The provisions of GASB Statement No. 47, Accounting for Termination Benefits became effective for the year ended June 30, 2006. GASB Statement No. 47 provides accounting and reporting guidance for state and local governments that offer benefits such as early retirement incentives or

severance to employees who are involuntarily terminated. Statement No. 47 specifies when governments should recognize the cost of termination benefits they offer in accrual basis financial statements. The Cannon County School Department was not offering any termination benefits to employees as of June 30, 2006. But it is reasonably expected that the School Department will offer termination benefits in subsequent years subject to the accounting and reporting requirements of GASB Statement No. 47.

**C. Contingent Liabilities**

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

**D. Retirement Commitments**

**Plan Description**

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

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

Copies of footnotes in PDF format can be accessed at <http://www.treasury.state.tn.us/tcrs/PS/>.

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

## SCHOOL TEACHERS

### **Plan Description**

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

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

## **Funding Policy**

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the Cannon County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2006, was 5.5 percent of annual covered payroll. The employer contribution requirement for the Cannon County School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2006, 2005, and 2004, were \$390,960, \$388,501, and \$227,207 respectively, equal to the required contributions for each year.

### **E. Purchasing Law**

Purchasing procedures for the School Department are governed by purchasing laws applicable to the 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 the chairman of the Board of Education), to make all purchases. This statute also requires that competitive bids be solicited through newspaper advertisement on all purchases exceeding \$10,000.



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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit C

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 2,148,371	\$ 0	\$ 0	\$ 2,148,371	\$ 2,041,700	\$ 2,041,700	\$ 106,671
Licenses and Permits	523	0	0	523	500	500	23
Charges for Current Services	7,366	0	0	7,366	6,100	6,100	1,266
Other Local Revenues	100,174	0	0	100,174	40,000	110,234	(10,060)
State of Tennessee	9,467,586	0	0	9,467,586	9,438,500	9,638,538	(170,952)
Federal Government	103,307	0	0	103,307	89,300	119,300	(15,993)
<b>Total Revenues</b>	<b>\$ 11,827,327</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 11,827,327</b>	<b>\$ 11,616,100</b>	<b>\$ 11,916,372</b>	<b>\$ (89,045)</b>
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 6,163,968	\$ (248,743)	\$ 185,757	\$ 6,100,982	\$ 6,292,730	\$ 6,209,972	\$ 108,990
Alternative Instruction Program	47,852	0	0	47,852	48,070	48,070	218
Special Education Program	1,102,206	0	0	1,102,206	1,179,440	1,165,052	62,846
Vocational Education Program	396,672	(13,595)	1,060	384,137	395,110	412,713	28,576
Adult Education Program	21,631	(1,853)	20	19,798	32,700	32,700	12,902
<u>Support Services</u>							
Attendance	70,874	(150)	125	70,849	81,690	81,690	10,841
Health Services	36,581	(655)	0	35,926	47,810	47,810	11,884
Other Student Support	156,823	0	0	156,823	158,040	171,288	14,465
Regular Instruction Program	447,310	(70)	0	447,240	395,500	466,780	19,540
Special Education Program	89,122	0	0	89,122	98,840	98,840	9,718
Vocational Education Program	20,342	0	0	20,342	0	23,100	2,758
Adult Programs	81,556	0	0	81,556	93,490	94,609	13,053
Board of Education	205,330	(70)	1,068	206,328	254,760	254,760	48,432
Director of Schools	115,870	0	0	115,870	128,100	128,100	12,230
Office of the Principal	798,348	0	17,916	816,264	817,560	819,400	3,136

(Continued)

Exhibit C

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Fiscal Services	\$ 138,628	\$ (8,150)	\$ 10,650	\$ 141,128	\$ 142,400	\$ 142,400	\$ 1,272
Operation of Plant	839,908	(2,290)	1,500	839,118	797,900	880,735	41,617
Maintenance of Plant	137,340	(1,077)	3,505	139,768	172,610	172,610	32,842
Transportation	495,190	(150)	62,000	557,040	565,310	580,310	23,270
<u>Operation of Non-Instructional Services</u>							
Early Childhood Education	146,867	0	31,819	178,686	0	178,691	5
<u>Capital Outlay</u>							
Regular Capital Outlay	1,260,294	(1,143,362)	148,519	265,451	1,350,000	1,357,702	1,092,251
<u>Other Debt Service</u>							
Education	250,000	0	0	250,000	250,000	250,000	0
Total Expenditures	\$ 13,022,712	\$ (1,420,165)	\$ 463,939	\$ 12,066,486	\$ 13,302,060	\$ 13,617,332	\$ 1,550,846
Excess (Deficiency) of Revenues							
Over Expenditures	\$ (1,195,385)	\$ 1,420,165	\$ (463,939)	\$ (239,159)	\$ (1,685,960)	\$ (1,700,960)	\$ 1,461,801
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 16,978	\$ 0	\$ 0	\$ 16,978	\$ 10,000	\$ 10,000	\$ 6,978
Total Other Financing Sources (Uses)	\$ 16,978	\$ 0	\$ 0	\$ 16,978	\$ 10,000	\$ 10,000	\$ 6,978
Net Change in Fund Balance							
Fund Balance, July 1, 2005	\$ (1,178,407)	\$ 1,420,165	\$ (463,939)	\$ (222,181)	\$ (1,675,960)	\$ (1,690,960)	\$ 1,468,779
	3,145,644	(1,420,165)	0	1,725,479	2,329,391	2,329,391	(603,912)
Fund Balance, June 30, 2006	\$ 1,967,237	\$ 0	\$ (463,939)	\$ 1,503,298	\$ 653,431	\$ 638,431	\$ 864,867

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

**BUDGETARY INFORMATION**

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

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

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

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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

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

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

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

	<u>Special Revenue Funds</u>		Total
	School Federal Projects	Central Cafeteria	Nonmajor Governmental Funds
<u>ASSETS</u>			
Cash	\$ 0	\$ 100	\$ 100
Equity in Pooled Cash and Investments	6,285	88,638	94,923
Due from Other Governments	185,815	47,022	232,837
Total Assets	<u>\$ 192,100</u>	<u>\$ 135,760</u>	<u>\$ 327,860</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 232	\$ 0	\$ 232
Accrued Payroll	3,925	0	3,925
Due to State of Tennessee	1,412	335	1,747
Total Liabilities	<u>\$ 5,569</u>	<u>\$ 335</u>	<u>\$ 5,904</u>
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 145,514	\$ 0	\$ 145,514
Reserved for Title I Grants to Local Education Agencies	24,168	0	24,168
Reserved for Special Education - Grants to States	10,243	0	10,243
Other Federal Reserves	6,606	0	6,606
Unreserved	0	135,425	135,425
Total Fund Balances	<u>\$ 186,531</u>	<u>\$ 135,425</u>	<u>\$ 321,956</u>
Total Liabilities and Fund Balances	<u>\$ 192,100</u>	<u>\$ 135,760</u>	<u>\$ 327,860</u>

Exhibit D-2

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

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 404,120	\$ 404,120
Other Local Revenues	289	318	607
State of Tennessee	0	11,342	11,342
Federal Government	1,157,305	472,816	1,630,121
Total Revenues	<u>\$ 1,157,594</u>	<u>\$ 888,596</u>	<u>\$ 2,046,190</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 838,419	\$ 0	\$ 838,419
Support Services	387,015	0	387,015
Operation of Non-Instructional Services	0	876,122	876,122
Total Expenditures	<u>\$ 1,225,434</u>	<u>\$ 876,122</u>	<u>\$ 2,101,556</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (67,840)</u>	<u>\$ 12,474</u>	<u>\$ (55,366)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	\$ (16,978)	\$ 0	\$ (16,978)
Total Other Financing Sources (Uses)	<u>\$ (16,978)</u>	<u>\$ 0</u>	<u>\$ (16,978)</u>
Net Change in Fund Balances	\$ (84,818)	\$ 12,474	\$ (72,344)
Fund Balance, July 1, 2005	<u>271,349</u>	<u>122,951</u>	<u>394,300</u>
Fund Balance, June 30, 2006	<u>\$ 186,531</u>	<u>\$ 135,425</u>	<u>\$ 321,956</u>



