

**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, 2007**



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

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

***DIVISION OF COUNTY AUDIT***  
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***Assistant to the Comptroller***

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***Director***

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***Audit Manager***

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***Auditor 4***

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***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, 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		19-34
REQUIRED SUPPLEMENTARY INFORMATION:		35
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
General Fund	D-1	37-38
Highway/Public Works Fund	D-2	39
Schedule of Funding Progress – Pension Plan	D-3	40
Notes to the Required Supplementary Information		41
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		43
Nonmajor Governmental Funds:		45
Combining Balance Sheet	E-1	47
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	E-2	48
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
Solid Waste/Sanitation Fund	E-3	49
Drug Control Fund	E-4	50

	Exhibit	Page(s)
Major Governmental Fund:		51
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
General Debt Service Fund	F	53
Fiduciary Funds:		55
Combining Statement of Fiduciary Assets and Liabilities	G-1	57
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	G-2	58
Miscellaneous Schedules:		59
Schedule of Changes in Long-term Notes and Other Loans	H-1	61
Schedule of Transfers	H-2	62
Schedule of Salaries and Official Bonds of Principal Officials	H-3	63
Schedule of Detailed Revenues – All Governmental Fund Types	H-4	64-67
Schedule of Detailed Expenditures – All Governmental Fund Types	H-5	68-83
Schedule of Detailed Receipts, Disbursements, and Changes in Cash Balance – City Agency Fund	H-6	84

# ***Audit Highlights***

Annual Financial Report  
Cannon County, Tennessee  
For the Year Ended June 30, 2007

## ***Scope***

We have audited the financial statements of each major fund and the aggregate remaining fund information of Cannon County as of and for the year ended June 30, 2007.

## ***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 14 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**

- ◆ Expenditures exceeded total appropriations approved by the County Commission in the Solid Waste/Sanitation Fund by \$35,679. Expenditures exceeded appropriations in several major appropriation categories in the General and General Debt Service Funds.
- ◆ A capital outlay note was issued without approval of the County Commission or the state director of Local Finance as required by state statute. Also, the county did not file a Report on Debt Obligations within 45 days of the issuance of this note.
- ◆ 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 the invoices as paid.
- ◆ Competitive bids were not solicited for certain purchases exceeding the bid limit.
- ◆ 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.

- ◆ The Ambulance Service and Senior Citizens' Center did not always deposit funds within three days of collection. Also, receipts were not always issued for collections received by the REACH program as required by state statute.
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### **OFFICE OF ROAD SUPERVISOR**

- ◆ Receivables of \$127,529 were not determined and recorded in the accounting records of the Highway/Public Works Fund.
  - ◆ Purchase orders were not properly issued in some required instances, and several invoices were paid without documentation of the receipt of goods or services.
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### **OFFICE OF SHERIFF**

- ◆ Official prenumbered receipts were not issued for \$8,682 in commissary collections. In addition, some commissary 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, 2007

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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  
Billy Nichols, Sheriff

### **Board of County Commissioners**

Mike Gannon, Chairman  
Karen Ashford  
Mark Barker  
Kevin George  
Brad Hall  
Todd Hollandsworth  
Greg Mitchell  
Nathan Nichols  
Rebekah Parton  
Robert Stoetzel  
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**

September 6, 2007

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, 2007, as shown on pages 15 through 34, 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, 2007, or the changes in its financial position thereof for the year then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of Cannon County, Tennessee, as of June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee.

In accordance with Government Auditing Standards, we have also issued our report dated September 6, 2007, 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 and pension information on pages 37 through 41 are not required parts of the basic financial statements but they do provide supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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,

A handwritten signature in black ink that reads "John G. Morgan" with a long horizontal flourish extending to the right.

John G. Morgan  
Comptroller of the Treasury

JGM/yu

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# BASIC FINANCIAL STATEMENTS

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## Exhibit A

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

	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	\$ 54,424	\$ 54,424
Equity in Pooled Cash and Investments	888,503	310,819	2,361,791	28,082	3,589,195
Accounts Receivable	394,367	0	0	140	394,507
Allowance for Uncollectibles	(94,682)	0	0	0	(94,682)
Due from Other Governments	262,293	244,389	0	17,046	523,728
Due from Other Funds	7	0	0	0	7
Property Taxes Receivable	2,291,625	0	67,401	286,453	2,645,479
Allowance for Uncollectible Property Taxes	(35,829)	0	(1,054)	(4,479)	(41,362)
Total Assets	<u>\$ 3,706,284</u>	<u>\$ 555,208</u>	<u>\$ 2,428,138</u>	<u>\$ 381,666</u>	<u>\$ 7,071,296</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 15,293	\$ 15,293
Due to Other Funds	0	0	0	7	7
Deferred Revenue - Current Property Taxes	2,114,117	0	62,180	264,264	2,440,561
Deferred Revenue - Delinquent Property Taxes	135,497	0	3,985	16,937	156,419
Other Deferred Revenues	292,015	116,860	0	5,550	414,425
Total Liabilities	<u>\$ 2,541,629</u>	<u>\$ 116,860</u>	<u>\$ 66,165</u>	<u>\$ 302,051</u>	<u>\$ 3,026,705</u>
<u>Fund Balances</u>					
Reserved for Purchase of Electronic Fingerprint Imaging System	\$ 0	\$ 0	\$ 0	\$ 14,007	\$ 14,007
Reserved for Alcohol and Drug Treatment	51,257	0	0	0	51,257
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	90,639	0	0	0	90,639
Reserved for Sexual Offender Registration	1,566	0	0	0	1,566
Reserved for Computer System - Register	13,627	0	0	0	13,627
Reserved for Automation Purposes - Circuit Court	788	0	0	0	788
Reserved for Automation Purposes - General Sessions Court	13,033	0	0	0	13,033
Reserved for Automation Purposes - Chancery Court	1,048	0	0	0	1,048
Reserved for Automation Purposes - Sheriff	7,113	0	0	0	7,113
Reserved for Aging Programs	3,674	0	0	0	3,674
Unreserved, Reported In:					
General Fund	981,910	0	0	0	981,910
Special Revenue Funds	0	438,348	0	65,608	503,956
Debt Service Funds	0	0	2,361,973	0	2,361,973
Total Fund Balances	<u>\$ 1,164,655</u>	<u>\$ 438,348</u>	<u>\$ 2,361,973</u>	<u>\$ 79,615</u>	<u>\$ 4,044,591</u>
Total Liabilities and Fund Balances	<u>\$ 3,706,284</u>	<u>\$ 555,208</u>	<u>\$ 2,428,138</u>	<u>\$ 381,666</u>	<u>\$ 7,071,296</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  
For the Year Ended June 30, 2007

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 2,422,392	\$ 30,049	\$ 685,841	\$ 336,781	\$ 3,475,063
Licenses and Permits	695	0	0	0	695
Fines, Forfeitures, and Penalties	90,378	0	0	28,815	119,193
Charges for Current Services	501,867	0	0	216,838	718,705
Other Local Revenues	477,331	63,006	0	4,875	545,212
Fees Received from County Officials	288,047	0	0	0	288,047
State of Tennessee	673,216	1,533,346	0	15,319	2,221,881
Federal Government	235,635	50,000	0	0	285,635
Other Governments and Citizens Groups	104,631	0	250,000	40,000	394,631
<b>Total Revenues</b>	<b>\$ 4,794,192</b>	<b>\$ 1,676,401</b>	<b>\$ 935,841</b>	<b>\$ 642,628</b>	<b>\$ 8,049,062</b>
<u>Expenditures</u>					
Current:					
General Government	\$ 677,476	\$ 0	\$ 0	\$ 674	\$ 678,150
Finance	171,443	0	0	205,849	377,292
Administration of Justice	389,899	0	0	0	389,899
Public Safety	1,538,321	0	0	98,052	1,636,373
Public Health and Welfare	1,008,895	0	0	444,315	1,453,210
Social, Cultural, and Recreational Services	232,307	0	0	0	232,307
Agricultural and Natural Resources	55,671	0	0	0	55,671
Other Operations	435,333	0	0	0	435,333
Highways	0	1,887,934	0	0	1,887,934
Operation of Non-Instructional Services	97,070	0	0	0	97,070
Capital Outlay	55,225	0	0	0	55,225
Debt Service:					
Principal on Debt	0	0	580,986	0	580,986
Interest on Debt	0	0	493,608	0	493,608
Other Debt Service	0	0	56,692	0	56,692
Capital Projects	0	0	0	8,700	8,700
<b>Total Expenditures</b>	<b>\$ 4,661,640</b>	<b>\$ 1,887,934</b>	<b>\$ 1,131,286</b>	<b>\$ 757,590</b>	<b>\$ 8,438,450</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ 132,552</b>	<b>\$ (211,533)</b>	<b>\$ (195,445)</b>	<b>\$ (114,962)</b>	<b>\$ (389,388)</b>
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 55,225	\$ 0	\$ 0	\$ 0	\$ 55,225
Other Loans Issued	300,000	0	0	0	300,000
Insurance Recovery	17,715	0	0	0	17,715
Transfers In	0	0	817	4,000	4,817
Transfers Out	(4,000)	0	0	(817)	(4,817)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 368,940</b>	<b>\$ 0</b>	<b>\$ 817</b>	<b>\$ 3,183</b>	<b>\$ 372,940</b>
<b>Net Change in Fund Balances</b>	<b>\$ 501,492</b>	<b>\$ (211,533)</b>	<b>\$ (194,628)</b>	<b>\$ (111,779)</b>	<b>\$ (16,448)</b>
<b>Fund Balance, July 1, 2006</b>	<b>663,163</b>	<b>649,881</b>	<b>2,556,601</b>	<b>191,394</b>	<b>4,061,039</b>
<b>Fund Balance, June 30, 2007</b>	<b>\$ 1,164,655</b>	<b>\$ 438,348</b>	<b>\$ 2,361,973</b>	<b>\$ 79,615</b>	<b>\$ 4,044,591</b>

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, 2007

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 667,345
Due from Other Governments	<u>57,940</u>
Total Assets	<u><u>\$ 725,285</u></u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 57,940
Due to Litigants, Heirs, and Others	<u>667,345</u>
Total Liabilities	<u><u>\$ 725,285</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, 2007**

**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 fiscally dependent on the county because it may not issue debt without the County Commission's approval, and its budget is subject to the County Commission's approval. 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:

Administrative Office:

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 .82 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, 2007; 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 ambulance 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 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 adopts 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 schedule.

**B. Expenditures Exceeded Appropriations**

Expenditures exceeded total appropriations approved by the County Commission in the Solid Waste/Sanitation Fund by \$35,679.

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

<u>Fund/Major Category</u>	<u>Amount Overspent</u>
General Fund:	
County Mayor/Executive	\$ 92
County Buildings	570
Circuit Court	304
Administration of the Sexual Offender Registry	60
Jail	94,862
Other Emergency Management	204
Public Safety Grant Programs	895
Other Local Welfare Services	4,171
Senior Citizens Assistance	5,351
Other Charges	961
Miscellaneous	1,259
Transfers Out	4,000
General Debt Service Fund:	
Other Debt Service - General Government	6,517
Other Debt Service - Education	28,625

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

### 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 represents nonpooled amounts held separately by individual funds.

#### Deposits

**Legal Provisions.** All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer.

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

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

### **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, 2007.

### **B. Interfund Receivables, Payables, and Transfers**

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

**Due to/from other funds:**

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental	\$ 7

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

**Interfund Transfers:**

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

Transfers Out	Transfers In	
	General Debt Service Fund	Nonmajor Governmental Fund
General Fund	\$ 0	\$ 4,000
Nonmajor governmental fund	817	0
<b>Total</b>	<b>\$ 817</b>	<b>\$ 4,000</b>

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 \$817 from the General Capital Projects Fund to the General Debt Service Fund for excess note proceeds.

**C. 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 38 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, 2007, will be retired from the General Debt Service Fund.

Capital outlay notes and other loans outstanding as of June 30, 2007, are as follows:

Type	Interest Rate	Original Amount of issue	Balance 6-30-07
Capital Outlay Notes	2.4 to 4%	\$ 472,181	\$ 302,195
Other Loans	Variable	14,462,000	12,173,000
Other Loans	4.375	300,000	300,000

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, 2007, the variable interest rate was 3.89 percent on the school renovation loan and 3.87 percent on the jail construction loan. The letter of credit fee was .31 percent of the outstanding loan principal on the school renovation loan 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 \$170 per month on the school renovation loan and at \$85 per month on the jail construction loan.

During the year, Cannon County received a USDA Rural Development Loan of \$300,000 for the construction of an expo center at the fairgrounds. This loan is repayable to USDA at an interest rate of 4.375 percent.

The annual requirements to amortize all notes and other loans outstanding as of June 30, 2007, including interest payments and other loans fees, are presented in the table on the following page:

Year Ending June 30	Notes		Other Loan (\$300,000)	
	Principal	Interest	Principal	Interest
2008	\$ 147,344	\$ 10,405	\$ 3,210	\$ 13,125
2009	136,443	5,833	3,350	12,985
2010	18,408	1,469	3,497	12,838
2011	0	0	3,650	12,685
2012	0	0	3,810	12,525
2013-2017	0	0	21,698	59,977
2018-2022	0	0	26,880	54,795
2023-2027	0	0	33,298	48,377
2028-2032	0	0	41,245	40,430
2033-2037	0	0	51,094	30,581
2038-2042	0	0	63,292	18,383
2043-2045	0	0	44,976	3,990
<b>Total</b>	<b>\$ 302,195</b>	<b>\$ 17,707</b>	<b>\$ 300,000</b>	<b>\$ 320,691</b>

Year Ending June 30	Other Loan (\$13,042,000)			Total
	Principal	Interest	Other Fees	
2008	\$ 399,000	\$ 431,751	\$ 45,326	\$ 876,077
2009	419,000	416,230	43,770	879,000
2010	440,000	399,931	42,136	882,067
2011	462,000	382,815	40,420	885,235
2012	485,000	364,843	38,618	888,461
2013-2017	2,812,000	1,521,807	162,772	4,496,579
2018-2022	3,171,000	933,094	103,749	4,207,843
2023-2026	2,911,000	372,857	38,795	3,322,652
<b>Total</b>	<b>\$ 11,099,000</b>	<b>\$ 4,823,328</b>	<b>\$ 515,586</b>	<b>\$ 16,437,914</b>

Year Ending June 30	Other Loan (\$1,420,000)			Total
	Principal	Interest	Other Fees	
2008	\$ 80,000	\$ 41,564	\$ 6,712	\$ 128,276
2009	83,000	38,468	6,288	127,756
2010	86,000	35,256	5,848	127,104
2011	90,000	31,927	5,393	127,320
2012	93,000	28,444	4,916	126,360
2013-2017	526,000	85,101	16,755	627,856
2018	116,000	4,490	1,634	122,124
<b>Total</b>	<b>\$ 1,074,000</b>	<b>\$ 265,250</b>	<b>\$ 47,546</b>	<b>\$ 1,386,796</b>

There is \$2,361,973 available in the General Debt Service Fund to service long-term debt. Debt per capita, including notes and other loans, totaled \$996, based on the 2000 federal census.