Exhibit D-3

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Other Local Revenues	\$ 289	\$ 0	\$ 0	\$ 289	\$ 0	\$ 0	\$ 289
Federal Government	1,157,305	0	0	1,157,305	1,211,111	1,313,103	(155,798)
<b>Total Revenues</b>	<b>\$ 1,157,594</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,157,594</b>	<b>\$ 1,211,111</b>	<b>\$ 1,313,103</b>	<b>\$ (155,509)</b>
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 419,614	\$ (9,318)	\$ 0	\$ 410,296	\$ 392,139	\$ 418,378	\$ 8,082
Special Education Program	368,550	(495)	6,146	374,201	432,771	439,588	65,387
Vocational Education Program	50,255	(13,268)	14,765	51,752	(9,734)	52,082	330
<u>Support Services</u>							
Other Student Support	22,656	(19,010)	0	3,646	9,735	3,646	0
Regular Instruction Program	282,336	(50,016)	123,240	355,560	473,146	474,129	118,569
Special Education Program	67,921	(403)	1,163	68,681	70,152	70,152	1,471
Vocational Education Program	2,177	0	0	2,177	0	2,177	0
Transportation	11,925	0	200	12,125	12,634	12,634	509
<b>Total Expenditures</b>	<b>\$ 1,225,434</b>	<b>\$ (92,510)</b>	<b>\$ 145,514</b>	<b>\$ 1,278,438</b>	<b>\$ 1,380,843</b>	<b>\$ 1,472,786</b>	<b>\$ 194,348</b>
Excess (Deficiency) of Revenues							
Over Expenditures	\$ (67,840)	\$ 92,510	\$ (145,514)	\$ (120,844)	\$ (169,732)	\$ (159,683)	\$ 38,839
<u>Other Financing Sources (Uses)</u>							
Transfers Out	\$ (16,978)	\$ 0	\$ 0	\$ (16,978)	\$ (9,919)	\$ (19,989)	\$ 3,011
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (16,978)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (16,978)</b>	<b>\$ (9,919)</b>	<b>\$ (19,989)</b>	<b>\$ 3,011</b>
Net Change in Fund Balance							
Fund Balance, July 1, 2005	\$ (84,818)	\$ 92,510	\$ (145,514)	\$ (137,822)	\$ (179,651)	\$ (179,672)	\$ 41,850
	271,349	(92,510)	0	178,839	242,508	242,508	(63,669)
<b>Fund Balance, June 30, 2006</b>	<b>\$ 186,531</b>	<b>\$ 0</b>	<b>\$ (145,514)</b>	<b>\$ 41,017</b>	<b>\$ 62,857</b>	<b>\$ 62,836</b>	<b>\$ (21,819)</b>

Exhibit D-4

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 404,120	\$ 437,000	\$ 437,000	\$ (32,880)
Other Local Revenues	318	100	100	218
State of Tennessee	11,342	11,500	11,500	(158)
Federal Government	472,816	464,000	464,000	8,816
Total Revenues	<u>\$ 888,596</u>	<u>\$ 912,600</u>	<u>\$ 912,600</u>	<u>\$ (24,004)</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 876,122	\$ 931,300	\$ 931,300	\$ 55,178
Total Expenditures	<u>\$ 876,122</u>	<u>\$ 931,300</u>	<u>\$ 931,300</u>	<u>\$ 55,178</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 12,474</u>	<u>\$ (18,700)</u>	<u>\$ (18,700)</u>	<u>\$ 31,174</u>
Net Change in Fund Balance	\$ 12,474	\$ (18,700)	\$ (18,700)	\$ 31,174
Fund Balance, July 1, 2005	<u>122,951</u>	<u>68,740</u>	<u>68,740</u>	<u>54,211</u>
Fund Balance, June 30, 2006	<u>\$ 135,425</u>	<u>\$ 50,040</u>	<u>\$ 50,040</u>	<u>\$ 85,385</u>

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## MISCELLANEOUS SCHEDULES

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Exhibit E-1

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

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
School Federal Projects	General Purpose School	Indirect costs	<u>\$ 16,978</u>
Total Transfers			<u><u>\$ 16,978</u></u>

Exhibit E-2

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

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Director of Schools	State Board of Education and Cannon County Board of Education	\$ 84,232 (1)	\$ (2)	
Other Bonds:				
Public Employee Dishonesty			150,000	Tennessee School Boards Liability Trust

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

(2) The director of schools is covered under the public employee dishonesty bond.

Exhibit E-3

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 1,545,785	\$ 0	\$ 0	\$ 1,545,785
Trustee's Collections - Prior Year	94,563	0	0	94,563
Circuit/Clerk & Master Collections - Prior Years	14,232	0	0	14,232
Interest and Penalty	16,240	0	0	16,240
<u>County Local Option Taxes</u>				
Local Option Sales Tax	467,311	0	0	467,311
<u>Statutory Local Taxes</u>				
Bank Excise Tax	8,207	0	0	8,207
Interstate Telecommunications Tax	2,033	0	0	2,033
Total Local Taxes	\$ 2,148,371	\$ 0	\$ 0	\$ 2,148,371
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 523	\$ 0	\$ 0	\$ 523
Total Licenses and Permits	\$ 523	\$ 0	\$ 0	\$ 523
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Lunch Payments - Children	\$ 0	\$ 0	\$ 186,299	\$ 186,299
Lunch Payments - Adults	0	0	28,405	28,405
Income from Breakfast	0	0	31,960	31,960
Special Milk Sales	0	0	2,337	2,337
A la carte Sales	0	0	155,119	155,119
<u>Other Charges for Services</u>				
Other Charges for Services	7,366	0	0	7,366
Total Charges for Current Services	\$ 7,366	\$ 0	\$ 404,120	\$ 411,486
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	\$ 318	\$ 318
Miscellaneous Refunds	80,370	289	0	80,659
<u>Nonrecurring Items</u>				
Insurance Recovery	9,707	0	0	9,707
Contributions & Gifts	9,950	0	0	9,950
<u>Other Local Revenues</u>				
Other Local Revenues	147	0	0	147
Total Other Local Revenues	\$ 100,174	\$ 289	\$ 318	\$ 100,781
<u>State of Tennessee</u>				
<u>State Education Funds</u>				
Basic Education Program	\$ 8,883,798	\$ 0	\$ 0	\$ 8,883,798
School Food Service	0	0	11,342	11,342
Driver Education	6,557	0	0	6,557
Other State Education Funds	216,036	0	0	216,036
Career Ladder Program	87,980	0	0	87,980
Career Ladder - Extended Contract	43,678	0	0	43,678
<u>Other State Revenues</u>				
State Revenue Sharing - T.V.A.	229,537	0	0	229,537
Total State of Tennessee	\$ 9,467,586	\$ 0	\$ 11,342	\$ 9,478,928

(Continued)

Exhibit E-3

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 338,645	\$ 338,645
Breakfast	0	0	134,171	134,171
Adult Education State Grant Program	53,831	0	0	53,831
Vocational Education - Basic Grants to States	0	57,502	0	57,502
Title I Grants to Local Education Agencies	0	354,848	0	354,848
Innovative Education Program Strategies	0	5,382	0	5,382
Special Education - Grants to States	4,264	385,424	0	389,688
Special Education Preschool Grants	0	17,360	0	17,360
Eisenhower Professional Development State Grants	0	99,215	0	99,215
Job Training Partnership Act	18,730	0	0	18,730
Other Federal through State	0	237,574	0	237,574
<u>Direct Federal Revenue</u>				
Public Law 874 - Maintenance and Operation	26,482	0	0	26,482
Total Federal Government	\$ 103,307	\$ 1,157,305	\$ 472,816	\$ 1,733,428
Total	\$ 11,827,327	\$ 1,157,594	\$ 888,596	\$ 13,873,517

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

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	4,318,195	
Career Ladder Program		56,918	
Career Ladder Extended Contracts		30,789	
Educational Assistants		96,094	
Certified Substitute Teachers		61,350	
Non-certified Substitute Teachers		28,975	
Social Security		272,642	
State Retirement		247,509	
Medical Insurance		425,214	
Unemployment Compensation		32,222	
Employer Medicare		63,827	
Other Contracted Services		8,792	
Instructional Supplies and Materials		76,321	
Textbooks		232,244	
Other Charges		150	
Regular Instruction Equipment		212,726	
Total Regular Instruction Program	\$		6,163,968

Alternative Instruction Program

Teachers	\$	42,291	
Social Security		2,622	
State Retirement		2,326	
Employer Medicare		613	
Total Alternative Instruction Program			47,852

Special Education Program

Teachers	\$	715,700	
Career Ladder Program		9,152	
Career Ladder Extended Contracts		2,000	
Homebound Teachers		13,962	
Educational Assistants		22,945	
Social Security		45,039	
State Retirement		41,583	
Medical Insurance		72,304	
Employer Medicare		10,533	
Tuition		13,500	
Other Contracted Services		155,488	
Total Special Education Program			1,102,206

(Continued)



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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Vocational Education Program

Teachers	\$	302,940	
Career Ladder Program		4,960	
Other Salaries & Wages		13,337	
Social Security		20,261	
State Retirement		17,668	
Medical Insurance		17,670	
Employer Medicare		4,738	
Instructional Supplies and Materials		15,098	
Total Vocational Education Program			\$ 396,672

Adult Education Program

Teachers	\$	15,680	
Social Security		972	
Unemployment Compensation		191	
Employer Medicare		227	
Instructional Supplies and Materials		4,561	
Total Adult Education Program			21,631

Support Services

Attendance

Supervisor/Director	\$	52,392	
Career Ladder Program		1,000	
Social Security		3,327	
State Retirement		3,195	
Medical Insurance		6,946	
Employer Medicare		778	
Travel		1,755	
Other Supplies and Materials		341	
Attendance Equipment		1,140	
Total Attendance			70,874

Health Services

Medical Personnel	\$	28,779	
Social Security		1,784	
State Retirement		1,583	
Employer Medicare		417	
Travel		2,511	
Other Contracted Services		162	
Drugs and Medical Supplies		1,345	
Total Health Services			36,581

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support

Guidance Personnel	\$	102,515	
Career Ladder Extended Contracts		1,832	
Social Security		6,682	
State Retirement		5,739	
Medical Insurance		5,782	
Employer Medicare		1,499	
Evaluation and Testing		13,745	
Other Contracted Services		19,029	
Total Other Student Support			\$ 156,823

Regular Instruction Program

Supervisor/Director	\$	64,893	
Career Ladder Program		4,000	
Librarians		137,626	
Instructional Computer Personnel		107,977	
Educational Assistants		19,601	
Social Security		19,695	
State Retirement		17,199	
Medical Insurance		28,111	
Employer Medicare		4,606	
Travel		13,815	
Library Books/Media		24,504	
In Service/Staff Development		5,283	
Total Regular Instruction Program			447,310

Special Education Program

Supervisor/Director	\$	43,783	
Career Ladder Program		1,000	
Psychological Personnel		23,528	
Social Security		3,810	
State Retirement		3,757	
Medical Insurance		9,821	
Employer Medicare		891	
Travel		2,532	
Total Special Education Program			89,122

Vocational Education Program

Supervisor/Director	\$	19,920	
Social Security		342	

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Vocational Education Program (Cont.)

Employer Medicare	\$ 80	
Total Vocational Education Program		\$ 20,342

Adult Programs

Supervisor/Director	\$ 60,387	
Other Salaries & Wages	6,726	
Social Security	4,103	
State Retirement	3,410	
Medical Insurance	4,550	
Unemployment Compensation	192	
Employer Medicare	960	
Other Charges	1,228	
Total Adult Programs		81,556

Board of Education

Board and Committee Members Fees	\$ 7,200	
Social Security	446	
Employer Medicare	104	
Audit Services	8,300	
Dues and Memberships	3,605	
Legal Services	4,740	
Travel	3,678	
Liability Insurance	29,652	
Trustee's Commission	61,136	
Workers' Compensation Insurance	77,789	
Criminal Investigation of Applicants - TBI	820	
Other Charges	7,860	
Total Board of Education		205,330

Director of Schools

County Official/Administrative Officer	\$ 83,232	
Career Ladder Program	1,000	
Social Security	5,177	
State Retirement	4,633	
Medical Insurance	4,150	
Employer Medicare	1,211	
Communication	10,051	
Dues and Memberships	1,781	
Postal Charges	846	

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools (Cont.)

Travel	\$	2,618	
Office Supplies		<u>1,171</u>	
Total Director of Schools			\$ 115,870

Office of the Principal

Principals	\$	415,662	
Career Ladder Program		10,000	
Assistant Principals		46,813	
Secretary(ies)		147,946	
Social Security		36,557	
State Retirement		34,493	
Medical Insurance		50,457	
Employer Medicare		8,550	
Communication		25,864	
Travel		5,885	
Other Contracted Services		630	
Office Supplies		1,060	
Administration Equipment		<u>14,431</u>	
Total Office of the Principal			798,348

Fiscal Services

Accountants/Bookkeepers	\$	35,373	
Secretary(ies)		30,265	
Clerical Personnel		28,340	
Social Security		5,454	
State Retirement		5,564	
Medical Insurance		14,520	
Employer Medicare		1,276	
Data Processing Services		465	
Dues and Memberships		90	
Travel		423	
Other Contracted Services		4,347	
Data Processing Supplies		217	
Office Supplies		6,955	
Other Charges		4,500	
Administration Equipment		<u>839</u>	
Total Fiscal Services			138,628

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant

Custodial Personnel	\$	217,294	
Social Security		12,945	
State Retirement		12,575	
Medical Insurance		35,366	
Employer Medicare		3,028	
Other Contracted Services		17,783	
Electricity		333,219	
Natural Gas		106,998	
Water and Sewer		42,722	
Other Supplies and Materials		50,997	
Plant Operation Equipment		6,981	
Total Operation of Plant			\$ 839,908

Maintenance of Plant

Maintenance Personnel	\$	68,864	
Social Security		4,000	
State Retirement		4,077	
Medical Insurance		7,914	
Employer Medicare		935	
Other Contracted Services		33,686	
Other Supplies and Materials		15,617	
Other Charges		361	
Plant Operation Equipment		1,886	
Total Maintenance of Plant			137,340

Transportation

Supervisor/Director	\$	4,700	
Bus Drivers		112,617	
Other Salaries & Wages		8,794	
Social Security		7,527	
State Retirement		6,032	
Employer Medicare		1,760	
Contracts with Vehicle Owners		242,906	
Gasoline		54,064	
Tires and Tubes		4,163	
Vehicle Parts		31,913	
Vehicle and Equipment Insurance		20,000	
Other Charges		169	
Transportation Equipment		545	
Total Transportation			495,190

(Continued)

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services

Early Childhood Education

Teachers	\$	61,848	
Educational Assistants		15,336	
Other Salaries & Wages		3,164	
Social Security		4,883	
State Retirement		4,229	
Medical Insurance		4,964	
Employer Medicare		1,142	
Travel		5,403	
Other Supplies and Materials		44,748	
Other Charges		1,150	
Total Early Childhood Education			\$ 146,867