Changes in Long-term Liabilities

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

Governmental Activities:	Notes	Other Loans
Balance, July 1, 2006	\$ 371,956	\$ 12,629,000
Additions	55,225	300,000
Deductions	(124,986)	(456,000)
Balance, June 30, 2007	\$ 302,195	\$ 12,473,000
Balance Due Within One Year	\$ 147,344	\$ 482,210

**D. 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, 2007, was as follows:

	Balance 7-1-06	Issued	Redeemed	Balance 6-30-07
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. Contingent Liabilities**

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

**C. Change in Administration**

On August 31, 2006, Kenneth Wetzel left the Office of Sheriff and was succeeded by Billy Nichols.

**D. 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, 2007, 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:

Administrative Office:

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

**E. Retirement Commitments**

**Employees**

**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 <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 ending June 30, 2007, was 7.99 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 ending June 30, 2007, Cannon County's annual pension cost of \$258,848 to TCRS was equal to Cannon County's required and actual contributions. The required contribution was determined as part of the July 1, 2005, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. 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, 2005, was ten years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

**Trend Information**

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-07	\$258,848	100%	\$0
6-30-06	179,167	100	0
6-30-05	164,197	100	0

**F. 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 (\$10,000 effective May 10, 2007) 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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,422,392	\$ 2,323,664	\$ 2,329,064	\$ 93,328
Licenses and Permits	695	1,150	1,150	(455)
Fines, Forfeitures, and Penalties	90,378	81,735	89,990	388
Charges for Current Services	501,867	363,800	363,800	138,067
Other Local Revenues	477,331	277,417	377,470	99,861
Fees Received from County Officials	288,047	228,000	222,600	65,447
State of Tennessee	673,216	413,187	625,224	47,992
Federal Government	235,635	222,495	181,613	54,022
Other Governments and Citizens Groups	104,631	93,280	152,202	(47,571)
<b>Total Revenues</b>	<b>\$ 4,794,192</b>	<b>\$ 4,004,728</b>	<b>\$ 4,343,113</b>	<b>\$ 451,079</b>
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 3,942	\$ 4,000	\$ 4,000	\$ 58
County Mayor/Executive	153,357	153,215	153,265	(92)
Election Commission	244,895	131,013	247,338	2,443
Register of Deeds	99,962	101,606	101,606	1,644
Development	15,868	0	300,000	284,132
County Buildings	158,068	136,948	157,498	(570)
Preservation of Records	1,384	4,000	4,000	2,616
<u>Finance</u>				
Property Assessor's Office	113,420	116,736	116,736	3,316
County Trustee's Office	22,571	26,225	26,225	3,654
County Clerk's Office	35,452	32,992	36,062	610
<u>Administration of Justice</u>				
Circuit Court	171,749	171,445	171,445	(304)
General Sessions Court	85,796	87,465	87,465	1,669
Chancery Court	89,447	92,032	92,032	2,585
Juvenile Court	22,413	24,740	24,740	2,327
Judicial Commissioners	20,494	21,380	21,380	886
<u>Public Safety</u>				
Sheriff's Department	860,256	905,126	897,719	37,463
Administration of the Sexual Offender Registry	60	0	0	(60)
Jail	595,752	438,820	500,890	(94,862)
Fire Prevention and Control	53,730	55,728	55,728	1,998
Other Emergency Management	12,966	7,800	12,762	(204)
Public Safety Grant Programs	15,557	0	14,662	(895)
<u>Public Health and Welfare</u>				
Local Health Center	37,304	36,762	40,762	3,458
Ambulance/Emergency Medical Services	693,936	702,746	709,251	15,315
Maternal and Child Health Services	150,000	150,000	150,000	0
Alcohol and Drug Programs	10,000	0	10,000	0
Crippled Children Services	784	784	784	0

(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>				
Regional Mental Health Center	\$ 1,292	\$ 114,400	\$ 114,400	\$ 113,108
General Welfare Assistance	10,674	11,317	11,317	643
Aid to Dependent Children	50,000	0	50,000	0
Other Local Welfare Services	27,171	23,000	23,000	(4,171)
Sanitation Management	27,734	29,237	29,237	1,503
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	108,025	66,152	102,674	(5,351)
Libraries	77,921	81,535	81,535	3,614
Parks and Fair Boards	46,361	46,937	46,937	576
<u>Agriculture &amp; Natural Resources</u>				
Agriculture Extension Service	55,671	54,372	55,872	201
<u>Other Operations</u>				
Veterans' Services	1,517	1,800	1,800	283
Other Charges	267,332	211,071	266,371	(961)
Contributions to Other Agencies	16,676	17,700	17,700	1,024
Employee Benefits	17,438	25,000	25,000	7,562
Miscellaneous	132,370	84,200	131,111	(1,259)
<u>Operation of Non-Instructional Services</u>				
Community Services	97,070	47,070	97,070	0
<u>Capital Outlay</u>				
Regular Capital Outlay	55,225	54,000	55,225	0
Total Expenditures	\$ 4,661,640	\$ 4,269,354	\$ 5,045,599	\$ 383,959
Excess (Deficiency) of Revenues				
Over Expenditures	\$ 132,552	\$ (264,626)	\$ (702,486)	\$ 835,038
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 55,225	\$ 0	\$ 55,225	\$ 0
Other Loans Issued	300,000	54,000	300,000	0
Insurance Recovery	17,715	0	17,714	1
Transfers Out	(4,000)	0	0	(4,000)
Total Other Financing Sources (Uses)	\$ 368,940	\$ 54,000	\$ 372,939	\$ (3,999)
Net Change in Fund Balance	\$ 501,492	\$ (210,626)	\$ (329,547)	\$ 831,039
Fund Balance, July 1, 2006	663,163	897,746	897,746	(234,583)
Fund Balance, June 30, 2007	\$ 1,164,655	\$ 687,120	\$ 568,199	\$ 596,456

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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 30,049	\$ 39,000	\$ 39,000	\$ (8,951)
Other Local Revenues	63,006	57,000	57,000	6,006
State of Tennessee	1,533,346	2,027,796	1,877,796	(344,450)
Federal Government	50,000	50,000	200,000	(150,000)
Total Revenues	<u>\$ 1,676,401</u>	<u>\$ 2,173,796</u>	<u>\$ 2,173,796</u>	<u>\$ (497,395)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 116,192	\$ 122,902	\$ 122,902	\$ 6,710
Highway and Bridge Maintenance	861,292	1,052,876	1,052,876	191,584
Operation and Maintenance of Equipment	260,576	283,891	283,891	23,315
Other Charges	81,365	81,663	81,663	298
Employee Benefits	68,356	65,600	69,450	1,094
Capital Outlay	500,153	732,000	732,000	231,847
Total Expenditures	<u>\$ 1,887,934</u>	<u>\$ 2,338,932</u>	<u>\$ 2,342,782</u>	<u>\$ 454,848</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (211,533)</u>	<u>\$ (165,136)</u>	<u>\$ (168,986)</u>	<u>\$ (42,547)</u>
Net Change in Fund Balance	\$ (211,533)	\$ (165,136)	\$ (168,986)	\$ (42,547)
Fund Balance, July 1, 2006	<u>649,881</u>	<u>365,786</u>	<u>365,786</u>	<u>284,095</u>
Fund Balance, June 30, 2007	<u>\$ 438,348</u>	<u>\$ 200,650</u>	<u>\$ 196,800</u>	<u>\$ 241,548</u>

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

**Required Supplementary Information**

Schedule of Funding Progress for Cannon County

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll	UAAL as a Percentage of Covered Payroll (b-a)/c
6-30-05	\$ 5,694	\$ 5,987	\$ 293	95.10 %	\$ 2,771	10.58 %
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

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

**A. BUDGETARY INFORMATION**

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

**B. EXPENDITURES EXCEEDED APPROPRIATIONS**

Expenditures exceeded appropriations approved by the County Commission in 12 of 43 major categories (the legal level of control) of the General Fund as follows:

<u>Major Category</u>	<u>Amount Overspent</u>
County Mayor/Executive	\$ 92
County Buildings	570
Circuit Court	304
Administration of the Sexual Offender Registry	60
Jail	94,862
Other Emergency Management	204
Public Safety Grant Programs	895
Other Local Welfare Services	4,171
Senior Citizens Assistance	5,351
Other Charges	961
Miscellaneous	1,259
Transfers Out	4,000

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, 2007

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees	
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 54,424	\$ 54,424
Equity in Pooled Cash and Investments	3,985	24,097	0	28,082
Accounts Receivable	140	0	0	140
Due from Other Governments	17,046	0	0	17,046
Property Taxes Receivable	286,453	0	0	286,453
Allowance for Uncollectible Property Taxes	(4,479)	0	0	(4,479)
<b>Total Assets</b>	<b>\$ 303,145</b>	<b>\$ 24,097</b>	<b>\$ 54,424</b>	<b>\$ 381,666</b>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 15,293	\$ 0	\$ 0	\$ 15,293
Due to Other Funds	0	0	7	7
Deferred Revenue - Current Property Taxes	264,264	0	0	264,264
Deferred Revenue - Delinquent Property Taxes	16,937	0	0	16,937
Other Deferred Revenues	5,550	0	0	5,550
<b>Total Liabilities</b>	<b>\$ 302,044</b>	<b>\$ 0</b>	<b>\$ 7</b>	<b>\$ 302,051</b>
<u>Fund Balances</u>				
Reserved for Purchase of Electronic Fingerprint Imaging System	\$ 0	\$ 14,007	\$ 0	\$ 14,007
Unreserved	1,101	10,090	54,417	65,608
<b>Total Fund Balances</b>	<b>\$ 1,101</b>	<b>\$ 24,097</b>	<b>\$ 54,417</b>	<b>\$ 79,615</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 303,145</b>	<b>\$ 24,097</b>	<b>\$ 54,424</b>	<b>\$ 381,666</b>

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, 2007

	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	\$ 336,781	\$ 0	\$ 0	\$ 336,781	\$ 0	\$ 336,781
Fines, Forfeitures, and Penalties	0	28,815	0	28,815	0	28,815
Charges for Current Services	17,736	0	199,102	216,838	0	216,838
Other Local Revenues	108	2,250	0	2,358	2,517	4,875
State of Tennessee	8,705	6,614	0	15,319	0	15,319
Other Governments and Citizens Groups	40,000	0	0	40,000	0	40,000
Total Revenues	<u>\$ 403,330</u>	<u>\$ 37,679</u>	<u>\$ 199,102</u>	<u>\$ 640,111</u>	<u>\$ 2,517</u>	<u>\$ 642,628</u>
<u>Expenditures</u>						
Current:						
General Government	\$ 0	\$ 0	\$ 674	\$ 674	\$ 0	\$ 674
Finance	0	0	205,849	205,849	0	205,849
Public Safety	0	98,052	0	98,052	0	98,052
Public Health and Welfare	444,315	0	0	444,315	0	444,315
Capital Projects	0	0	0	0	8,700	8,700
Total Expenditures	<u>\$ 444,315</u>	<u>\$ 98,052</u>	<u>\$ 206,523</u>	<u>\$ 748,890</u>	<u>\$ 8,700</u>	<u>\$ 757,590</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (40,985)</u>	<u>\$ (60,373)</u>	<u>\$ (7,421)</u>	<u>\$ (108,779)</u>	<u>\$ (6,183)</u>	<u>\$ (114,962)</u>
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,000	\$ 4,000
Transfers Out	0	0	0	0	(817)	(817)
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,183</u>	<u>\$ 3,183</u>
Net Change in Fund Balances	\$ (40,985)	\$ (60,373)	\$ (7,421)	\$ (108,779)	\$ (3,000)	\$ (111,779)
Fund Balance, July 1, 2006	42,086	84,470	61,838	188,394	3,000	191,394
Fund Balance, June 30, 2007	<u>\$ 1,101</u>	<u>\$ 24,097</u>	<u>\$ 54,417</u>	<u>\$ 79,615</u>	<u>\$ 0</u>	<u>\$ 79,615</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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 336,781	\$ 323,636	\$ 323,636	\$ 13,145
Charges for Current Services	17,736	20,000	20,000	(2,264)
Other Local Revenues	108	0	0	108
State of Tennessee	8,705	8,000	8,000	705
Other Governments and Citizens Groups	40,000	40,000	40,000	0
Total Revenues	<u>\$ 403,330</u>	<u>\$ 391,636</u>	<u>\$ 391,636</u>	<u>\$ 11,694</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Management	\$ 444,315	\$ 391,636	\$ 408,636	\$ (35,679)
Total Expenditures	<u>\$ 444,315</u>	<u>\$ 391,636</u>	<u>\$ 408,636</u>	<u>\$ (35,679)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (40,985)</u>	<u>\$ 0</u>	<u>\$ (17,000)</u>	<u>\$ (23,985)</u>
Net Change in Fund Balance	\$ (40,985)	\$ 0	\$ (17,000)	\$ (23,985)
Fund Balance, July 1, 2006	<u>42,086</u>	<u>67,017</u>	<u>67,017</u>	<u>(24,931)</u>
Fund Balance, June 30, 2007	<u>\$ 1,101</u>	<u>\$ 67,017</u>	<u>\$ 50,017</u>	<u>\$ (48,916)</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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 28,815	\$ 20,056	\$ 27,556	\$ 1,259
Other Local Revenues	2,250	0	2,250	0
State of Tennessee	6,614	0	5,000	1,614
Total Revenues	<u>\$ 37,679</u>	<u>\$ 20,056</u>	<u>\$ 34,806</u>	<u>\$ 2,873</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Sheriff's Department	\$ 98,052	\$ 74,000	\$ 98,750	\$ 698
Total Expenditures	<u>\$ 98,052</u>	<u>\$ 74,000</u>	<u>\$ 98,750</u>	<u>\$ 698</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (60,373)</u>	<u>\$ (53,944)</u>	<u>\$ (63,944)</u>	<u>\$ 3,571</u>
Net Change in Fund Balance	\$ (60,373)	\$ (53,944)	\$ (63,944)	\$ 3,571
Fund Balance, July 1, 2006	<u>84,470</u>	<u>70,461</u>	<u>70,461</u>	<u>14,009</u>
Fund Balance, June 30, 2007	<u><u>\$ 24,097</u></u>	<u><u>\$ 16,517</u></u>	<u><u>\$ 6,517</u></u>	<u><u>\$ 17,580</u></u>

# **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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 685,841	\$ 618,578	\$ 618,578	\$ 67,263
Other Governments and Citizens Groups	250,000	250,000	250,000	0
Total Revenues	<u>\$ 935,841</u>	<u>\$ 868,578</u>	<u>\$ 868,578</u>	<u>\$ 67,263</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 201,986	\$ 225,003	\$ 225,003	\$ 23,017
Education	379,000	379,000	379,000	0
<u>Interest on Debt</u>				
General Government	57,310	85,031	85,031	27,721
Education	436,298	573,900	573,900	137,602
<u>Other Debt Service</u>				
General Government	11,067	4,550	4,550	(6,517)
Education	45,625	17,000	17,000	(28,625)
Total Expenditures	<u>\$ 1,131,286</u>	<u>\$ 1,284,484</u>	<u>\$ 1,284,484</u>	<u>\$ 153,198</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (195,445)</u>	<u>\$ (415,906)</u>	<u>\$ (415,906)</u>	<u>\$ 220,461</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 817	\$ 0	\$ 0	\$ 817
Total Other Financing Sources (Uses)	<u>\$ 817</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 817</u>
Net Change in Fund Balance	\$ (194,628)	\$ (415,906)	\$ (415,906)	\$ 221,278
Fund Balance, July 1, 2006	<u>2,556,601</u>	<u>2,550,902</u>	<u>2,550,902</u>	<u>5,699</u>
Fund Balance, June 30, 2007	<u>\$ 2,361,973</u>	<u>\$ 2,134,996</u>	<u>\$ 2,134,996</u>	<u>\$ 226,977</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, 2007

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 667,345	\$ 667,345
Due from Other Governments	57,940	0	57,940
Total Assets	<u>\$ 57,940</u>	<u>\$ 667,345</u>	<u>\$ 725,285</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 57,940	\$ 0	\$ 57,940
Due to Litigants, Heirs, and Others	0	667,345	667,345
Total Liabilities	<u>\$ 57,940</u>	<u>\$ 667,345</u>	<u>\$ 725,285</u>

Exhibit G-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 345,359	\$ 345,359	\$ 0
Due from Other Governments	52,374	57,940	52,374	57,940
Total Assets	\$ 52,374	\$ 403,299	\$ 397,733	\$ 57,940
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 52,374	\$ 403,299	\$ 397,733	\$ 57,940
Total Liabilities	\$ 52,374	\$ 403,299	\$ 397,733	\$ 57,940
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 555,407	\$ 7,232,245	\$ 7,120,307	\$ 667,345
Total Assets	\$ 555,407	\$ 7,232,245	\$ 7,120,307	\$ 667,345
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 555,407	\$ 7,232,245	\$ 7,120,307	\$ 667,345
Total Liabilities	\$ 555,407	\$ 7,232,245	\$ 7,120,307	\$ 667,345
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 345,359	\$ 345,359	\$ 0
Cash	555,407	7,232,245	7,120,307	667,345
Due from Other Governments	52,374	57,940	52,374	57,940
Total Assets	\$ 607,781	\$ 7,635,544	\$ 7,518,040	\$ 725,285
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 52,374	\$ 403,299	\$ 397,733	\$ 57,940
Due to Litigants, Heirs, and Others	555,407	7,232,245	7,120,307	667,345
Total Liabilities	\$ 607,781	\$ 7,635,544	\$ 7,518,040	\$ 725,285

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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, 2007

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-06	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-07
<u>NOTES PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Ambulance	\$ 75,000	2.4 %	7-17-03	7-18-08	\$ 30,000	\$ 0	\$ 15,000	\$ 15,000
ADA Improvements	166,956	3.37	11-9-05	11-8-08	166,956	0	53,818	113,138
Senior Center Addition	175,000	4	3-16-06	3-14-09	175,000	0	56,168	118,832
Ambulance	55,225	3.94	11-21-06	11-21-09	0	55,225	0	55,225
Total Notes Payable					<u>\$ 371,956</u>	<u>\$ 55,225</u>	<u>\$ 124,986</u>	<u>\$ 302,195</u>
<u>OTHER LOANS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
School Construction/Improvements	13,042,000	Variable	9-17-1999	5-25-26	\$ 11,478,000	\$ 0	\$ 379,000	\$ 11,099,000
Jail Construction Bond Refunding	1,420,000	Variable	7-18-02	5-25-18	1,151,000	0	77,000	1,074,000
Expo Center Construction	300,000	4.375	10-23-06	10-23-44	0	300,000	0	300,000
Total Other Loans Payable					<u>\$ 12,629,000</u>	<u>\$ 300,000</u>	<u>\$ 456,000</u>	<u>\$ 12,473,000</u>

Exhibit H-2

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

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	General Capital Projects	Operations	\$ 4,000
General Capital Projects	General Debt Service	Excess note proceeds	<u>817</u>
Total Transfers			<u><u>\$ 4,817</u></u>

Exhibit H-3

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

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Executive	Section 8-24-102, <u>TCA</u>	\$ 60,139	\$ 25,000	Auto Owners Insurance Company
Road Supervisor	Section 8-24-102, <u>TCA</u>	57,276	100,000	Western Surety Company
Trustee	Section 8-24-102, <u>TCA</u>	52,069	519,000	RLI Insurance Company
Assessor of Property	Section 8-24-102, <u>TCA</u>	52,069	10,000	Nationwide Mutual Insurance Company
County Clerk	Section 8-24-102, <u>TCA</u>	52,069	25,000	Auto Owners Insurance Company
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	52,069	25,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u> , and Chancery Court Judge	52,743 (1)	45,000	"
Register	Section 8-24-102, <u>TCA</u>	52,069	15,000	"
Sheriff:				
Kenneth Wetzel (7-1-06 to 8-31-06)	Section 8-24-102, <u>TCA</u>	11,550 (2)	25,000	Western Surety Company
Billy Nichols (9-1-06 to 6-30-07)	Section 8-24-102, <u>TCA</u>	46,245	25,000	Auto Owners Insurance Company
Employee Blanket Bond Coverage:				
General County Employees			150,000	Tennessee School Boards Risk Management Trust

(1) Includes special commissioner fees of \$674.

(2) Includes law enforcement training supplement of \$519.

Exhibit H-4

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

	Special Revenue Funds					Debt	Capital	Total
	General	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees	Highway / Public Works	Service Fund	General Capital Projects Fund	
<u>Local Taxes</u>								
<u>County Property Taxes</u>								
Current Property Tax	\$ 2,004,101	\$ 250,513	\$ 0	\$ 0	\$ 0	\$ 58,944	\$ 0	\$ 2,313,558
Trustee's Collections - Prior Year	102,890	12,861	0	0	0	3,026	0	118,777
Circuit/Clerk & Master Collections - Prior Years	15,769	1,962	0	0	0	462	0	18,193
Interest and Penalty	20,427	2,553	0	0	0	601	0	23,581
Payments in-Lieu-of Taxes - Other	1,720	0	0	0	0	0	0	1,720
<u>County Local Option Taxes</u>								
Local Option Sales Tax	66,370	66,370	0	0	0	0	0	132,740
Wheel Tax	0	0	0	0	0	622,429	0	622,429
Litigation Tax - General	37,806	0	0	0	0	0	0	37,806
Litigation Tax - Special Purpose	12,673	0	0	0	0	0	0	12,673
Litigation Tax - Jail, Workhouse, or Courthouse	11,534	0	0	0	0	0	0	11,534
Business Tax	39,033	0	0	0	1,500	0	0	40,533
Mineral Severance Tax	0	0	0	0	28,549	0	0	28,549
<u>Statutory Local Taxes</u>								
Bank Excise Tax	12,885	1,611	0	0	0	379	0	14,875
Wholesale Beer Tax	96,344	0	0	0	0	0	0	96,344
Interstate Telecommunications Tax	840	911	0	0	0	0	0	1,751
<b>Total Local Taxes</b>	<b>\$ 2,422,392</b>	<b>\$ 336,781</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 30,049</b>	<b>\$ 685,841</b>	<b>\$ 0</b>	<b>\$ 3,475,063</b>
<u>Licenses and Permits</u>								
<u>Licenses</u>								
Marriage Licenses	\$ 445	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 445
<u>Permits</u>								
Beer Permits	250	0	0	0	0	0	0	250
<b>Total Licenses and Permits</b>	<b>\$ 695</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 695</b>
<u>Fines, Forfeitures, and Penalties</u>								
<u>Circuit Court</u>								
Fines	\$ 10,998	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,998
Drug Control Fines	0	0	11,188	0	0	0	0	11,188
DUI Treatment Fines	453	0	0	0	0	0	0	453
Data Entry Fee - Circuit Court	190	0	0	0	0	0	0	190

(Continued)

Exhibit H-4

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

	Special Revenue Funds					Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>								
<u>General Sessions Court</u>								
Fines	\$ 46,362	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	46,362
Officers Costs	10,041	0	0	0	0	0	0	10,041
Drug Control Fines	0	0	8,471	0	0	0	0	8,471
DUI Treatment Fines	3,534	0	0	0	0	0	0	3,534
Data Entry Fee - General Sessions Court	2,741	0	0	0	0	0	0	2,741
Courtroom Security Fee	274	0	0	0	0	0	0	274
<u>Juvenile Court</u>								
Jail Fees	1,688	0	0	0	0	0	0	1,688
<u>Chancery Court</u>								
Officers Costs	1,252	0	0	0	0	0	0	1,252
Data Entry Fee - Chancery Court	232	0	0	0	0	0	0	232
<u>Other Courts - In-county</u>								
Fines	4,358	0	0	0	0	0	0	4,358
<u>Other Fines, Forfeitures, and Penalties</u>								
Proceeds from Confiscated Property	8,255	0	9,156	0	0	0	0	17,411
Total Fines, Forfeitures, and Penalties	\$ 90,378	\$ 0	\$ 28,815	\$ 0	\$ 0	\$ 0	\$ 0	119,193
<u>Charges for Current Services</u>								
<u>General Service Charges</u>								
Commercial and Industrial Waste Collection Charge	\$ 0	\$ 17,736	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	17,736
Patient Charges	455,861	0	0	0	0	0	0	455,861
Other General Service Charges	7,036	0	0	0	0	0	0	7,036
<u>Fees</u>								
Copy Fees	1,071	0	0	0	0	0	0	1,071
Telephone Commissions	2,120	0	0	0	0	0	0	2,120
Vending Machine Collections	560	0	0	0	0	0	0	560
Constitutional Officers' Fees and Commissions	0	0	0	199,102	0	0	0	199,102
Data Processing Fee - Register	5,848	0	0	0	0	0	0	5,848
Data Processing Fee - Sheriff	1,225	0	0	0	0	0	0	1,225
Sexual Offender Registration Fees - Sheriff	975	0	0	0	0	0	0	975
<u>Education Charges</u>								
Community Service Fees - Children	27,171	0	0	0	0	0	0	27,171
Total Charges for Current Services	\$ 501,867	\$ 17,736	\$ 0	\$ 199,102	\$ 0	\$ 0	\$ 0	718,705

(Continued)

Exhibit H-4

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

	Special Revenue Funds					Debt	Capital	Total
	General	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees	Highway / Public Works	Service Fund	Projects Fund	
<u>Other Local Revenues</u>								
<u>Recurring Items</u>								
Investment Income	\$ 255,441	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	255,441
Lease/Rentals	33,259	0	0	0	0	0	0	33,259
Commissary Sales	5,440	0	0	0	0	0	0	5,440
Sale of Gasoline	34,706	0	0	0	45,339	0	0	80,045
Miscellaneous Refunds	8,333	108	2,250	0	17,667	0	2,517	30,875
<u>Nonrecurring Items</u>								
Damages Recovered from Individuals	55	0	0	0	0	0	0	55
Contributions & Gifts	11,948	0	0	0	0	0	0	11,948
<u>Other Local Revenues</u>								
Other Local Revenues	128,149	0	0	0	0	0	0	128,149
Total Other Local Revenues	\$ 477,331	\$ 108	\$ 2,250	\$ 0	\$ 63,006	\$ 0	\$ 2,517	\$ 545,212
<u>Fees Received from County Officials</u>								
<u>Excess Fees</u>								
County Clerk	\$ 6,003	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	6,003
Trustee	55,217	0	0	0	0	0	0	55,217
<u>Fees-In-Lieu of Salary</u>								
Circuit Court Clerk	27,817	0	0	0	0	0	0	27,817
General Sessions Court Clerk	90,007	0	0	0	0	0	0	90,007
Clerk and Master	29,449	0	0	0	0	0	0	29,449
Register	75,324	0	0	0	0	0	0	75,324
Sheriff	4,230	0	0	0	0	0	0	4,230
Total Fees Received from County Officials	\$ 288,047	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	288,047
<u>State of Tennessee</u>								
<u>General Government Grants</u>								
Juvenile Services Program	\$ 9,870	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	9,870
State Reappraisal Grant	4,571	0	0	0	0	0	0	4,571
Solid Waste Grants	0	8,705	0	0	0	0	0	8,705
<u>Health and Welfare Grants</u>								
Health Department Programs	595	0	0	0	0	0	0	595

(Continued)

Exhibit H-4

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

	Special Revenue Funds					Debt	Capital	Total
	General	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees	Highway / Public Works	Service Fund	Projects Fund	
<u>State of Tennessee (Cont.)</u>								
<u>Public Works Grants</u>								
State Aid Program	\$ 0	\$ 0	\$ 0	\$ 0	\$ 130,500	\$ 0	\$ 0	\$ 130,500
Litter Program	23,063	0	0	0	0	0	0	23,063
<u>Other State Revenues</u>								
Income Tax	24,019	0	0	0	0	0	0	24,019
Beer Tax	18,753	0	0	0	0	0	0	18,753
Alcoholic Beverage Tax	22,142	0	0	0	0	0	0	22,142
Contracted Prisoner Boarding	294,616	0	0	0	0	0	0	294,616
Gasoline and Motor Fuel Tax	0	0	0	0	1,392,528	0	0	1,392,528
Petroleum Special Tax	0	0	0	0	10,318	0	0	10,318
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	16,380
Other State Grants	147,070	0	5,000	0	0	0	0	152,070
Other State Revenues	112,137	0	1,614	0	0	0	0	113,751
Total State of Tennessee	\$ 673,216	\$ 8,705	\$ 6,614	\$ 0	\$ 1,533,346	\$ 0	\$ 0	\$ 2,221,881
<u>Federal Government</u>								
<u>Federal Through State</u>								
Disaster Relief	\$ 50,503	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 50,503
Homeland Security Grants	4,963	0	0	0	0	0	0	4,963
Medicaid	2,000	0	0	0	0	0	0	2,000
Other Federal through State	178,169	0	0	0	50,000	0	0	228,169
Total Federal Government	\$ 235,635	\$ 0	\$ 0	\$ 0	\$ 50,000	\$ 0	\$ 0	\$ 285,635
<u>Other Governments and Citizens Groups</u>								
<u>Other Governments</u>								
Contributions	\$ 0	\$ 40,000	\$ 0	\$ 0	\$ 0	\$ 250,000	\$ 0	\$ 290,000
Contracted Services	78,836	0	0	0	0	0	0	78,836
<u>Citizens Groups</u>								
Donations	25,795	0	0	0	0	0	0	25,795
Total Other Governments and Citizens Groups	\$ 104,631	\$ 40,000	\$ 0	\$ 0	\$ 0	\$ 250,000	\$ 0	\$ 394,631
Total	\$ 4,794,192	\$ 403,330	\$ 37,679	\$ 199,102	\$ 1,676,401	\$ 935,841	\$ 2,517	\$ 8,049,062

Exhibit H-5

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

General Fund

General Government

County Commission

Other Per Diem & Fees	\$	3,690	
Social Security		252	
Total County Commission			\$ 3,942

County Mayor/Executive

County Official/Administrative Officer	\$	60,139	
Accountants/Bookkeepers		45,313	
Social Security		8,373	
State Retirement		8,757	
Audit Services		3,006	
Communication		3,818	
Contracts with Government Agencies		8,500	
Contracts with Other Public Agencies		4,486	
Legal Services		1,275	
Legal Notices, Recording, and Court Costs		2,506	
Maintenance & Repair Services - Office Equipment		582	
Postal Charges		1,500	
Travel		748	
Office Supplies		4,208	
Other Charges		146	
Total County Mayor/Executive			153,357

Election Commission

County Official/Administrative Officer	\$	46,862	
Clerical Personnel		16,000	
Election Commission		3,525	
Election Workers		22,687	
In-Service Training		1,093	
Social Security		4,674	
State Retirement		5,023	
Employee and Dependent Insurance		5,109	
Communication		2,078	
Legal Notices, Recording, and Court Costs		1,609	
Maintenance Agreements		1,792	
Maintenance & Repair Services - Office Equipment		478	
Postal Charges		1,508	
Printing, Stationery, and Forms		1,608	
Travel		359	
Custodial Supplies		161	
Office Supplies		4,181	