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	1,260,294	
Total Regular Capital Outlay			1,260,294

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$	250,000	
Total Education			250,000

Total General Purpose School Fund \$ 13,022,712

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	324,189	
Clerical Personnel		3,300	
Educational Assistants		6,373	
Certified Substitute Teachers		10,275	
Non-certified Substitute Teachers		4,300	
Social Security		7,659	
State Retirement		6,393	
Medical Insurance		4,607	
Unemployment Compensation		1,830	
Employer Medicare		1,729	
Other Contracted Services		1,701	
Instructional Supplies and Materials		47,258	
Total Regular Instruction Program			\$ 419,614

(Continued)

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program

Teachers	\$	2,827	
Homebound Teachers		16,672	
Educational Assistants		235,753	
Social Security		14,879	
State Retirement		12,986	
Medical Insurance		37,642	
Unemployment Compensation		3,148	
Employer Medicare		3,480	
Instructional Supplies and Materials		39,515	
Other Supplies and Materials		1,648	
Total Special Education Program			\$ 368,550

Vocational Education Program

Teachers	\$	13,200	
Social Security		818	
State Retirement		726	
Unemployment Compensation		158	
Employer Medicare		191	
Instructional Supplies and Materials		17,056	
Vocational Instruction Equipment		18,106	
Total Vocational Education Program			50,255

Support Services

Other Student Support

Travel	\$	2,143	
Other Supplies and Materials		14,422	
In Service/Staff Development		871	
Other Charges		251	
Other Equipment		4,969	
Total Other Student Support			22,656

Regular Instruction Program

Supervisor/Director	\$	61,077	
Social Security		16,847	
State Retirement		15,227	
Medical Insurance		19,013	
Unemployment Compensation		99	
Employer Medicare		3,940	
Consultants		6,242	

(Continued)

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Maintenance & Repair Services - Equipment	\$	30,773	
Travel		14,863	
Other Contracted Services		909	
Instructional Supplies and Materials		33,606	
Other Supplies and Materials		19,566	
In Service/Staff Development		57,152	
Other Charges		1,028	
Other Equipment		1,994	
Total Regular Instruction Program			\$ 282,336

Special Education Program

Supervisor/Director	\$	3,980	
Psychological Personnel		23,528	
Social Security		1,530	
State Retirement		1,513	
Medical Insurance		4,433	
Unemployment Compensation		154	
Employer Medicare		358	
Maintenance & Repair Services - Equipment		2,506	
Travel		10,317	
Other Contracted Services		375	
Instructional Supplies and Materials		918	
Other Supplies and Materials		11,064	
In Service/Staff Development		7,245	
Total Special Education Program			67,921

Vocational Education Program

Supervisor/Director	\$	1,700	
Social Security		105	
Employer Medicare		25	
Travel		347	
Total Vocational Education Program			2,177

Transportation

Contracts with Parents	\$	4,527	
Maintenance & Repair Services - Equipment		626	
Maintenance & Repair Services - Vehicles		6,772	
Total Transportation			11,925

Total School Federal Projects Fund \$ 1,225,434

(Continued)



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

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	56,653	
Accountants/Bookkeepers		21,949	
Cafeteria Personnel		299,086	
Social Security		22,753	
State Retirement		19,791	
Medical Insurance		38,388	
Unemployment Compensation		930	
Employer Medicare		5,321	
Communication		1,762	
Maintenance & Repair Services - Equipment		9,055	
Travel		1,172	
Food Supplies		358,305	
Office Supplies		950	
Other Supplies and Materials		32,178	
Other Charges		1,990	
Food Service Equipment		5,839	
Total Food Service			\$ <u>876,122</u>

Total Central Cafeteria Fund \$ 876,122

Total Governmental Funds - Cannon County School Department \$ 15,124,268

**ANNUAL FINANCIAL REPORT**  
**CANNON COUNTY INDUSTRIAL DEVELOPMENT BOARD**  
**A COMPONENT UNIT OF CANNON COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2006**

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

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

*ARTHUR L. ALEXANDER*  
*Director*

*CARL LOWE, CGFM*  
*Audit Manager*

*MICHAEL FORD, CPA, CGFM*  
*Auditor 4*

*JESSICA L. COX, CGFM*  
*KELLEY J. McNEAL, CPA, CGFM*  
*State Auditors*

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

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**CANNON COUNTY INDUSTRIAL DEVELOPMENT BOARD  
A COMPONENT UNIT OF CANNON COUNTY, TENNESSEE  
TABLE OF CONTENTS**

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	Exhibit	Page(s)
Audit Highlights		1
<u>INTRODUCTORY SECTION</u>		3
Cannon County Industrial Development Board Officials		5
<u>FINANCIAL SECTION</u>		7
Independent Auditor's Report		9-11
<b>BASIC FINANCIAL STATEMENTS:</b>		13
Fund Financial Statements:		
Governmental Fund:		
Balance Sheet	A	15
Statement of Revenues, Expenditures, and Changes in Fund Balance	B	16
Notes to the Financial Statements		17-25
<b>REQUIRED SUPPLEMENTARY INFORMATION:</b>		27
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
General Fund	C	29
Notes to the Required Supplementary Information		31
<b>MISCELLANEOUS SCHEDULES:</b>		33
Schedule of Changes in Long-term Other Loans	D-1	35
Schedule of Detailed Revenues – All Governmental Fund Types	D-2	36
Schedule of Detailed Expenditures – All Governmental Fund Types	D-3	37

# ***Audit Highlights***

Annual Financial Report  
Cannon County Industrial Development Board  
For the Year Ended June 30, 2006

## ***Scope***

We have audited the financial statements of the major fund of the Cannon County Industrial Development Board as of and for the year ended June 30, 2006.

## ***Results***

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

Our audit resulted in one finding and recommendation, which we have reviewed with Cannon County Industrial Development Board management. The detailed finding and recommendation is included in the Single Audit Report.

## ***Finding***

The following is a summary of the audit finding:

### **CANNON COUNTY INDUSTRIAL DEVELOPMENT BOARD**

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

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## INTRODUCTORY SECTION

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Cannon County Industrial Development Board Officials  
June 30, 2006

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**Board of Directors**

Jackie Francis, Chairman  
Dave Bunge  
Buddy Davenport  
John Higgins  
Bill Jennings  
Greg Mitchell  
Gary Nichols  
Randall Reid  
Larry Richards  
Greg Rogers

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**FINANCIAL SECTION**

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

**INDEPENDENT AUDITOR'S REPORT**

August 24, 2006

Cannon County Industrial Development Board  
Cannon County, Tennessee

To the Board of Directors:

We have audited the accompanying financial statements of the major fund of the Cannon County Industrial Development Board, a component unit of Cannon County, Tennessee, as of and for the year ended June 30, 2006, as shown on pages 15 through 25, which collectively comprise a portion of the Cannon County Industrial Development Board's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Cannon County Industrial Development Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

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



Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the Industrial Development Board's governmental activities are not reasonably determinable.