(Continued)

Exhibit H-5

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Office Equipment	\$	2,998	
Voting Machines		123,150	
Total Election Commission			\$ 244,895

Register of Deeds

County Official/Administrative Officer	\$	52,069	
Secretary(ies)		19,500	
Social Security		4,948	
State Retirement		5,723	
Employee and Dependent Insurance		2,569	
Communication		1,664	
Data Processing Services		7,781	
Dues and Memberships		470	
Postal Charges		675	
Printing, Stationery, and Forms		2,176	
Office Supplies		1,087	
Office Equipment		1,300	
Total Register of Deeds			99,962

Development

Contracts for Development Costs	\$	15,868	
Total Development			15,868

County Buildings

Social Security	\$	1,181	
State Retirement		36	
Communication		905	
Contracts with Private Agencies		200	
Janitorial Services		15,519	
Maintenance & Repair Services - Buildings		45,992	
Other Contracted Services		106	
Custodial Supplies		2,817	
Utilities		91,312	
Total County Buildings			158,068

Preservation of Records

Other Supplies and Materials	\$	1,384	
Total Preservation of Records			1,384

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	52,069	
Secretary(ies)		20,000	
Part-time Personnel		8,995	
Other Salaries & Wages		1,772	
Board and Committee Members Fees		1,550	
Social Security		6,102	
State Retirement		5,900	
Employee and Dependent Insurance		5,089	
Audit Services		2,605	
Communication		799	
Data Processing Services		3,278	
Dues and Memberships		808	
Postal Charges		2,100	
Travel		906	
Office Supplies		1,447	
Total Property Assessor's Office			\$ 113,420

County Trustee's Office

Social Security	\$	6,646	
State Retirement		6,813	
Communication		905	
Data Processing Services		2,014	
Dues and Memberships		355	
Legal Notices, Recording, and Court Costs		502	
Postal Charges		3,140	
Printing, Stationery, and Forms		858	
Office Supplies		1,338	
Total County Trustee's Office			22,571

County Clerk's Office

Secretary(ies)	\$	7,861	
Board and Committee Members Fees		262	
Social Security		9,578	
State Retirement		9,055	
Communication		1,112	
Dues and Memberships		355	
Postal Charges		1,466	
Printing, Stationery, and Forms		4,315	
Office Supplies		1,448	
Total County Clerk's Office			35,452

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	52,069	
Clerical Personnel		69,633	
Jury and Witness Fees		5,279	
Social Security		9,175	
State Retirement		9,724	
Employee and Dependent Insurance		7,578	
Communication		1,812	
Contracts with Other Public Agencies		3,822	
Dues and Memberships		495	
Legal Notices, Recording, and Court Costs		385	
Maintenance & Repair Services - Office Equipment		2,539	
Postal Charges		2,036	
Printing, Stationery, and Forms		1,529	
Other Contracted Services		1,657	
Office Supplies		4,016	
Total Circuit Court			\$ 171,749

General Sessions Court

Judge(s)	\$	72,090	
Social Security		5,515	
State Retirement		5,760	
Communication		919	
Other Contracted Services		1,200	
Office Supplies		312	
Total General Sessions Court			85,796

Chancery Court

County Official/Administrative Officer	\$	52,069	
Deputy(ies)		19,500	
Social Security		4,976	
State Retirement		5,718	
Employee and Dependent Insurance		2,569	
Communication		1,179	
Postal Charges		821	
Printing, Stationery, and Forms		1,742	
Office Supplies		873	
Total Chancery Court			89,447

Juvenile Court

Other Salaries & Wages	\$	17,069	
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(Continued)

Exhibit H-5

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

General Fund (Cont.)

Administration of Justice (Cont.)

Juvenile Court (Cont.)

Social Security	\$	1,306	
State Retirement		1,364	
Contracts with Other Public Agencies		2,375	
Other Supplies and Materials		299	
Total Juvenile Court			\$ 22,413

Judicial Commissioners

Other Salaries & Wages	\$	17,993	
In-Service Training		254	
Social Security		1,376	
Communication		528	
Dues and Memberships		140	
Travel		203	
Total Judicial Commissioners			20,494

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	57,276	
Assistant(s)		16,457	
Deputy(ies)		171,084	
Investigator(s)		31,304	
Captain(s)		11,212	
Lieutenant(s)		18,063	
Sergeant(s)		25,824	
Accountants/Bookkeepers		22,506	
Dispatchers/Radio Operators		160,061	
Clerical Personnel		18,578	
Overtime Pay		40,014	
Other Salaries & Wages		18,494	
In-Service Training		9,378	
Social Security		66,314	
State Retirement		15,207	
Employee and Dependent Insurance		33,653	
Advertising		380	
Communication		17,473	
Legal Services		4,089	
Maintenance & Repair Services - Equipment		10,228	
Maintenance & Repair Services - Vehicles		24,047	
Postal Charges		398	
Gasoline		39,432	

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Office Supplies	\$	6,661	
Uniforms		5,499	
Vehicle and Equipment Insurance		16,334	
Law Enforcement Equipment		8,366	
Motor Vehicles		11,924	
Total Sheriff's Department			\$ 860,256

Administration of the Sexual Offender Registry

Uniforms	\$	60	
Total Administration of the Sexual Offender Registry			60

Jail

Medical Personnel	\$	37,180	
Guards		211,067	
Cafeteria Personnel		37,269	
Maintenance & Repair Services - Buildings		17,123	
Travel		1,050	
Other Contracted Services		6,494	
Custodial Supplies		13,769	
Food Supplies		65,476	
Utilities		39,705	
Medical Claims		150,404	
Food Service Equipment		1,325	
Office Equipment		14,890	
Total Jail			595,752

Fire Prevention and Control

In-Service Training	\$	670	
Communication		1,594	
Consultants		1,200	
Maintenance & Repair Services - Equipment		1,905	
Maintenance & Repair Services - Vehicles		5,401	
Postal Charges		40	
Gasoline		4,517	
Uniforms		10,081	
Other Supplies and Materials		949	
Vehicle and Equipment Insurance		1,021	
Communication Equipment		12,858	
Other Equipment		13,494	
Total Fire Prevention and Control			53,730

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Public Safety (Cont.)

Other Emergency Management

In-Service Training	\$	175	
Communication		4,064	
Maintenance & Repair Services - Vehicles		282	
Gasoline		2,508	
Office Supplies		9	
Other Charges		5,928	
Total Other Emergency Management			\$ 12,966

Public Safety Grant Programs

Supervisor/Director	\$	13,462	
Social Security		1,019	
State Retirement		1,076	
Total Public Safety Grant Programs			15,557

Public Health and Welfare

Local Health Center

Communication	\$	2,513	
Contracts with Government Agencies		15,630	
Janitorial Services		3,524	
Maintenance & Repair Services - Buildings		9,322	
Custodial Supplies		596	
Drugs and Medical Supplies		1,555	
Office Supplies		1,698	
Utilities		2,466	
Total Local Health Center			37,304

Ambulance/Emergency Medical Services

Supervisor/Director	\$	40,000	
Medical Personnel		444,900	
Secretary(ies)		2,500	
Overtime Pay		9,197	
In-Service Training		5,678	
Social Security		37,412	
State Retirement		25,375	
Employee and Dependent Insurance		44,147	
Communication		7,139	
Dues and Memberships		760	
Maintenance Agreements		1,713	
Maintenance & Repair Services - Vehicles		14,181	
Postal Charges		1,033	

(Continued)

Exhibit H-5

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.)

Custodial Supplies	\$	1,457	
Drugs and Medical Supplies		15,909	
Gasoline		14,432	
Office Supplies		4,345	
Tires and Tubes		939	
Uniforms		4,593	
Utilities		3,458	
Other Supplies and Materials		5,580	
Vehicle and Equipment Insurance		9,188	
Total Ambulance/Emergency Medical Services			\$ 693,936

Maternal and Child Health Services

Accountants/Bookkeepers	\$	2,000	
Educational Assistants		80,114	
Other Salaries & Wages		33,135	
Social Security		8,596	
State Retirement		4,904	
Employee and Dependent Insurance		3,212	
Communication		3,972	
Travel		7,970	
Other Supplies and Materials		6,097	
Total Maternal and Child Health Services			150,000

Alcohol and Drug Programs

Supervisor/Director	\$	1,500	
Educational Assistants		3,750	
Travel		646	
Other Contracted Services		3,025	
Other Supplies and Materials		1,079	
Total Alcohol and Drug Programs			10,000

Crippled Children Services

Contributions	\$	784	
Total Crippled Children Services			784

Regional Mental Health Center

Other Salaries & Wages	\$	913	
Social Security		80	
Travel		299	
Total Regional Mental Health Center			1,292

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

General Welfare Assistance

Contributions	\$	9,685	
Other Contracted Services		989	
Total General Welfare Assistance			\$ 10,674

Aid to Dependent Children

Supervisor/Director	\$	5,675	
Accountants/Bookkeepers		1,500	
Educational Assistants		25,838	
Social Security		2,405	
State Retirement		1,427	
Employee and Dependent Insurance		427	
Rentals		1,000	
Travel		2,943	
Other Contracted Services		8,720	
Other Supplies and Materials		65	
Total Aid to Dependent Children			50,000

Other Local Welfare Services

Supervisor/Director	\$	9,800	
Educational Assistants		1,805	
Other Salaries & Wages		12,200	
Social Security		1,821	
State Retirement		1,119	
Employee and Dependent Insurance		426	
Total Other Local Welfare Services			27,171

Sanitation Management

Laborers	\$	20,000	
Social Security		1,530	
Advertising		1,090	
Maintenance & Repair Services - Vehicles		836	
Instructional Supplies and Materials		4,278	
Total Sanitation Management			27,734

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Supervisor/Director	\$	23,569	
Other Salaries & Wages		14,688	
Social Security		2,891	
Employee and Dependent Insurance		1,279	

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Senior Citizens Assistance (Cont.)

Audit Services	\$	899	
Communication		3,883	
Maintenance & Repair Services - Buildings		833	
Maintenance & Repair Services - Equipment		344	
Postal Charges		2,225	
Printing, Stationery, and Forms		349	
Travel		6,360	
Data Processing Supplies		4,192	
Food Supplies		973	
Instructional Supplies and Materials		1,035	
Office Supplies		1,136	
Utilities		8,352	
Other Supplies and Materials		512	
Premiums on Corporate Surety Bonds		588	
Other Charges		29,940	
Furniture and Fixtures		3,977	
Total Senior Citizens Assistance	\$		108,025

Libraries

County Official/Administrative Officer	\$	27,777	
Assistant(s)		25,482	
Social Security		3,997	
State Retirement		2,219	
Employee and Dependent Insurance		4,896	
Contributions		13,550	
Total Libraries			77,921

Parks and Fair Boards

Assistant(s)	\$	5,222	
Supervisor/Director		19,500	
Other Salaries & Wages		7,060	
In-Service Training		550	
Social Security		2,334	
State Retirement		1,558	
Employee and Dependent Insurance		2,540	
Communication		560	
Dues and Memberships		340	
Maintenance & Repair Services - Buildings		3,647	
Maintenance & Repair Services - Equipment		107	
Custodial Supplies		234	

(Continued)

Exhibit H-5

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.)

Gasoline	\$	247	
Office Supplies		193	
Other Supplies and Materials		2,269	
Total Parks and Fair Boards			\$ 46,361

Agriculture & Natural Resources

Agriculture Extension Service

Salary Supplements	\$	39,669	
Other Fringe Benefits		9,239	
Communication		3,282	
Maintenance & Repair Services - Buildings		231	
Other Supplies and Materials		1,750	
Other Charges		1,500	
Total Agriculture Extension Service			55,671

Other Operations

Veterans' Services

Communication	\$	1,417	
Postal Charges		39	
Office Supplies		61	
Total Veterans' Services			1,517

Other Charges

Building and Contents Insurance	\$	115,670	
Premiums on Corporate Surety Bonds		3,478	
Trustee's Commission		50,370	
Workers' Compensation Insurance		96,504	
Other Charges		1,310	
Total Other Charges			267,332

Contributions to Other Agencies

Contributions	\$	16,676	
Total Contributions to Other Agencies			16,676

Employee Benefits

Social Security	\$	92	
Employee and Dependent Insurance		68	
Unemployment Compensation		17,278	
Total Employee Benefits			17,438

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Other Operations (Cont.)

Miscellaneous

Contracts with Private Agencies	\$	19,100	
Gasoline		47,409	
Other Supplies and Materials		63,494	
Other Charges		2,367	
Total Miscellaneous			\$ 132,370

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	12,154	
Accountants/Bookkeepers		500	
Educational Assistants		22,076	
Cafeteria Personnel		8,994	
Social Security		3,505	
State Retirement		2,437	
Employee and Dependent Insurance		4,186	
Communication		2,974	
Travel		3,715	
Other Contracted Services		27,323	
Other Supplies and Materials		9,206	
Total Community Services			97,070

Capital Outlay

Regular Capital Outlay

Other Capital Outlay	\$	55,225	
Total Regular Capital Outlay			55,225

Total General Fund \$ 4,661,640

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Laborers	\$	38,914	
Overtime Pay		808	
Social Security		2,674	
State Retirement		626	
Employee and Dependent Insurance		2,540	
Advertising		119	
Communication		510	
Contracts with Other Public Agencies		337,340	
Maintenance Agreements		2,000	

(Continued)

Exhibit H-5

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Sanitation Management (Cont.)

Maintenance & Repair Services - Equipment	\$	27,365	
Maintenance & Repair Services - Vehicles		4,762	
Other Contracted Services		463	
Gasoline		2,056	
Utilities		2,012	
Other Supplies and Materials		571	
Trustee's Commission		6,014	
Solid Waste Equipment		15,541	
Total Sanitation Management			\$ 444,315

Total Solid Waste/Sanitation Fund \$ 444,315

Drug Control Fund

Public Safety

Sheriff's Department

In-Service Training	\$	7,678	
Confidential Drug Enforcement Payments		2,750	
Maintenance & Repair Services - Vehicles		3,833	
Other Charges		162	
Law Enforcement Equipment		33,629	
Motor Vehicles		50,000	
Total Sheriff's Department			\$ 98,052

Total Drug Control Fund 98,052

Constitutional Officers - Fees Fund

General Government

Other General Administration

Constitutional Officers' Operating Expenses	\$	674	
Total Other General Administration			\$ 674

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$	86,508	
Total County Trustee's Office			86,508

County Clerk's Office

Constitutional Officers' Operating Expenses	\$	119,341	
Total County Clerk's Office			119,341

Total Constitutional Officers - Fees Fund 206,523

(Continued)

Exhibit H-5

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

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	57,276	
Accountants/Bookkeepers		30,680	
Board and Committee Members Fees		1,200	
Social Security		5,033	
State Retirement		1,093	
Employer Medicare		1,177	
Communication		5,621	
Data Processing Services		3,173	
Dues and Memberships		2,233	
Legal Notices, Recording, and Court Costs		955	
Postal Charges		482	
Printing, Stationery, and Forms		1,435	
Electricity		2,029	
Natural Gas		2,082	
Water and Sewer		183	
Other Supplies and Materials		1,540	
Total Administration			\$ 116,192

Highway and Bridge Maintenance

Equipment Operators	\$	121,381	
Truck Drivers		74,190	
Laborers		107,919	
Social Security		16,349	
State Retirement		18,527	
Employer Medicare		3,823	
Other Contracted Services		4,253	
Asphalt		206,002	
Asphalt - Cold Mix		34,095	
Asphalt - Liquid		40,327	
Crushed Stone		195,240	
Pipe - Metal		3,615	
Road Signs		6,691	
Structural Steel		19,647	
Wood Products		1,144	
Other Supplies and Materials		8,089	
Total Highway and Bridge Maintenance			861,292

Operation and Maintenance of Equipment

Mechanic(s)	\$	45,446	
Social Security		2,476	

(Continued)

Exhibit H-5

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.)

State Retirement	\$	217	
Employer Medicare		579	
Maintenance & Repair Services - Equipment		1,050	
Other Contracted Services		500	
Diesel Fuel		112,161	
Equipment and Machinery Parts		43,293	
Garage Supplies		10,658	
Gasoline		23,727	
Lubricants		4,252	
Tires and Tubes		16,217	
Total Operation and Maintenance of Equipment	\$		260,576

Other Charges

Liability Insurance	\$	15,722	
Trustee's Commission		13,983	
Vehicle and Equipment Insurance		12,862	
Workers' Compensation Insurance		38,798	
Total Other Charges			81,365

Employee Benefits

Medical Insurance	\$	63,591	
Unemployment Compensation		4,765	
Total Employee Benefits			68,356

Capital Outlay

Engineering Services	\$	19,010	
Bridge Construction		318,231	
Highway Equipment		3,310	
State Aid Projects		159,602	
Total Capital Outlay			500,153

Total Highway/Public Works Fund \$ 1,887,934

General Debt Service Fund

Principal on Debt

General Government

Principal on Notes	\$	124,986	
Principal on Other Loans		77,000	
Total General Government	\$		201,986

(Continued)

Exhibit H-5

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

General Debt Service Fund (Cont.)

Principal on Debt (Cont.)

Education

Principal on Other Loans	\$ 379,000	
Total Education		\$ 379,000

Interest on Debt

General Government

Interest on Notes	\$ 13,334	
Interest on Other Loans	43,976	
Total General Government		57,310

Education

Interest on Other Loans	\$ 436,298	
Total Education		436,298

Other Debt Service

General Government

Trustee's Commission	\$ 1,255	
Other Debt Service	9,812	
Total General Government		11,067

Education

Other Debt Service	\$ 45,625	
Total Education		45,625

Total General Debt Service Fund		\$ 1,131,286
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General Capital Projects Fund

Capital Projects

Other General Government Projects

Architects	\$ 5,700	
Building Improvements	3,000	
Total Other General Government Projects		\$ 8,700

Total General Capital Projects Fund		8,700
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Total Governmental Funds - Primary Government		<u>\$ 8,438,450</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, 2007

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 345,359
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 341,906
Trustee's Commission	3,453
Total Cash Disbursements	<u>\$ 345,359</u>
 Excess of Cash Receipts Over (Under) Cash Disbursements	 \$ 0
Cash Balance, July 1, 2006	<u>0</u>
 Cash Balance, June 30, 2007	 <u><u>\$ 0</u></u>

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

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

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

*JAMES R. ARNETTE*  
*Director*

*CARL LOWE, CGFM*  
*Audit Manager*

*STEVE REEDER, CPA, CGFM, CFE*  
*Auditor 4*

*AMY HEWITT, CFE*  
*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		17-26
REQUIRED SUPPLEMENTARY INFORMATION:		27
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual (Budgetary Basis) and Budget:		
General Purpose School Fund	C	29-31
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	41-42
Central Cafeteria Fund	D-4	43
Miscellaneous Schedules:		45
Schedule of Transfers	E-1	47
Schedule of Salaries and Official Bonds of Principal Officials	E-2	48
Schedule of Detailed Revenues – All Governmental Fund Types	E-3	49-50
Schedule of Detailed Expenditures – All Governmental Fund Types	E-4	51-60

# ***Audit Highlights***

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

## ***Scope***

We have audited the financial statements of each major fund and the aggregate remaining fund information of the Cannon County School Department as of and for the year ended June 30, 2007.

## ***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 and recommendations 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 properly issued in some required instances, and invoices were paid without documentation that goods had been received or services rendered.

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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, 2007

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**Official**

Edward Diden, Director of Schools

**Board of Education**

Tommy Hale, Chairman

Mark Bailey

Chris Blackburn

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**

September 6, 2007

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, 2007, as shown on pages 15 through 26, 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, 2007, 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, 2007, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee.

In accordance with Government Auditing Standards, we have also issued our report dated September 6, 2007, 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 29 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 cursive script that reads "John G. Morgan". The signature is written in black ink and includes a long horizontal flourish at the end.

John G. Morgan  
Comptroller of the Treasury

JGM/yu

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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, 2007

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
	General Purpose School	Other Govern- mental Funds	Govern- mental Funds
<u>ASSETS</u>			
Cash	\$ 0	\$ 100	\$ 100
Equity in Pooled Cash and Investments	2,459,993	192,776	2,652,769
Due from Other Governments	89,398	193,984	283,382
Due from Other Funds	39,620	0	39,620
Property Taxes Receivable	1,802,969	0	1,802,969
Allowance for Uncollectible Property Taxes	(28,189)	0	(28,189)
Total Assets	<u>\$ 4,363,791</u>	<u>\$ 386,860</u>	<u>\$ 4,750,651</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accrued Payroll	\$ 0	\$ 14,246	\$ 14,246
Payroll Deductions Payable	0	13,755	13,755
Due to Other Funds	0	39,620	39,620
Due to State of Tennessee	0	2,016	2,016
Deferred Revenue - Current Property Taxes	1,663,312	0	1,663,312
Deferred Revenue - Delinquent Property Taxes	106,604	0	106,604
Other Deferred Revenues	40,190	0	40,190
Total Liabilities	<u>\$ 1,810,106</u>	<u>\$ 69,637</u>	<u>\$ 1,879,743</u>
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 424,813	\$ 98,586	\$ 523,399
Reserved for Driver Education	12,702	0	12,702
Reserved for Career Ladder - Extended Contract	42,993	0	42,993
Reserved for Basic Education Program	1,876,728	0	1,876,728
Reserved for Title I Grants to Local Education Agencies	0	27,195	27,195
Reserved for Innovative Education Program Strategies	0	3,177	3,177
Other Federal Reserves	0	2,843	2,843
Unreserved, Reported In:			
General Fund	196,449	0	196,449
Special Revenue Funds	0	185,422	185,422
Total Fund Balances	<u>\$ 2,553,685</u>	<u>\$ 317,223</u>	<u>\$ 2,870,908</u>
Total Liabilities and Fund Balances	<u>\$ 4,363,791</u>	<u>\$ 386,860</u>	<u>\$ 4,750,651</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, 2007

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 2,178,965	\$ 0	\$ 2,178,965
Licenses and Permits	446	0	446
Charges for Current Services	11,712	402,095	413,807
Other Local Revenues	70,312	377	70,689
State of Tennessee	10,583,928	10,866	10,594,794
Federal Government	45,155	1,844,017	1,889,172
<b>Total Revenues</b>	<b>\$ 12,890,518</b>	<b>\$ 2,257,355</b>	<b>\$ 15,147,873</b>
<u>Expenditures</u>			
Current:			
Instruction	\$ 8,011,862	\$ 893,793	\$ 8,905,655
Support Services	3,802,073	456,224	4,258,297
Operation of Non-Instructional Services	253,590	894,051	1,147,641
Capital Outlay	266,980	0	266,980
Debt Service:			
Other Debt Service	250,000	0	250,000
<b>Total Expenditures</b>	<b>\$ 12,584,505</b>	<b>\$ 2,244,068</b>	<b>\$ 14,828,573</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ 306,013</b>	<b>\$ 13,287</b>	<b>\$ 319,300</b>
<u>Other Financing Sources (Uses)</u>			
Insurance Recovery	\$ 125,415	\$ 0	\$ 125,415
Transfers In	18,020	0	18,020
Transfers Out	0	(18,020)	(18,020)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 143,435</b>	<b>\$ (18,020)</b>	<b>\$ 125,415</b>
<b>Net Change in Fund Balances</b>	<b>\$ 449,448</b>	<b>\$ (4,733)</b>	<b>\$ 444,715</b>
Fund Balance, July 1, 2006	1,967,237	321,956	2,289,193
Prior Period Adjustment	137,000	0	137,000
<b>Fund Balance, June 30, 2007</b>	<b>\$ 2,553,685</b>	<b>\$ 317,223</b>	<b>\$ 2,870,908</b>

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, 2007**

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

The School Department reports the following major governmental fund:

**General Purpose School Fund** – This 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 Cannon County, the School Department's primary government, to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; the county's own legally issued bonds or notes; the State Treasurer's Investment Pool; and repurchase agreements.

The county trustee maintains a cash and internal investment pool that is used by all 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**

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

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to .82 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 were not maintained reflecting the dollar amount of accumulated vacation time at June 30, 2007; 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.

**6. Prior-Period Adjustment**

Since the 1999-2000 fiscal year, the School Department has reflected contracts payable of \$137,000 relating to a disputed construction bill. The School Department made a compromise offer of payment to settle the dispute in 1999 and advised the construction company to litigate if they were not willing to accept the offer. During the current year, the School Department was advised by their attorney that the statute of limitations had expired on any action that could be taken against the School Department in this matter, so management removed the liability from the financial statements.

**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 schedule.

### 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 represents nonpooled amounts held separately by individual funds.

#### Deposits

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

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

#### 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, 2007.

**B. Interfund Transfers**

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

Transfers Out	<u>Transfers In</u> General Purpose School Fund
Nommajor governmental funds	\$ <u>18,020</u>
Total	\$ <u><u>18,020</u></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. Contingent Liabilities**

The Cannon County Board of Education is the defendant in a lawsuit involving cost overruns in a construction project due to an alleged architect error. The contractor in the suit is claiming damages in the amount of \$60,000. The parties in the suit are involved in settlement negotiations as of the date of this report. Since the amount is in negotiations, management has not recorded any liability for this lawsuit on its financial statements. However, the School Department does not believe that the settlement amount will materially affect the School Department's financial statements.

There are other 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.

**C. Retirement Commitments**

**Employees**

**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 Lake County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan.

Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

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.E. 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).

### **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 School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2007, was 6.13 percent of annual covered payroll. The employer contribution requirement for the 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, 2007, 2006, and 2005, were \$443,156, \$390,960, and \$388,501, respectively, equal to the required contributions for each year.

### **D. 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, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 2,178,965	\$ 0	\$ 0	\$ 2,178,965	\$ 2,148,368	\$ 2,148,368	\$ 30,597
Licenses and Permits	446	0	0	446	500	500	(54)
Charges for Current Services	11,712	0	0	11,712	6,000	6,000	5,712
Other Local Revenues	70,312	0	0	70,312	80,000	97,531	(27,219)
State of Tennessee	10,583,928	0	0	10,583,928	10,062,980	10,350,935	232,993
Federal Government	45,155	0	0	45,155	17,000	17,000	28,155
<b>Total Revenues</b>	<b>\$ 12,890,518</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 12,890,518</b>	<b>\$ 12,314,848</b>	<b>\$ 12,620,334</b>	<b>\$ 270,184</b>
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 6,432,215	\$ (185,757)	\$ 279,319	\$ 6,525,777	\$ 6,591,850	\$ 6,688,226	\$ 162,449
Alternative Instruction Program	44,324	0	0	44,324	44,770	45,063	739
Special Education Program	1,136,951	0	0	1,136,951	1,165,690	1,186,179	49,228
Vocational Education Program	398,352	(1,060)	2,315	399,607	412,780	415,062	15,455
Adult Education Program	20	(20)	0	0	0	0	0
<u>Support Services</u>							
Attendance	28,245	(125)	150	28,270	31,050	31,211	2,941
Health Services	70,026	0	0	70,026	41,940	72,940	2,914
Other Student Support	182,552	0	0	182,552	167,350	190,212	7,660
Regular Instruction Program	478,195	0	2,770	480,965	490,870	506,335	25,370
Special Education Program	97,457	0	0	97,457	105,240	105,826	8,369
Vocational Education Program	22,581	0	0	22,581	24,260	24,392	1,811
Board of Education	167,012	(1,068)	3,006	168,950	245,260	245,260	76,310
Director of Schools	122,688	0	7,261	129,949	133,610	133,903	3,954
Office of the Principal	872,847	(17,916)	9,785	864,716	846,660	874,004	9,288
Fiscal Services	152,898	(10,650)	8,312	150,560	153,190	153,190	2,630

(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 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Operation of Plant	\$ 882,757	\$ (1,500)	\$ 6,000	\$ 887,257	\$ 929,970	\$ 929,970	\$ 42,713
Maintenance of Plant	173,935	(3,505)	19,180	189,610	193,040	193,040	3,430
Transportation	550,880	(62,000)	0	488,880	490,220	490,220	1,340
<u>Operation of Non-Instructional Services</u>							
Early Childhood Education	253,590	(31,819)	45,917	267,688	178,600	270,803	3,115
<u>Capital Outlay</u>							
Regular Capital Outlay	266,980	(148,519)	40,798	159,259	210,000	210,000	50,741
<u>Interest on Debt</u>							
Education	0	0	0	0	250,000	0	0
<u>Other Debt Service</u>							
Education	250,000	0	0	250,000	0	250,000	0
Total Expenditures	\$ 12,584,505	\$ (463,939)	\$ 424,813	\$ 12,545,379	\$ 12,706,350	\$ 13,015,836	\$ 470,457
Excess (Deficiency) of Revenues							
Over Expenditures	\$ 306,013	\$ 463,939	\$ (424,813)	\$ 345,139	\$ (391,502)	\$ (395,502)	\$ 740,641
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 125,415	\$ 0	\$ 0	\$ 125,415	\$ 0	\$ 0	\$ 125,415
Transfers In	18,020	0	0	18,020	10,000	10,000	8,020
Total Other Financing Sources (Uses)	\$ 143,435	\$ 0	\$ 0	\$ 143,435	\$ 10,000	\$ 10,000	\$ 133,435

(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 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Net Change in Fund Balance	\$ 449,448	\$ 463,939	\$ (424,813)	\$ 488,574	\$ (381,502)	\$ (385,502)	\$ 874,076
Fund Balance, July 1, 2006	1,967,237	(463,939)	0	1,503,298	1,715,533	1,715,533	(212,235)
Prior Period Adjustment	137,000	0	0	137,000	0	0	137,000
Fund Balance, June 30, 2007	<u>\$ 2,553,685</u>	<u>\$ 0</u>	<u>\$ (424,813)</u>	<u>\$ 2,128,872</u>	<u>\$ 1,334,031</u>	<u>\$ 1,330,031</u>	<u>\$ 798,841</u>

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

**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 schedule.

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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.