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

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

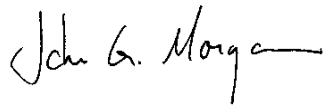
However, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major fund of the Cannon County Industrial Development Board, as of June 30, 2006, and the respective changes in financial position thereof for the year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

In accordance with Government Auditing Standards, we have also issued our report dated August 24, 2006, on our consideration of the Cannon County Industrial Development Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 29 through 31 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Very truly yours,

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

John G. Morgan  
Comptroller of the Treasury

JGM/sb

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

Cannon County, Tennessee  
Balance Sheet - Governmental Fund  
Cannon County Industrial Development Board  
June 30, 2006

	<u>General Fund</u>
<u>ASSETS</u>	
Equity in Pooled Cash and Investments	<u>\$ 167,863</u>
Total Assets	<u>\$ 167,863</u>
<u>FUND BALANCE</u>	
<u>Fund Balances</u>	
Unreserved	<u>\$ 167,863</u>
Total Fund Balance	<u>\$ 167,863</u>

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

Exhibit B

Cannon County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances - Governmental Fund  
Cannon County Industrial Development Board  
For the Year Ended June 30, 2006

	General Fund
<hr/>	
<u>Revenues</u>	
Other Local Revenues	\$ 148,600
Federal Government	457,000
Total Revenues	<u>\$ 605,600</u>
 <u>Expenditures</u>	
Current:	
Other Operations	\$ 501,282
Debt Service:	
Principal on Debt	87,380
Interest on Debt	24,623
Total Expenditures	<u>\$ 613,285</u>
 Excess (Deficiency) of Revenues Over Expenditures	 <u>\$ (7,685)</u>
 Net Change in Fund Balances	 \$ (7,685)
Fund Balance, July 1, 2005	<u>175,548</u>
 Fund Balance, June 30, 2006	 <u>\$ 167,863</u>

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

**CANNON COUNTY INDUSTRIAL DEVELOPMENT BOARD  
A COMPONENT UNIT OF CANNON COUNTY, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2006**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

The following are the more significant accounting policies of the Cannon County Industrial Development Board:

**A. Reporting Entity**

The Cannon County Industrial Development Board was created pursuant to Section 7-53-202, Tennessee Code Annotated. The Cannon County Industrial Development Board provides assistance in industrial recruitment in Cannon County, and the Cannon County Commission appoints its ten-member board.

The Industrial Development Board is a component unit of Cannon County, Tennessee, the primary government. The Industrial Development Board is fiscally dependent on the county because it may not issue debt without county approval, and its budget is subject to the Cannon County Commission's approval. The Industrial Development Board is funded primarily through lease payments collected from industries that lease buildings from the Industrial Development Board.

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

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 Industrial Development Board considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. The Industrial Development Board 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 for payments to be made early in the following year.

The Cannon County Industrial Development Board reports the following major governmental fund:

**General Fund** – This is the Cannon County Industrial Development Board's primary operating fund. It accounts for all financial resources of the board.

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

**1. Deposits and Investments**

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 Cannon County, Cannon County School Department,

and Cannon County Industrial Development Board. Each fund's portion of this pool is displayed on the balance sheets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the primary government's General Fund. Cannon County, the Cannon County School Department, and the Cannon County Industrial Development Board 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 are reported at cost. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

**2. Capital Assets**

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

**3. Long-term Obligations**

Only the matured portion (the portion that has come due for payment) of long-term indebtedness is recognized as a liability and expenditure in the governmental 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.

**4. Fund Equity**

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



## II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

### Budgetary Information

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

The Industrial Development Board 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 Cannon 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: Other Operations - Industrial Development, Principal on Debt - General Government, etc.). Management may make revisions within major categories, but only the Cannon County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

The Industrial Development Board'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 the budgetary statement.

## III. DETAILED NOTES ON ALL FUNDS

### A. Deposits and Investments

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

#### 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.

### **Investments**

**Legal Provisions.** Cannon County, the Industrial Development Board's primary government, is authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state director of Local Finance and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the market value of the securities on the day of purchase. The county had no pooled and nonpooled investments as of June 30, 2006.

### **B. Long-term Debt**

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

### **Other Loans**

The Industrial Development Board issues other loans to provide funds for the acquisition and construction of major capital facilities. Other loans are direct obligations and pledge the full faith and credit of the government. Other loans outstanding were issued for original terms of up to 20 years.

Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All other loans included in long-term debt as of June 30, 2006, will be retired from the General Fund.

Other loans outstanding as of June 30, 2006, are as follows:

Type	Interest Rate	Amount
Other Loans	1 to 4.5%	\$ 897,990

In prior years, the Cannon County Industrial Development Board entered into loan agreements with Cumberland Area Investment Corporation. These loan agreements provided Cumberland Area Investment Corporation to make \$300,000 at an interest rate of 4.5 percent and \$250,000 at an interest rate of 3.5 percent available for loan to the Cannon County Industrial Development Board on an as needed basis for industrial development. The Cannon County Industrial Development Board borrowed the entire amount of these loans.

Also, in prior years, the Cannon County Industrial Development Board entered into a loan agreement with the Tennessee Department of Economic and Community Development. This loan agreement provided the Tennessee Department of Economic and Community Development to make \$482,500 at an interest rate of one to three percent available for loan to the Cannon County Industrial Development Board on an as needed basis for industrial development. The Cannon County Industrial Development Board borrowed the entire amount of this loan.

The annual requirements to amortize all other loans outstanding as of June 30, 2006, including interest payments, are presented in the following tables:

Year Ending June 30	Other Loan (\$482,500)		Other Loan (\$300,000)	
	Principal	Interest	Principal	Interest
2007	\$ 30,443	\$ 4,210	\$ 10,592	\$ 12,183
2008	30,749	3,904	11,047	11,728
2009	31,058	3,595	11,587	11,189
2010	30,506	5,165	12,119	10,656
2011	30,432	5,965	12,676	10,100
2012-2016	160,704	22,729	72,617	41,259
2017-2021	121,025	6,460	90,942	22,936
2022-2024	0	0	53,948	3,206
Total	\$ 434,917	\$ 52,028	\$ 275,528	\$ 123,257

Year Ending June 30	Other Loan (\$250,000)	
	Principal	Interest
2007	\$ 48,789	\$ 5,786
2008	50,524	4,051
2009	52,321	2,254
2010	35,911	473
Total	\$ 187,545	\$ 12,564

Total debt per capita amounted to \$71, based on the 2000 federal census.

#### Changes in Long-term Liabilities

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

Governmental Activities:	Other Loans
Balance, July 1, 2005	\$ 985,370
Deductions	(87,380)
Balance, June 30, 2006	\$ 897,990
Balance Due Within One Year	\$ 89,824

## IV. OTHER INFORMATION

### A. Risk Management

The Cannon County Industrial Development Board participates in the Tennessee School Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by the Tennessee School Boards Association, an association of member school districts. The board pays an annual premium to the TSB-RMT for its general liability, property, casualty and workers' compensation insurance coverage. The creation of the TSB-RMT provides for it to be self-sustaining through member premiums. The TSB-RMT reinsures through commercial insurance companies for claims exceeding \$100,000 for each insured.

### B. Accounting Changes

The provisions of Governmental Accounting Standards Board (GASB) Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries became effective for the year ended June 30, 2006. GASB Statement No. 42 requires governments to report the effects of capital asset impairments in their financial statements when they occur rather than as a part of the ongoing depreciation expense for

the capital asset or upon disposal of the capital asset. In addition, GASB Statement No. 42 clarifies and establishes accounting requirements for insurance recoveries. GASB Statement No. 42 had no effect on the financial statements for the year ended June 30, 2006, since no capital asset impairment and insurance recoveries occurred. However, it is reasonably expected that capital asset impairment and insurance recoveries may occur in subsequent years that will be subject to the provisions of Statement No. 42.

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

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

The provisions of GASB Statement No. 47, Accounting for Termination Benefits became effective for the year ended June 30, 2006. GASB Statement No. 47 provides accounting and reporting guidance for state and local governments that offer benefits such as early retirement incentives or

severance to employees who are involuntarily terminated. Statement No. 47 specifies when governments should recognize the cost of termination benefits they offer in accrual basis financial statements. The Cannon County Industrial Development Board was not offering any termination benefits to employees as of June 30, 2006. But it is reasonably expected that the Cannon County Industrial Development Board will offer termination benefits in subsequent years subject to the accounting and reporting requirements of GASB Statement No. 47.