Exhibit D-1

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

	<u>Special Revenue Funds</u>		
	School Federal Projects	Central Cafeteria	Total Nonmajor Governmental Funds
<u>ASSETS</u>			
Cash	\$ 0	\$ 100	\$ 100
Equity in Pooled Cash and Investments	7,454	185,322	192,776
Due from Other Governments	193,984	0	193,984
Total Assets	<u>\$ 201,438</u>	<u>\$ 185,422</u>	<u>\$ 386,860</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accrued Payroll	\$ 14,246	\$ 0	\$ 14,246
Payroll Deductions Payable	13,755	0	13,755
Due to Other Funds	39,620	0	39,620
Due to State of Tennessee	2,016	0	2,016
Total Liabilities	<u>\$ 69,637</u>	<u>\$ 0</u>	<u>\$ 69,637</u>
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 98,586	\$ 0	\$ 98,586
Reserved for Title I Grants to Local Education Agencies	27,195	0	27,195
Reserved for Innovative Education Program Strategies	3,177	0	3,177
Other Federal Reserves	2,843	0	2,843
Unreserved	0	185,422	185,422
Total Fund Balances	<u>\$ 131,801</u>	<u>\$ 185,422</u>	<u>\$ 317,223</u>
Total Liabilities and Fund Balances	<u>\$ 201,438</u>	<u>\$ 185,422</u>	<u>\$ 386,860</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, 2007

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 402,095	\$ 402,095
Other Local Revenues	0	377	377
State of Tennessee	0	10,866	10,866
Federal Government	1,313,307	530,710	1,844,017
Total Revenues	<u>\$ 1,313,307</u>	<u>\$ 944,048</u>	<u>\$ 2,257,355</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 893,793	\$ 0	\$ 893,793
Support Services	456,224	0	456,224
Operation of Non-Instructional Services	0	894,051	894,051
Total Expenditures	<u>\$ 1,350,017</u>	<u>\$ 894,051</u>	<u>\$ 2,244,068</u>
Excess (Deficiency) of Revenues			
Over Expenditures	<u>\$ (36,710)</u>	<u>\$ 49,997</u>	<u>\$ 13,287</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	\$ (18,020)	\$ 0	\$ (18,020)
Total Other Financing Sources (Uses)	<u>\$ (18,020)</u>	<u>\$ 0</u>	<u>\$ (18,020)</u>
Net Change in Fund Balances			
Fund Balance, July 1, 2006	186,531	135,425	321,956
Fund Balance, June 30, 2007	<u>\$ 131,801</u>	<u>\$ 185,422</u>	<u>\$ 317,223</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, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Federal Government	\$ 1,313,307	\$ 0	\$ 0	\$ 1,313,307	\$ 1,274,996	\$ 1,304,038	\$ 9,269
Total Revenues	\$ 1,313,307	\$ 0	\$ 0	\$ 1,313,307	\$ 1,274,996	\$ 1,304,038	\$ 9,269
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 434,738	\$ 0	\$ 0	\$ 434,738	\$ 431,659	\$ 485,925	\$ 51,187
Special Education Program	421,065	(6,146)	16,495	431,414	436,781	443,527	12,113
Vocational Education Program	37,990	(14,765)	11,993	35,218	26,880	35,478	260
<u>Support Services</u>							
Other Student Support	3,724	0	0	3,724	12,000	3,724	0
Regular Instruction Program	385,963	(123,240)	68,743	331,466	364,283	379,387	47,921
Special Education Program	53,299	(1,163)	1,355	53,491	53,493	53,493	2
Vocational Education Program	1,946	0	0	1,946	2,046	2,046	100
Transportation	11,292	(200)	0	11,092	11,500	11,500	408
Total Expenditures	\$ 1,350,017	\$ (145,514)	\$ 98,586	\$ 1,303,089	\$ 1,338,642	\$ 1,415,080	\$ 111,991
Excess (Deficiency) of Revenues Over Expenditures	\$ (36,710)	\$ 145,514	\$ (98,586)	\$ 10,218	\$ (63,646)	\$ (111,042)	\$ 121,260
<u>Other Financing Sources (Uses)</u>							
Transfers Out	\$ (18,020)	\$ 0	\$ 0	\$ (18,020)	\$ (9,196)	\$ (18,329)	\$ 309
Total Other Financing Sources (Uses)	\$ (18,020)	\$ 0	\$ 0	\$ (18,020)	\$ (9,196)	\$ (18,329)	\$ 309

(Continued)

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 (Cont.)

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Net Change in Fund Balance	\$ (54,730)	\$ 145,514	\$ (98,586)	\$ (7,802)	\$ (72,842)	\$ (129,371)	\$ 121,569
Fund Balance, July 1, 2006	186,531	(145,514)	0	41,017	72,842	129,371	(88,354)
Fund Balance, June 30, 2007	\$ 131,801	\$ 0	\$ (98,586)	\$ 33,215	\$ 0	\$ 0	\$ 33,215

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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 402,095	\$ 419,000	\$ 419,000	\$ (16,905)
Other Local Revenues	377	400	400	(23)
State of Tennessee	10,866	11,500	11,500	(634)
Federal Government	530,710	481,000	481,000	49,710
Total Revenues	<u>\$ 944,048</u>	<u>\$ 911,900</u>	<u>\$ 911,900</u>	<u>\$ 32,148</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 894,051	\$ 956,200	\$ 956,200	\$ 62,149
Total Expenditures	<u>\$ 894,051</u>	<u>\$ 956,200</u>	<u>\$ 956,200</u>	<u>\$ 62,149</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 49,997</u>	<u>\$ (44,300)</u>	<u>\$ (44,300)</u>	<u>\$ 94,297</u>
Net Change in Fund Balance	\$ 49,997	\$ (44,300)	\$ (44,300)	\$ 94,297
Fund Balance, July 1, 2006	<u>135,425</u>	<u>66,932</u>	<u>66,932</u>	<u>68,493</u>
Fund Balance, June 30, 2007	<u><u>\$ 185,422</u></u>	<u><u>\$ 22,632</u></u>	<u><u>\$ 22,632</u></u>	<u><u>\$ 162,790</u></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, 2007

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
School Federal Projects	General Purpose School	Indirect costs	<u>\$ 18,020</u>
Total Transfers			<u><u>\$ 18,020</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, 2007

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Director of Schools	State Board of Education and Cannon County Board of Education	\$ 87,003 (1)	\$ (2)	
Other Bonds:				
Public Employee Dishonesty			150,000	Tennessee School Boards Risk Management 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, 2007

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 1,568,561	\$ 0	\$ 0	\$ 1,568,561
Trustee's Collections - Prior Year	89,144	0	0	89,144
Circuit/Clerk & Master Collections - Prior Years	12,350	0	0	12,350
Interest and Penalty	16,071	0	0	16,071
<u>County Local Option Taxes</u>				
Local Option Sales Tax	480,397	0	0	480,397
<u>Statutory Local Taxes</u>				
Bank Excise Tax	10,137	0	0	10,137
Interstate Telecommunications Tax	2,305	0	0	2,305
Total Local Taxes	<u>\$ 2,178,965</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,178,965</u>
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 446	\$ 0	\$ 0	\$ 446
Total Licenses and Permits	<u>\$ 446</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 446</u>
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Lunch Payments - Children	\$ 0	\$ 0	\$ 185,767	\$ 185,767
Lunch Payments - Adults	0	0	24,501	24,501
Income from Breakfast	0	0	36,800	36,800
Special Milk Sales	0	0	3,483	3,483
A la carte Sales	0	0	151,544	151,544
Receipts from Individual Schools	18	0	0	18
<u>Other Charges for Services</u>				
Other Charges for Services	11,694	0	0	11,694
Total Charges for Current Services	<u>\$ 11,712</u>	<u>\$ 0</u>	<u>\$ 402,095</u>	<u>\$ 413,807</u>
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	\$ 377	\$ 377
Miscellaneous Refunds	58,127	0	0	58,127
<u>Nonrecurring Items</u>				
Sale of Equipment	508	0	0	508
Contributions & Gifts	11,500	0	0	11,500
<u>Other Local Revenues</u>				
Other Local Revenues	177	0	0	177
Total Other Local Revenues	<u>\$ 70,312</u>	<u>\$ 0</u>	<u>\$ 377</u>	<u>\$ 70,689</u>
<u>State of Tennessee</u>				
<u>State Education Funds</u>				
Basic Education Program	\$ 9,794,056	\$ 0	\$ 0	\$ 9,794,056
Early Childhood Education	267,606	0	0	267,606
School Food Service	0	0	10,866	10,866
Driver Education	12,702	0	0	12,702
Other State Education Funds	64,605	0	0	64,605
Career Ladder Program	98,406	0	0	98,406
Career Ladder - Extended Contract	43,660	0	0	43,660

(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>State of Tennessee (Cont.)</u>				
<u>Other State Revenues</u>				
State Revenue Sharing - T.V.A.	\$ 261,294	\$ 0	\$ 0	\$ 261,294
Other State Grants	6,500	0	0	6,500
Other State Revenues	35,099	0	0	35,099
Total State of Tennessee	\$ 10,583,928	\$ 0	\$ 10,866	\$ 10,594,794
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 375,271	\$ 375,271
Breakfast	0	0	155,439	155,439
Vocational Education - Basic Grants to States	0	40,926	0	40,926
Title I Grants to Local Education Agencies	0	443,725	0	443,725
Innovative Education Program Strategies	0	1,589	0	1,589
Special Education - Grants to States	4,031	468,901	0	472,932
Special Education Preschool Grants	0	20,389	0	20,389
Eisenhower Professional Development State Grants	0	98,353	0	98,353
Job Training Partnership Act	18,973	0	0	18,973
Other Federal through State	0	239,424	0	239,424
<u>Direct Federal Revenue</u>				
Public Law 874 - Maintenance and Operation	22,151	0	0	22,151
Total Federal Government	\$ 45,155	\$ 1,313,307	\$ 530,710	\$ 1,889,172
Total	\$ 12,890,518	\$ 1,313,307	\$ 944,048	\$ 15,147,873

Exhibit E-4

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

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 4,503,644	
Career Ladder Program	60,352	
Career Ladder Extended Contracts	29,685	
Educational Assistants	97,483	
Certified Substitute Teachers	4,825	
Non-certified Substitute Teachers	93,950	
Social Security	283,965	
State Retirement	288,149	
Medical Insurance	478,302	
Unemployment Compensation	25,584	
Employer Medicare	66,476	
Instructional Supplies and Materials	152,204	
Textbooks	187,745	
Regular Instruction Equipment	159,851	
Total Regular Instruction Program		\$ 6,432,215

Alternative Instruction Program

Teachers	\$ 34,936	
Social Security	2,134	
State Retirement	2,142	
Medical Insurance	4,613	
Employer Medicare	499	
Total Alternative Instruction Program		44,324

Special Education Program

Teachers	\$ 741,016	
Career Ladder Program	5,904	
Career Ladder Extended Contracts	2,276	
Homebound Teachers	227	
Educational Assistants	23,900	
Social Security	47,584	
State Retirement	48,721	
Medical Insurance	69,843	
Employer Medicare	11,129	
Tuition	2,460	
Other Contracted Services	183,891	
Total Special Education Program		1,136,951

(Continued)

Exhibit E-4

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	\$	301,416	
Career Ladder Program		4,800	
Other Salaries & Wages		21,834	
Social Security		19,880	
State Retirement		20,109	
Medical Insurance		16,903	
Employer Medicare		4,649	
Instructional Supplies and Materials		8,761	
Total Vocational Education Program			\$ 398,352

Adult Education Program

Instructional Supplies and Materials	\$	20	
Total Adult Education Program			20

Support Services

Attendance

Supervisor/Director	\$	26,322	
Career Ladder Program		550	
Employer Medicare		390	
Travel		260	
Other Supplies and Materials		723	
Total Attendance			28,245

Health Services

Medical Personnel	\$	50,212	
Social Security		3,020	
State Retirement		3,518	
Medical Insurance		8,840	
Employer Medicare		706	
Travel		2,399	
Other Contracted Services		209	
Drugs and Medical Supplies		1,122	
Total Health Services			70,026

Other Student Support

Career Ladder Program	\$	1,000	
Guidance Personnel		119,567	
Career Ladder Extended Contracts		1,714	
Social Security		7,523	

(Continued)

Exhibit E-4

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 (Cont.)

State Retirement	\$	7,496	
Medical Insurance		8,114	
Employer Medicare		1,694	
Evaluation and Testing		16,589	
Other Contracted Services		18,855	
Total Other Student Support			\$ 182,552

Regular Instruction Program

Supervisor/Director	\$	66,392	
Career Ladder Program		3,000	
Librarians		148,969	
Instructional Computer Personnel		125,640	
Educational Assistants		20,178	
Social Security		21,838	
State Retirement		23,424	
Medical Insurance		32,748	
Employer Medicare		5,107	
Travel		9,005	
Library Books/Media		16,780	
In Service/Staff Development		5,114	
Total Regular Instruction Program			478,195

Special Education Program

Supervisor/Director	\$	25,112	
Career Ladder Program		1,000	
Psychological Personnel		48,342	
Social Security		4,145	
State Retirement		4,564	
Medical Insurance		10,942	
Employer Medicare		969	
Travel		2,243	
Other Contracted Services		140	
Total Special Education Program			97,457

Vocational Education Program

Supervisor/Director	\$	21,236	
Social Security		74	
Employer Medicare		308	
Travel		963	
Total Vocational Education Program			22,581

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education

Board and Committee Members Fees	\$	7,200	
Social Security		446	
Employer Medicare		104	
Audit Services		3,500	
Dues and Memberships		3,724	
Legal Services		22,232	
Travel		4,492	
Excess Risk Insurance		502	
Liability Insurance		12,978	
Trustee's Commission		61,864	
Workers' Compensation Insurance		39,664	
Criminal Investigation of Applicants - TBI		1,378	
Other Charges		8,928	
Total Board of Education			\$ 167,012

Director of Schools

County Official/Administrative Officer	\$	86,003	
Career Ladder Program		1,000	
Social Security		5,362	
State Retirement		5,333	
Medical Insurance		4,613	
Employer Medicare		1,254	
Communication		10,195	
Dues and Memberships		2,647	
Postal Charges		1,871	
Travel		3,002	
Office Supplies		901	
Other Charges		507	
Total Director of Schools			122,688

Office of the Principal

Principals	\$	424,694	
Career Ladder Program		10,000	
Career Ladder Extended Contracts		514	
Assistant Principals		48,612	
Secretary(ies)		170,799	
Social Security		38,420	
State Retirement		42,282	
Medical Insurance		60,657	

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal (Cont.)

Employer Medicare	\$	8,985	
Communication		26,567	
Travel		8,732	
Other Contracted Services		95	
Office Supplies		1,681	
Administration Equipment		30,809	
Total Office of the Principal			\$ 872,847

Fiscal Services

Accountants/Bookkeepers	\$	37,081	
Secretary(ies)		32,736	
Clerical Personnel		28,907	
Social Security		5,755	
State Retirement		7,888	
Medical Insurance		16,126	
Employer Medicare		1,346	
Data Processing Services		1,167	
Dues and Memberships		45	
Travel		375	
Other Contracted Services		4,290	
Data Processing Supplies		2,634	
Office Supplies		11,830	
Administration Equipment		2,718	
Total Fiscal Services			152,898

Operation of Plant

Custodial Personnel	\$	221,532	
Social Security		13,042	
State Retirement		16,931	
Medical Insurance		42,450	
Employer Medicare		3,050	
Other Contracted Services		32,598	
Electricity		367,414	
Natural Gas		84,038	
Water and Sewer		45,037	
Other Supplies and Materials		46,830	
Boiler Insurance		635	
Plant Operation Equipment		9,200	
Total Operation of Plant			882,757

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Maintenance of Plant

Maintenance Personnel	\$	75,971	
Social Security		4,148	
State Retirement		6,070	
Medical Insurance		15,452	
Employer Medicare		970	
Communication		644	
Other Contracted Services		35,685	
Other Supplies and Materials		32,048	
Other Charges		383	
Maintenance Equipment		2,564	
Total Maintenance of Plant			\$ 173,935

Transportation

Bus Drivers	\$	113,752	
Other Salaries & Wages		13,169	
Social Security		7,863	
State Retirement		7,430	
Employer Medicare		1,839	
Contracts with Vehicle Owners		243,621	
Gasoline		54,674	
Tires and Tubes		5,058	
Vehicle Parts		32,958	
Vehicle and Equipment Insurance		8,000	
Other Charges		28	
Transportation Equipment		62,488	
Total Transportation			550,880

Operation of Non-Instructional Services

Early Childhood Education

Teachers	\$	114,138	
Educational Assistants		29,116	
Other Salaries & Wages		2,767	
Social Security		8,886	
State Retirement		9,186	
Medical Insurance		10,570	
Employer Medicare		2,078	
Travel		8,178	
Other Supplies and Materials		66,789	
In Service/Staff Development		1,882	
Total Early Childhood Education			253,590

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Capital Outlay

Regular Capital Outlay

Building Improvements	\$ 266,980	
Total Regular Capital Outlay		\$ 266,980

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$ 250,000	
Total Education		<u>250,000</u>

Total General Purpose School Fund		\$ 12,584,505
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School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 341,913	
Clerical Personnel	2,300	
Educational Assistants	9,510	
Certified Substitute Teachers	2,475	
Non-certified Substitute Teachers	9,850	
Social Security	8,754	
State Retirement	8,457	
Medical Insurance	5,939	
Unemployment Compensation	1,151	
Employer Medicare	2,069	
Instructional Supplies and Materials	<u>42,320</u>	
Total Regular Instruction Program		\$ 434,738

Special Education Program

Teachers	\$ 3,400	
Homebound Teachers	21,600	
Educational Assistants	248,436	
Social Security	14,030	
State Retirement	16,766	
Medical Insurance	64,949	
Unemployment Compensation	3,649	
Employer Medicare	3,281	
Other Contracted Services	150	
Instructional Supplies and Materials	42,063	
Other Supplies and Materials	2,681	
Other Charges	<u>60</u>	
Total Special Education Program		421,065

(Continued)

Exhibit E-4

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Vocational Education Program

Teachers	\$	11,907	
Other Salaries & Wages		683	
Social Security		780	
State Retirement		772	
Unemployment Compensation		10	
Employer Medicare		183	
Instructional Supplies and Materials		4,156	
Vocational Instruction Equipment		19,499	
Total Vocational Education Program			\$ 37,990

Support Services

Other Student Support

Travel	\$	2,549	
In Service/Staff Development		1,175	
Total Other Student Support			3,724

Regular Instruction Program

Supervisor/Director	\$	61,984	
Social Security		16,507	
State Retirement		17,247	
Medical Insurance		24,035	
Unemployment Compensation		752	
Employer Medicare		3,860	
Consultants		2,097	
Maintenance & Repair Services - Equipment		11,829	
Travel		28,734	
Other Contracted Services		7,112	
Instructional Supplies and Materials		77,475	
Other Supplies and Materials		94,085	
In Service/Staff Development		35,507	
Other Charges		4,739	
Total Regular Instruction Program			385,963

Special Education Program

Supervisor/Director	\$	24,855	
Social Security		1,314	
State Retirement		1,524	
Medical Insurance		4,510	
Unemployment Compensation		105	

(Continued)

Exhibit E-4

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Special Education Program (Cont.)

Employer Medicare	\$	307	
Maintenance & Repair Services - Equipment		1,063	
Travel		8,781	
Other Supplies and Materials		470	
In Service/Staff Development		10,370	
Total Special Education Program			\$ 53,299

Vocational Education Program

Supervisor/Director	\$	1,901	
Social Security		18	
Employer Medicare		27	
Total Vocational Education Program			1,946

Transportation

Bus Drivers	\$	439	
Social Security		27	
State Retirement		35	
Unemployment Compensation		7	
Employer Medicare		6	
Contracts with Parents		317	
Maintenance & Repair Services - Vehicles		10,461	
Total Transportation			11,292

Total School Federal Projects Fund \$ 1,350,017

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	32,254	
Accountants/Bookkeepers		20,522	
Cafeteria Personnel		307,608	
Social Security		21,796	
State Retirement		25,247	
Medical Insurance		37,753	
Unemployment Compensation		931	
Employer Medicare		5,098	
Communication		2,237	
Data Processing Services		739	
Maintenance & Repair Services - Equipment		11,273	

(Continued)

Exhibit E-4

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

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Travel	\$	1,833	
Food Supplies		384,271	
Office Supplies		646	
Other Supplies and Materials		37,410	
Other Charges		955	
Food Service Equipment		<u>3,478</u>	
Total Food Service			<u>\$ 894,051</u>

Total Central Cafeteria Fund \$ 894,051

Total Governmental Funds - Cannon County School Department \$ 14,828,573

**ANNUAL FINANCIAL REPORT**  
**CANNON COUNTY INDUSTRIAL DEVELOPMENT BOARD**  
**A COMPONENT UNIT OF CANNON COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2007**

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

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

*JAMES R. ARNETTE*  
*Director*

*CARL LOWE, CGFM*  
*Audit Manager*

*STEVE REEDER, CPA, CGFM, CFE*  
*Auditor 4*

*AMY HEWITT, CFE*  
*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		17-23
<b>REQUIRED SUPPLEMENTARY INFORMATION:</b>		25
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
General Fund	C	27
Notes to the Required Supplementary Information		29
<b>MISCELLANEOUS SCHEDULES:</b>		31
Schedule of Changes in Long-term Other Loans	D-1	33
Schedule of Detailed Revenues – All Governmental Fund Types	D-2	34
Schedule of Detailed Expenditures – All Governmental Fund Types	D-3	35

# ***Audit Highlights***

Annual Financial Report  
Cannon County Industrial Development Board  
For the Year Ended June 30, 2007

## ***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, 2007.

## ***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 two findings and recommendations, which we have reviewed with Cannon County Industrial Development Board management. The detailed findings and recommendations are included in the Single Audit Report.

## ***Findings***

The following is a summary of the audit findings:

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

- ◆ Government-wide financial statements were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion.
- ◆ A receivable of \$60,500 was not determined and recorded on the financial statements at year-end. This receivable resulted from the Board not collecting lease payments from an industry occupying one of their buildings for the period August 2006 through June 2007.

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## INTRODUCTORY SECTION

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Cannon County Industrial Development Board Officials  
June 30, 2007

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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**

September 6, 2007

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, 2007, as shown on pages 15 through 23, 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, 2007, 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, 2007, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee.

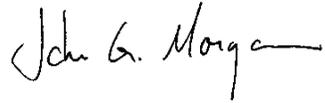
In accordance with Government Auditing Standards, we have also issued our report dated September 6, 2007, on our consideration of the Cannon County Industrial Development Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 27 through 29 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 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/yu

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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, 2007

	<u>General Fund</u>
<u>ASSETS</u>	
Equity in Pooled Cash and Investments	\$ 155,372
Accounts Receivable	<u>60,500</u>
Total Assets	<u>\$ 215,872</u>
<u>FUND BALANCE</u>	
<u>Fund Balances</u>	
Unreserved	<u>\$ 215,872</u>
Total Fund Balance	<u>\$ 215,872</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  
Cannon County Industrial Development Board  
For the Year Ended June 30, 2007

	General Fund
<hr/>	
<u>Revenues</u>	
Other Local Revenues	\$ 163,400
State of Tennessee	44,003
Other Governments and Citizens Groups	11,384
Total Revenues	<u>\$ 218,787</u>
 <u>Expenditures</u>	
Current:	
Other Operations	\$ 58,774
Debt Service:	
Principal on Debt	89,825
Interest on Debt	22,179
Total Expenditures	<u>\$ 170,778</u>
 Excess (Deficiency) of Revenues Over Expenditures	 <u>\$ 48,009</u>
 Net Change in Fund Balances	 \$ 48,009
Fund Balance, July 1, 2006	<u>167,863</u>
 Fund Balance, June 30, 2007	 <u><u>\$ 215,872</u></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, 2007**

**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 operating fund. It accounts for all financial resources of the board.

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

**1. Deposits and Investments**

State statutes authorize Cannon County, the Cannon County Industrial Development Board's primary government, to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; the county's own legally issued bonds or notes; the State Treasurer's Investment Pool; and repurchase agreements.

The county trustee maintains a cash and internal investment pool that is used by 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 schedule.

## 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, 2007.

### **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, 2007, will be retired from the General Fund.

Other loans outstanding as of June 30, 2007, are as follows:

Type	Interest Rate	Original Amount of Issue	Amount
Other Loans	1 to 4.5%	\$ 1,032,500	\$ 808,165

In prior years, the Cannon County Industrial Development Board entered into loan agreements with Cumberland Area Investment Corporation. Under these loan agreements, Cumberland Area Investment Corporation loaned \$300,000 at an interest rate of 4.5 percent and \$250,000 at an interest rate of 3.5 percent to the Cannon County Industrial Development Board for industrial development.

Also, in prior years, the Cannon County Industrial Development Board entered into a loan agreement with the Tennessee Department of Economic and Community Development. Under this loan agreement, the Tennessee Department of Economic and Community Development loaned \$482,500 at an interest rate of one to three percent to the Cannon County Industrial Development Board for industrial development.

The annual requirements to amortize all other loans outstanding as of June 30, 2007, 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
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	31,046	5,351	13,232	9,543
2013-2017	163,807	20,542	75,979	37,897
2018-2022	86,876	3,296	95,120	18,759
2023-2024	0	0	33,175	1,202
Total	\$ 404,474	\$ 47,818	\$ 264,935	\$ 111,074

Year Ending June 30	Other Loan (\$250,000)	
	Principal	Interest
2008	\$ 50,524	\$ 4,051
2009	52,321	2,254
2010	35,911	473
Total	<u>\$ 138,756</u>	<u>\$ 6,778</u>

Debt per capita totaled \$63, based on the 2000 federal census.

Changes in Long-term Liabilities

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

Governmental Activities:	Other Loans
Balance, July 1, 2006	\$ 897,990
Deductions	<u>(89,825)</u>
Balance, June 30, 2007	<u>\$ 808,165</u>
Balance Due Within One Year	<u>\$ 92,320</u>

**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. 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 (\$10,000 effective May 10, 2007) 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  
Industrial/Economic Development Fund  
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 163,400	\$ 152,400	\$ 152,400	\$ 11,000
State of Tennessee	44,003	0	44,002	1
Other Governments and Citizens Groups	11,384	0	11,384	0
Total Revenues	<u>\$ 218,787</u>	<u>\$ 152,400</u>	<u>\$ 207,786</u>	<u>\$ 11,001</u>
<u>Expenditures</u>				
<u>Other Operations</u>				
Industrial Development	\$ 58,774	\$ 32,252	\$ 87,638	\$ 28,864
<u>Principal on Debt</u>				
General Government	89,825	91,560	89,825	0
<u>Interest on Debt</u>				
General Government	22,179	20,445	22,180	1
Total Expenditures	<u>\$ 170,778</u>	<u>\$ 144,257</u>	<u>\$ 199,643</u>	<u>\$ 28,865</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 48,009</u>	<u>\$ 8,143</u>	<u>\$ 8,143</u>	<u>\$ 39,866</u>
Net Change in Fund Balance	\$ 48,009	\$ 8,143	\$ 8,143	\$ 39,866
Fund Balance, July 1, 2006	<u>167,863</u>	<u>101,262</u>	<u>101,262</u>	<u>66,601</u>
Fund Balance, June 30, 2007	<u>\$ 215,872</u>	<u>\$ 109,405</u>	<u>\$ 109,405</u>	<u>\$ 106,467</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, 2007**

**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 schedule.

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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, 2007

<u>Description of Indebtedness</u>	<u>Original Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Last Maturity Date</u>	<u>Outstanding 7-1-06</u>	<u>Paid and/or Matured During Period</u>	<u>Outstanding 6-30-07</u>	
<u>OTHER LOANS PAYABLE</u>								
<u>Payable through General Fund</u>								
Industrial Development	\$ 300,000	4.5	%	12-10-03	12-10-23	\$ 275,528	\$ 10,593	\$ 264,935
Industrial Development	482,500	1 to 3		7-5-04	11-30-19	434,917	30,443	404,474
Industrial Development	250,000	3.5		1-21-05	2-28-10	187,545	48,789	138,756
Total Other Loans Payable						<u>\$ 897,990</u>	<u>\$ 89,825</u>	<u>\$ 808,165</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, 2007

	Industrial / Economic Development
<hr/>	
<u>Other Local Revenues</u>	
<u>Recurring Items</u>	
Lease/Rentals	\$ 163,400
Total Other Local Revenues	<u>\$ 163,400</u>
<u>State of Tennessee</u>	
<u>Public Works Grants</u>	
Tennessee Industrial Infrastructure Program	\$ 44,003
Total State of Tennessee	<u>\$ 44,003</u>
<u>Other Governments and Citizens Groups</u>	
<u>Other</u>	
Other	\$ 11,384
Total Other Governments and Citizens Groups	<u>\$ 11,384</u>
Total	<u><u>\$ 218,787</u></u>

Exhibit D-3

Cannon County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Cannon County Industrial Development Board  
For the Year Ended June 30, 2007

<u>Industrial/Economic Development Fund</u>		
<u>Other Operations</u>		
<u>Industrial Development</u>		
Dues and Memberships	\$	20
Trustee's Commission		1,029
Other Charges		2,536
Building Construction		<u>55,189</u>
Total Industrial Development	\$	58,774
<u>Principal on Debt</u>		
<u>General Government</u>		
Principal on Other Loans	\$	<u>89,825</u>
Total General Government		89,825
<u>Interest on Debt</u>		
<u>General Government</u>		
Interest on Other Loans	\$	<u>22,179</u>
Total General Government		<u>22,179</u>
Total Industrial/Economic Development Fund	\$	<u>170,778</u>
Total Governmental Funds - Cannon County Industrial Development Board	\$	<u><u>170,778</u></u>

**SINGLE AUDIT REPORT**  
**CANNON COUNTY, TENNESSEE**  
**CANNON COUNTY SCHOOL DEPARTMENT**  
**AND**  
**CANNON COUNTY INDUSTRIAL DEVELOPMENT BOARD**  
**FOR THE YEAR ENDED JUNE 30, 2007**

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

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

*JAMES R. ARNETTE*  
*Director*

*CARL LOWE, CGFM*  
*Audit Manager*

*STEVE REEDER, CPA, CGFM, CFE*  
*Auditor 4*

*AMY HEWITT, CFE*  
*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>	1-3
Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With <u>OMB Circular A-133</u>	5-7
Schedule of Expenditures of Federal Awards and State Grants	9-10
Schedule of Audit Findings Not Corrected	11-12
Schedule of Findings and Questioned Costs	13-23
Auditee Reporting Responsibilities	25



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

September 6, 2007

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, Board of 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, 2007, 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 report thereon dated September 6, 2007. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cannon County's, the Cannon County School Department's, and the Cannon County Industrial Development Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Cannon County's, the Cannon County School Department's, and the Cannon County Industrial Development Board's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting: 07.04, 07.07, 07.09, 07.10, 07.11, 07.12, and 07.15.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be significant weaknesses. However, of the significant deficiencies described above, we consider items 07.04, 07.07, 07.09, 07.10, 07.11, and 07.12 to be material weaknesses.