**C. Purchasing Law**

Purchasing procedures for the Cannon County Industrial Development Board are governed by the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, Tennessee Code Annotated, which provide for all purchases exceeding \$5,000 to be made after public advertisement and solicitation of competitive bids.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit C

Cannon County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Cannon County Industrial Development Board  
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 148,600	\$ 152,400	\$ 152,400	\$ (3,800)
Federal Government	457,000	0	457,000	0
Total Revenues	<u>\$ 605,600</u>	<u>\$ 152,400</u>	<u>\$ 609,400</u>	<u>\$ (3,800)</u>
<u>Expenditures</u>				
<u>Other Operations</u>				
Industrial Development	\$ 501,282	\$ 1,095	\$ 509,075	\$ 7,793
<u>Principal on Debt</u>				
General Government	87,380	86,521	86,521	(859)
<u>Interest on Debt</u>				
General Government	24,623	25,483	25,483	860
Total Expenditures	<u>\$ 613,285</u>	<u>\$ 113,099</u>	<u>\$ 621,079</u>	<u>\$ 7,794</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (7,685)</u>	<u>\$ 39,301</u>	<u>\$ (11,679)</u>	<u>\$ 3,994</u>
Net Change in Fund Balance	\$ (7,685)	\$ 39,301	\$ (11,679)	\$ 3,994
Fund Balance, July 1, 2005	<u>175,548</u>	<u>178,057</u>	<u>178,057</u>	<u>(2,509)</u>
Fund Balance, June 30, 2006	<u>\$ 167,863</u>	<u>\$ 217,358</u>	<u>\$ 166,378</u>	<u>\$ 1,485</u>



**CANNON COUNTY INDUSTRIAL DEVELOPMENT BOARD  
A COMPONENT UNIT OF CANNON COUNTY, TENNESSEE  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2006**

**BUDGETARY INFORMATION**

The Cannon County Industrial Development Board 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 Cannon 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: Other Operations - Industrial Development, Principal on Debt - General Government, etc.). Management may make revisions within major categories, but only the Cannon County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

The Cannon County Industrial Development Board'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 the budgetary statement.

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## MISCELLANEOUS SCHEDULES

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Exhibit D-1

Cannon County, Tennessee  
Schedule of Changes in Long-term Other Loans  
Cannon County Industrial Development Board  
For the Year Ended June 30, 2006

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-05	Paid and/or Matured During Period	Outstanding 6-30-06
<u>OTHER LOANS PAYABLE</u>							
<u>Payable through General Fund</u>							
Industrial Development	\$ 300,000	4.5	% 12-10-03	12-10-23	\$ 285,655	\$ 10,127	\$ 275,528
Industrial Development	482,500	1 to 3	7-5-04	11-30-19	465,057	30,140	434,917
Industrial Development	250,000	3.5	1-21-05	2-28-10	234,658	47,113	187,545
Total Other Loans Payable					<u>\$ 985,370</u>	<u>\$ 87,380</u>	<u>\$ 897,990</u>

Exhibit D-2

Cannon County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
Cannon County Industrial Development Board  
For the Year Ended June 30, 2006

	General Fund
<hr/>	
<u>Other Local Revenues</u>	
<u>Recurring Items</u>	
Lease/Rentals	\$ 148,600
Total Other Local Revenues	<u>\$ 148,600</u>
<u>Federal Government</u>	
<u>Federal Through State</u>	
Community Development	\$ 457,000
Total Federal Government	<u>\$ 457,000</u>
Total	<u><u>\$ 605,600</u></u>

Cannon County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Cannon County Industrial Development Board  
For the Year Ended June 30, 2006

General Fund

Other Operations

Industrial Development

Dues and Memberships	\$	20	
Legal Services		1,500	
Maintenance & Repair Services - Buildings		16,967	
Other Contracted Services		465,186	
Building and Contents Insurance		732	
Trustee's Commission		1,486	
Other Charges		391	
Building Construction		<u>15,000</u>	
Total Industrial Development	\$		501,282

Principal on Debt

General Government

Principal on Other Loans	\$	<u>87,380</u>	
Total General Government			87,380

Interest on Debt

General Government

Interest on Other Loans	\$	<u>24,623</u>	
Total General Government			<u>24,623</u>

Total Industrial/Economic Development Fund \$ 613,285

Total Governmental Funds - Cannon County Industrial Development Board \$ 613,285

**SINGLE AUDIT REPORT**  
**CANNON COUNTY, TENNESSEE**  
**CANNON COUNTY SCHOOL DEPARTMENT**  
**AND**  
**CANNON COUNTY INDUSTRIAL DEVELOPMENT BOARD**  
**FOR THE YEAR ENDED JUNE 30, 2006**

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

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

*ARTHUR L. ALEXANDER*  
*Director*

*CARL LOWE, CGFM*  
*Audit Manager*

*MICHAEL FORD, CPA, CGFM*  
*Auditor 4*

*JESSICA L. COX, CGFM*  
*KELLEY J. McNEAL, CPA, CGFM*  
*State Auditors*

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

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## SINGLE AUDIT REPORT TABLE OF CONTENTS

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	Page(s)
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>	1-2
Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With <u>OMB Circular A-133</u>	3-5
Schedule of Expenditures of Federal Awards and State Grants	7-8
Schedule of Audit Findings Not Corrected	9-10
Schedule of Findings and Questioned Costs	11-19
Auditee Reporting Responsibilities	21



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

August 24, 2006

Cannon County Executive, Board of County Commissioners,  
Director of Schools, Board of Education, and Industrial Development  
Board of Directors  
Cannon County, Tennessee

To the County Executive, County Commissioners,  
Director of Schools, Board of Education, and Industrial Development  
Board of Directors:

We have audited the financial statements of each major fund and the aggregate remaining fund information of Cannon County, Tennessee, the Cannon County School Department, and the Cannon County Industrial Development Board as of and for the year ended June 30, 2006, which collectively comprise a portion of Cannon County's, the Cannon County School Department's, and the Cannon County Industrial Development Board's basic financial statements and have issued our reports thereon dated August 24, 2006. Our reports on the financial statements of Cannon County, Tennessee, the Cannon County School Department, and the Cannon County Industrial Development Board express adverse opinions because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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



expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Cannon County's, the Cannon County School Department's, and the Cannon County Industrial Development Board's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 06.02(A), 06.03, 06.05, 06.06, 06.07, 06.08(A), 06.09, and 06.10.

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

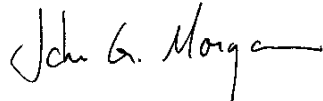
#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cannon County's, the Cannon County School Department's, and the Cannon County Industrial Development Board's financial statements are free of material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying Schedule of Findings and Questioned Costs as items 06.01, 06.02(B), 06.04, 06.08(B), and 06.11.

We also noted certain matters that we reported to the management of Cannon County, the Cannon County School Department, and the Cannon County Industrial Development Board in separate communications.

This report is intended solely for the information and use of the Board of County Commissioners, Board of Education, Industrial Development Board, management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



John G. Morgan  
Comptroller of the Treasury

JGM/sb



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

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

August 24, 2006

Cannon County Executive, Board of County Commissioners,  
Director of Schools, Board of Education, and Industrial Development  
Board of Directors  
Cannon County, Tennessee

To the County Executive, County Commissioners,  
Director of Schools, Board of Education, and Industrial Development  
Board of Directors:

Compliance

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

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

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

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

#### Internal Control Over Compliance

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

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Cannon County School Department's ability to administer major federal programs in accordance with applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 06.07, 06.10, 06.12, and 06.13.

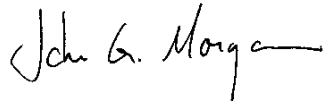
A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in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

## Schedule of Federal Awards

We have audited the financial statements of each major fund and the aggregate remaining fund information of Cannon County, Tennessee, the Cannon County School Department, and the Cannon County Industrial Development Board as of and for the year ended June 30, 2006, and have issued our reports thereon dated August 24, 2005. Our reports on the financial statements of Cannon County, the Cannon County School Department, and the Cannon County Industrial Development Board express adverse opinions because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. Our audit was performed for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Grants is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of County Commissioners, Board of Education, Industrial Development Board, management, and federal awarding agencies 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 cursive script that reads "John G. Morgan". The signature is written in black ink and is positioned above the printed name and title.

John G. Morgan  
Comptroller of the Treasury

JGM/sb

Cannon County, Tennessee, the Cannon County School Department,  
and the Cannon County Industrial Development Board  
Schedule of Expenditures of Federal Awards and State Grants (1)  
For the Year Ended June 30, 2006

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Agriculture:			
Food Donation (Noncash Assistance)	10.550	N/A	\$ 53,966
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	\$ 134,171
National School Lunch Program	10.555	N/A	338,645
Total Passed-through State Department of Education			<u>\$ 472,816</u>
Passed-through State Department of Human Services:			
Child and Adult Care Food Program	10.558	(2)	\$ 16,611
Total U.S. Department of Agriculture			<u>\$ 543,393</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/State's Program	14.228	(2)	\$ 457,000
U.S. Department of Labor:			
Passed-through Upper Cumberland Human Resource Agency:			
WIA Youth Activities	17.259	(2)	\$ 18,730
U.S. Federal Highway Administration:			
Passed-through State Department of Transportation:			
Highway Planning and Construction	20.205	STP-H-800(28)	\$ 50,000
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	Z-06-027753-00	\$ 53,831
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 408,912
Vocational Education - Basic Grants to States	84.048	N/A	42,737
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	445,040
Special Education - Preschool Grants	84.173	N/A	15,893
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	17,096
Twenty-First Century Community Learning Centers	84.287	Z-06-027685-00	150,000
State Grants for Innovative Programs	84.298	N/A	13,207
Education Technology State Grants	84.318	(2)	15,763
Reading First State Grants	84.357	N/A	118,484
Improving Teacher Quality State Grants	84.367	N/A	76,746
Hurricane Education Recovery	84.938	N/A	26,482
Total Passed-through State Department of Education			<u>\$ 1,330,360</u>
Total U.S. Department of Education			<u>\$ 1,384,191</u>

(Continued)

Cannon County, Tennessee, the Cannon County School Department,  
and the Cannon County Industrial Development Board  
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
U.S. Department of Health and Human Services:			
Passed-through State Department of Health:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	Z-05-020777-00	\$ 43,000
U.S. Department of Homeland Security:			
Passed-through State Department of the Military:			
State Domestic Preparedness Equipment Support Program	97.004	Z-03-017729-01	\$ 18,426
State Domestic Preparedness Equipment Support Program	97.004	Z-04-022422-01	4,304
State Domestic Preparedness Equipment Support Program	97.004	Z-04-020074-01	38,478
Total U.S. Department of Homeland Security			<u>\$ 61,208</u>
Total Expenditures of Federal Awards			<u>\$ 2,557,522</u>

State Grants

		<u>Contract Number</u>	
Juvenile Justice - State Commission on Children and Youth	N/A	(2)	\$ 9,495
Litter Program - State Department of Transportation	N/A	(2)	29,236
LEAP Grant - State Department of Education	N/A	Z-05-029339-00	52,722
Dental Grant - State Department of Health	N/A	(2)	3,351
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	4,517
Used Oil Grant - State Department of Environment and Conservation	N/A	Z-05-024406-00	11,290
Special Tire Clean Up Grant - State Department of Environment and Conservation	N/A	(2)	28,486
Waste Tire Grant - State Department of Environment and Conservation	N/A	Z-05-011322-00	8,722
Touching the Lives of Children - State Department of Education	N/A	(2)	6,980
Lottery Preschool Program - State Department of Education	N/A	(2)	178,594
Safe Schools Act - State Department of Education	N/A	(2)	16,153
Adult Education - State Department of Education	N/A	(2)	<u>14,309</u>
Total State Grants			<u>\$ 363,855</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) - Number not available.

Cannon County, Tennessee, the Cannon County School Department, and  
the Cannon County Industrial Development Board  
Schedule of Audit Findings Not Corrected  
June 30, 2006

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

**CANNON COUNTY AND CANNON COUNTY SCHOOL DEPARTMENT**

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

**OFFICE OF COUNTY EXECUTIVE**

Finding Number	Page Number	Subject
05.03 (A)	13	The office had deficiencies in budget operations
05.04	14	The office had deficiencies in purchasing procedures
05.05	14	Competitive bids were not solicited for certain purchases
05.07	15	Inventory records were not maintained

**OFFICE OF DIRECTOR OF SCHOOLS**

Finding Number	Page Number	Subject
05.10 (A)	17	The office had deficiencies in purchasing procedures

**OTHER FINDINGS**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.12	18	A central system of accounting, budgeting, and purchasing had not been adopted
05.13	18	Duties were not segregated adequately in the Offices of County Executive, Road Supervisor, Director of Schools, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff
05.14	18	The practice of paying School Department buildings and contents insurance from the General Fund is of questionable legality



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**CANNON COUNTY, TENNESSEE, THE CANNON COUNTY  
SCHOOL DEPARTMENT, AND THE CANNON COUNTY INDUSTRIAL  
DEVELOPMENT BOARD**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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

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

1. Adverse opinions were issued on the financial statements of Cannon County, the Cannon County School Department, and the Cannon County Industrial Development Board.
2. The audit of the financial statements of Cannon County, the Cannon County School Department, and the Cannon County Industrial Development Board disclosed reportable conditions in internal control. None of these conditions were considered to be a material weakness.
3. The audit disclosed four instances of noncompliance that are material to the financial statements of Cannon County, two instances of noncompliance that are material to the financial statements of the Cannon County School Department, and one instance of noncompliance that is material to the financial statements of the Cannon County Industrial Development Board.
4. Two reportable conditions in internal control over major programs were disclosed by the audit.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit disclosed two audit findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555), the Community Development Block Grants/State's Program (CFDA No. 14.228), the Title I Grants to Local Educational Agencies (CFDA No. 84.010), and the Special Education Cluster: Special Education - Grants to State Program and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173) were determined to be major programs.
8. A threshold of \$300,000 was used to distinguish between Type A and Type B federal programs.
9. Cannon County, the Cannon County School Department, and the Cannon County Industrial Development Board did not qualify as low-risk auditees.

## PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

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

### **CANNON COUNTY, THE CANNON COUNTY SCHOOL DEPARTMENT, AND THE CANNON COUNTY INDUSTRIAL DEVELOPMENT BOARD**

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

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

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

### **RECOMMENDATION**

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

**OFFICE OF COUNTY EXECUTIVE**

**FINDING 06.02      **THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS**  
(A. Internal Control – Reportable Condition Under Government Auditing Standards; B. Material Noncompliance Under Government Auditing Standards)**

Our examination of budget operations revealed the following deficiencies:

- A. The budget and subsequent amendments submitted to and approved by the County Commission for the Solid Waste/Sanitation Fund contained appropriations that exceeded estimated available funding causing a budgeted fund deficit of \$29,744.
- B. Expenditures exceeded appropriations approved by the County Commission in major categories (the legal level of control) of the following funds:

<u>Fund/Major Category</u>	<u>Amount</u>
General Fund	
Register of Deeds	\$ 1,714
Development	271,786
County Buildings	1,532
Property Assessor's Office	4,173
County Clerk's Office	968
Chancery Court	365
Other Emergency Management	3,451
Libraries	3,599
Other Charges	9,199
Contributions to Other Agencies	59
General Debt Service Fund	
Interest-General Government	8,224
Other Debt Service-General Government	26

Section 5-9-401, Tennessee Code Annotated, states that “All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices, and agencies of county governments shall be appropriated to such use by the county legislative bodies.”