## 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 statements are free of material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance

with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as items 07.01, 07.02, 07.03, 07.05, 07.06, 07.08, 07.13, and 07.16.

We consider the following deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a noteworthy control deficiency over financial operations: 07.14. 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 management, the county executive, director of schools, road supervisor, County Commission, Board of Education, Industrial Development Board, Road Commission, others within Cannon County, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

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

John G. Morgan  
Comptroller of the Treasury

JGM/yu



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

September 6, 2007

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, Board of 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, 2007. 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 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 of 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, 2007.

#### 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 the 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 the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Cannon County's, the Cannon County School Department's, and the Cannon County Industrial Development Board's internal control over compliance.

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

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

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

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of each major fund, and the aggregate remaining fund information of Cannon County, the Cannon County School Department, and the Cannon County Industrial Development Board as of and for the year ended June 30, 2007, and have issued our report thereon dated September 6, 2007. 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. Our audit was performed for the purpose of forming our opinions on the financial statements that 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. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, the county executive, director of schools, road supervisor, County Commission, Board of Education, Industrial Development Board, Road Commission, others within Cannon County, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Yours very truly,



John G. Morgan  
Comptroller of the Treasury

JGM/yu

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, 2007

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Agriculture:			
Food Donation (Noncash Assistance)	10.550	N/A	\$ 38,803
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	\$ 155,439
National School Lunch Program	10.555	N/A	375,271
Total Passed-through State Department of Education			<u>\$ 530,710</u>
Passed-through State Department of Human Services:			
Child and Adult Care Food Program	10.558	(2)	\$ 16,673
Total U.S. Department of Agriculture			<u>\$ 586,186</u>
U.S. Department of Labor:			
Passed-through Upper Cumberland Human Resource Agency:			
WIA Youth Activities	17.259	(2)	\$ 18,973
U.S. Federal Highway Administration:			
Passed-through State Department of Transportation:			
Highway Planning and Construction	20.205	STP-H-800(29)	\$ 50,000
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 449,739
Vocational Education - Basic Grants to States	84.048	N/A	43,679
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	477,580
Special Education - Preschool Grants	84.173	N/A	19,363
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	15,110
Twenty-First Century Community Learning Centers	84.287	Z-07-034092-00	150,000
State Grants for Innovative Programs	84.298	N/A	498
Education Technology State Grants	84.318	(2)	4,365
Reading First State Grants	84.357	N/A	262,702
Improving Teacher Quality State Grants	84.367	N/A	99,032
Hurricane Education Recovery	84.938	N/A	22,151
Total U.S. Department of Education			<u>\$ 1,544,219</u>
Elections Assistance Commission:			
Passed-through Secretary of State:			
Help America Vote Act Requirements Payments	90.401	(2)	\$ 105,000
U.S. Corporation for National and Community Service:			
Passed-through State Department of Education:			
Learn and Serve America - School and Community Based Programs	94.004	Z-07-037212-00	\$ 10,000
U.S. Department of Homeland Security:			
Passed-through State Department of the Military:			
State Domestic Preparedness Equipment Support Program	97.004	Z-04-022422-02	\$ 4,963
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	(3)	50,503
Total Passed-through State Department of the Military			<u>\$ 55,466</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 Homeland Security (Cont.):			
Passed-through United Way Emergency Food and Shelter Program:			
Emergency Food and Shelter National Board Program	97.024	Z-06-034023-00	\$ 1,496
Total U.S. Department of Homeland Security			\$ 56,962
Total Expenditures of Federal Awards			\$ 2,371,340
 <u>State Grants</u>			
		<u>Contract Number</u>	
Juvenile Justice - State Commission on Children and Youth	N/A	(4)	\$ 9,870
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	4,571
Litter Grant - State Department of Transportation	N/A	Z-07-033776-00	23,062
Lottery Education Afterschool Program - State Department of Education	N/A	(5)	147,070
Agriculture Grant - State Department of Agriculture	N/A	(2)	1,500
Tender Care - State Department of Health	N/A	Z-07-031530-00	595
Early Childhood Education Expansion Program - State Department of Education	N/A	(2)	89203
Voluntary Pre-K for Tennessee - State Department of Education	N/A	(2)	178,403
Safe Schools Act - State Department of Education	N/A	(2)	12,474
Tennessee Learn and Serve Grant - State Department of Education	N/A	(2)	6,500
Fast Track Infrastructure Development Program - State Department of Economic and Community Development	N/A	GG-05-11651-00	44,003
Waste Tire Grant - State Department of Environment and Conservation	N/A	Z-03-011322-00	8,705
Governor's Highway Safety Office Mini Grant - State Department of Transportation	N/A	Z-07-036048-00	5,000
Total State Grants			\$ 530,956

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.  
(3) - Z-03-017833-00: \$20,216; Z-06-034023-00: \$30,287.  
(4) - Z-06-002574-00: \$105; Z-07-036510-00: \$9,765.  
(5) - Z-05029339-01: \$97,070; Z-07-034313-00: \$50,000.

Cannon County, Tennessee, the Cannon County School Department, and  
the Cannon County Industrial Development Board  
Schedule of Audit Findings Not Corrected  
June 30, 2007

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

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

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

**OFFICE OF COUNTY EXECUTIVE**

Finding Number	Page Number	Subject
06.02 (B)	13	The office had deficiencies in budget operations
06.03	14	The office had deficiencies in purchasing procedures
06.04	14	Competitive bids were not solicited for certain purchases
06.05	15	The office did not always comply with the travel policy adopted by the County Commission
06.06	15	Inventory records were not maintained

**OFFICE OF DIRECTOR OF SCHOOLS**

Finding Number	Page Number	Subject
06.07(A)	15	The office had deficiencies in purchasing procedures

**OFFICE OF SHERIFF**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
06.08	16	The office had deficiencies in commissary operations

**OTHER FINDINGS**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
06.09	17	A central system of accounting, budgeting, and purchasing had not been adopted
06.10	17	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
06.11	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, 2007**

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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 significant deficiencies in internal control. Four deficiencies were considered to be material weaknesses in Cannon County, one deficiency was considered to be a material weakness in the Cannon County School Department, and one deficiency was considered to be a material weakness in the Cannon County Industrial Development Board.
3. The audit disclosed five 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. The audit revealed no significant deficiencies in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555), 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. 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 07.01      **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 adverse opinions 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 their 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 07.02      **EXPENDITURES EXCEEDED APPROPRIATIONS**  
(Material Noncompliance Under Governmental Auditing Standards)**

Our audit revealed the following deficiencies in budget operations:

- A. Expenditures exceeded total appropriations approved by the County Commission in the Solid Waste/Sanitation Fund by \$35,679.
  
- B. Expenditures exceeded appropriations approved by the County Commission in major appropriation categories (the legal level of control) of the following funds:

<u>Fund/Major Category</u>	<u>Amount Overspent</u>
<u>General Fund</u>	
County Mayor/Executive	\$        92
County Buildings	570
Circuit Court	304
Administration of the Sexual Offender Registry	60
Jail	94,862
Other Emergency Management	204
Public Safety Grant Programs	895
Other Local Welfare Services	4,171
Senior Citizens Assistance	5,351
Other Charges	961
Miscellaneous	1,259
Transfers Out	4,000
<u>General Debt Service Fund</u>	
Other Debt Service - General Government	6,517
Other Debt Service - Education	28,625

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 for the various departments, commissions, institutions, boards, offices, and agencies of county governments shall be appropriated to such use by the county legislative bodies.”

**RECOMMENDATION**

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

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**FINDING 07.03      A CAPITAL OUTLAY NOTE WAS NOT ISSUED IN ACCORDANCE WITH STATE STATUTES**  
(Material Noncompliance Under Government Auditing Standards)

County officials issued a \$55,225 capital outlay note to purchase an ambulance. However, this capital outlay note had not been approved by the County Commission as required by Section 9-21-408, Tennessee Code Annotated (TCA) or approved by the state director of Local Finance as required by Section 9-21-601, TCA. Also, county officials did not file a Report on Debt Obligations with the state director of Local Finance for the capital outlay note within 45 days of its issuance as required by Section 9-21-151, TCA. A Report on Debt Obligation was filed with the state director of Local Finance on April 5, 2007.

**RECOMMENDATION**

Capital outlay notes should be approved by the County Commission and the state director of Local Finance. Also, county officials should file a Report on Debt Obligations with the state director of Local Finance within 45 days following the debt issuance.

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**FINDING 07.04      THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES**  
(Internal Control – Material Weakness 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 county purchases and by obtaining documentation that goods have been received or services rendered before invoices are paid. Also, all invoices should be canceled when paid.

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**FINDING 07.05      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 (\$72,862), waste collection (\$182,531), and hauling waste collections (\$122,320) 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 (\$10,000 effective 5-10-07).

**RECOMMENDATION**

Competitive bids should be solicited for all purchases exceeding \$10,000 as required by statute.

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**FINDING 07.06      THE OFFICE DID NOT ALWAYS COMPLY WITH THE TRAVEL POLICY ADOPTED BY THE COUNTY COMMISSION**  
(Noncompliance 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 07.07      INVENTORY RECORDS WERE NOT MAINTAINED**  
(Internal Control – Material Weakness 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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**FINDING 07.08      THE OFFICE HAD DEFICIENCIES IN ACCOUNTING PROCEDURES**  
(Noncompliance Under Government Auditing Standards)

Our examination noted the following deficiencies in accounting procedures:

- A.     The Ambulance Service and the Senior Citizens' Center did not deposit some collections with the county trustee within three days of collection as required by Section 5-8-207, Tennessee Code Annotated (TCA). This statute requires that county officials deposit all funds within three days of collection.
  
- B.     Receipts were not issued for collections received by the REACH program. Section 9-2-103, TCA, requires official prenumbered receipts be issued for all collections.

**RECOMMENDATION**

All funds should be deposited within three days of collection, and receipts should be issued for all collections as required by state statutes.

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**OFFICE OF ROAD SUPERVISOR**

**FINDING 07.09      RECEIVABLES WERE NOT DETERMINED AND RECORDED IN THE HIGHWAY/PUBLIC WORKS FUND**  
(Internal Control – Material Weakness Under Government Auditing Standards)

Receivables at June 30, 2007, were not determined and recorded on the accounting records of the Highway/Public Works Fund as required by generally accepted accounting principles. We performed additional audit procedures and determined that receivables totaling \$127,529 had not been recorded at June 30, 2007. We presented audit adjustments to management that they approved and posted to properly present these receivables in the financial statements of this report.

**RECOMMENDATION**

Receivables should be properly determined and recorded on the accounting records of the Highway/Public Works Fund at June 30 of each year.

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**FINDING 07.10      THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES**  
(Internal Control – Material Weakness Under Government Auditing Standards)

Our examination of purchasing procedures revealed the following deficiencies:

- A. In some instances, purchase orders were issued after the purchases were made. This practice defeats the purpose of the purchase order and makes it an approval of payment rather than an approval of the purchase. Furthermore, our examination disclosed that descriptions and dollar amounts of purchases were not listed on some purchase orders. The dollar amounts and descriptions of items on purchase orders are necessary to quantify purchasing commitments and to identify the items purchased.
- B. In some instances, invoices were paid without documentation that goods had been received and/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.

**RECOMMENDATION**

Purchase orders should be issued for all applicable purchases before purchases are made and should include the dollar amounts and descriptions of items purchased. Documentation should be obtained indicating that goods have been received and/or services have been rendered before invoices are paid.

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**OFFICE OF DIRECTOR OF SCHOOLS**

**FINDING 07.11      THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES**  
(Internal Control – Material Weakness Under Government Auditing Standards)

Our examination of purchasing procedures revealed the following deficiencies:

- A. In some instances, purchase orders were issued after the purchases were made. This practice defeats the purpose of the purchase order and makes it an approval of payment rather than an approval of the purchase. Furthermore, our examination disclosed that descriptions and dollar amounts of purchases were not listed on some purchase orders. The dollar amounts and descriptions of items on purchase orders are necessary to quantify purchasing commitments and to identify the items purchased.

- B. In some instances, invoices were paid without documentation that goods had been received and/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.

RECOMMENDATION

Purchase orders should be issued for all applicable purchases before purchases are made and should include the dollar amounts and descriptions of items purchased. Documentation should be obtained indicating that goods have been received and/or services have been rendered before invoices are paid.

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CANNON COUNTY INDUSTRIAL DEVELOPMENT BOARD

FINDING 07.12      **RECEIVABLES WERE NOT DETERMINED AND RECORDED IN THE ACCOUNTING RECORDS OF THE INDUSTRIAL DEVELOPMENT BOARD**  
(Internal Control – Material Weakness Under Government Auditing Standards)

The Cannon County Executive’s Office maintains the accounting records for the Cannon County Industrial Development Board. Receivables from a lease contract at June 30, 2007, were not determined and recorded in the accounting records of the Industrial Development Board as required by generally accepted accounting principles. We determined that the Industrial Development Board had not collected lease payments from a company occupying a county-owned building for the period August 2006 through June 2007. The contract between the county and the company called for monthly lease payments of \$5,500; therefore, the failure to collect these lease payments resulted in an unrecorded receivable of \$60,500 at June 30, 2007. We presented audit adjustments to management that they approved and posted to properly present these receivables in the financial statements of this report.

RECOMMENDATION

Receivables should be properly determined and recorded on the accounting records of the Industrial Development Board at June 30 of each year. Officials should monitor contract performance on a current basis to address delinquencies.

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**OFFICE OF SHERIFF**

**FINDING 07.13      **THE OFFICE HAD DEFICIENCIES IN COMMISSARY OPERATIONS**  
(Noncompliance Under Government Auditing Standards)**

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

- A.      Official prenumbered receipts were not issued for some collections. Our examination revealed \$8,682 in collections that were deposited to the official bank account, but were not receipted. Section 9-2-103, Tennessee Code Annotated (TCA), requires that official prenumbered receipts be issued for all collections.
  
- B.      Some commissary funds were not deposited to the office bank account within three days of collection as required by Section 5-8-207, TCA. This statute requires that county officials deposit all funds within three days of collection.

**RECOMMENDATION**

Official prenumbered receipts should be issued for all collections, and all collections should be deposited within three days as required by state statutes.

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**OTHER FINDINGS AND RECOMMENDATIONS**

**FINDING 07.14      **A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**  
(Internal Control – Control Deficiency 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 07.15 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 – Significant Deficiency Under Government Auditing Standards)

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.

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**FINDING 07.16 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 \$69,863 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**

There were no findings and questioned costs for federal awards.

**CANNON COUNTY, TENNESSEE  
THE CANNON COUNTY SCHOOL DEPARTMENT  
AND  
THE CANNON COUNTY INDUSTRIAL DEVELOPMENT BOARD  
AUDITEE REPORTING RESPONSIBILITIES  
For the Year Ended June 30, 2007**

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

**Director of Schools – Summary Schedule of Prior Year's Findings**

**FINDINGS 06.07(A) and 06.12**

The School Department required the Central Cafeteria Fund to issue purchase orders for required purchases.

**FINDINGS 06.10 and 06.13**

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