**RECOMMENDATION**

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

**FINDING 06.03      THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

Our examination of purchasing procedures revealed the following deficiencies:

- A. Purchase orders were not issued in some required instances. Purchase orders are necessary to control who has purchasing authority for the county and to document purchasing commitments.
- B. In several instances, invoices were paid without documentation that goods had been received or services had been rendered. This practice weakens controls over the purchasing process. We extended our audit procedures and determined that these goods were received and services were rendered.
- C. In some instances, the office paid invoices without canceling or marking them paid. This weakness could result in the office paying invoices more than once.

**RECOMMENDATION**

The office should improve purchasing procedures by issuing purchase orders for all applicable purchases and by obtaining documentation that goods have been received or services rendered before invoices are paid. Also, all invoices should be cancelled when paid.

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**FINDING 06.04      COMPETITIVE BIDS WERE NOT SOLICITED FOR CERTAIN PURCHASES**  
(Material Noncompliance Under Government Auditing Standards)

Competitive bids were not solicited for the purchase of jail food (\$59,000), an emergency vehicle (\$30,365), waste collection (\$165,303), and hauling waste collections (\$109,780) to a landfill. Sections 5-14-201 through 5-14-206 Tennessee Code Annotated, require public advertising and solicitation of competitive bids for purchases exceeding \$5,000.

**RECOMMENDATION**

Competitive bids should be solicited for all purchases exceeding \$5,000, as required by statute.

**FINDING 06.05      THE OFFICE DID NOT ALWAYS COMPLY WITH THE TRAVEL POLICY ADOPTED BY THE COUNTY COMMISSION**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

In October 2005, the County Commission adopted formal policies and procedures governing travel reimbursements for county employees. However, during the period under examination, the county used several different methods and rates to reimburse employees for travel expenses.

**RECOMMENDATION**

The county should follow its travel policy when reimbursing county employees for their business related mileage, lodging, and meal expenses.

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**FINDING 06.06      INVENTORY RECORDS WERE NOT MAINTAINED**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

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

**RECOMMENDATION**

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

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**OFFICE OF DIRECTOR OF SCHOOLS**

**FINDING 06.07      THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES**  
(Internal Control – Reportable Condition Under Government Auditing Standards and OMB Circular A-133)

Our examination of purchasing procedures revealed the following deficiencies:

- A. Purchase orders were not issued in some required instances. Purchase orders are necessary to control who has purchasing authority for the department and to document purchasing commitments.
- B. In some instances, the office paid invoices without canceling or marking them paid. This weakness could result in the office paying invoices more than once.

RECOMMENDATION

The department should improve purchasing procedures by issuing purchase orders for all applicable purchases. Also, all invoices should be cancelled when paid.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS (DIRECT QUOTE)

The Central Cafeteria will issue purchase orders for all required purchases.

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OFFICE OF SHERIFF

FINDING 06.08      **THE OFFICE HAD DEFICIENCIES IN COMMISSARY OPERATIONS**

(A. Internal Control – Reportable Condition Under Government Auditing Standards and B. Noncompliance Under Government Auditing Standards)

The following deficiencies were noted in the operation of the commissary:

- A. The office's commissary software maintained general ledger accounts to account for all receipts and disbursements of commissary operations. However, office personnel did not print or review these general ledger accounts. In addition, bank statements for the commissary accounts had not been reconciled with the general ledger for six months during the audit period. The bookkeeper reconciled these bank statements subsequent to June 30, 2006, at the request of auditors.
  
- B. Some commissary funds were not deposited to the office bank account within three days of collection, as required by Section 5-8-207, Tennessee Code Annotated. This statute requires that county officials deposit all funds within three days of collection.

RECOMMENDATION

General ledger accounting records should be maintained, reviewed, and reconciled with bank statements monthly. All funds should be deposited to the office bank account within three days of collection, as required by state statute.

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## **OTHER FINDINGS AND RECOMMENDATIONS**

**FINDING 06.09      A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

County officials had not adopted a central system of accounting, budgeting, and purchasing. Establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes.

### **RECOMMENDATION**

County officials should consider adopting the County Financial Management System of 1981 or a private act that would provide for a central system of accounting, budgeting, and purchasing covering all county departments.

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**FINDING 06.10      DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF COUNTY EXECUTIVE, ROAD SUPERVISOR, DIRECTOR OF SCHOOLS, TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF**  
(Internal Control – Reportable Condition Under Government Auditing Standards and OMB Circular A-133)

Duties were not segregated adequately among officials and employees in the Offices of County Executive, Road Supervisor, Director of Schools, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff. Officials and employees responsible for maintaining the accounting records in these offices were also involved in receipting, depositing, and/or disbursing funds. We realize that due to limited resources and personnel, management may not be able to properly segregate duties among employees. However, our professional standards require that we bring this matter to the reader's attention in this report.

### **MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS (DIRECT QUOTE)**

Due to limited resources and personnel, management is not able to properly segregate duties among employees.

FINDING 06.11      **THE PRACTICE OF PAYING SCHOOL DEPARTMENT BUILDINGS AND CONTENTS INSURANCE PREMIUMS FROM THE GENERAL FUND IS OF QUESTIONABLE LEGALITY**  
(Material Noncompliance Under Government Auditing Standards)

During the year, the county expended \$17,426 from the General Fund to pay buildings and contents insurance premiums for the School Department. Opinion No. 92-03 issued by the Tennessee Attorney General's Office states "...a county legislative body cannot lawfully divert revenues collected for general county purposes, or other non-education purposes, and apply those moneys to education purposes." Therefore, we question the legality of using General Fund monies to pay buildings and contents insurance premiums for the School Department.

RECOMMENDATION

Buildings and contents insurance premiums for the School Department should be appropriated and paid from school funds. General Fund monies should not be used to pay education expenses.



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

Federal Agency	Finding Number	Federal CFDA Number	Criteria	Explanation	Amount Questioned
U.S. Department of Agriculture: Passed-through State Department of Education Child Nutrition Cluster: School Breakfast Program School Lunch Program	06.12	10.553 10.555	OMB <u>Circular A-21</u> Cost principles for Educational Institutions	Reportable Condition in Internal Control See Finding 06.07 (A) – Purchase orders were not issued in some required instances	\$ 0
U.S. Department of Agriculture: Passed-through State Department of Education Child Nutrition Cluster: School Breakfast Program School Lunch Program	06.13	10.553 10.555	Circular A-133, Section 500 (c)(3)	Reportable Condition in Internal Control See Finding 06.10 – Duties were not adequately segregated in the Office of Director of Schools	0
U.S. Department of Education: Passed-through State Department of Education: Title I Grants to Local Educational Agencies Special Education – Grants to States Special Education – Preschool Grants		84.010 84.027 84.173			

**CANNON COUNTY, TENNESSEE,  
THE CANNON COUNTY SCHOOL DEPARTMENT, AND  
THE CANNON COUNTY INDUSTRIAL DEVELOPMENT BOARD  
AUDITEE REPORTING RESPONSIBILITIES  
For the Year Ended June 30, 2006**

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

**Director of Schools – Corrective Action Plan for Current Audit Findings**

**FINDINGS 06.07(A) and 06.12**

Contact Person: Edward L. Diden

Corrective action planned: The Central Cafeteria will issue purchase orders for all required purchases.

Anticipated completion date: 2006-07

**FINDINGS 06.10 and 06.13**

Contact Person: Edward L. Diden

Corrective action planned: Due to limited resources and personnel, management is not able to properly segregate duties among employees.

Anticipated completion date: None