

**ANNUAL FINANCIAL REPORT  
CANNON COUNTY, TENNESSEE**



**FOR THE YEAR ENDED JUNE 30, 2008**



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**ANNUAL FINANCIAL REPORT  
CANNON COUNTY, TENNESSEE  
FOR THE YEAR ENDED JUNE 30, 2008**

***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, CPA, 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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# ***Audit Highlights***

Annual Financial Report  
Cannon County, Tennessee  
For the Year Ended June 30, 2008

## ***Scope***

We have audited the basic financial statements of Cannon County as of and for the year ended June 30, 2008.

## ***Results***

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

Our audit resulted in 14 findings and recommendations, which we have reviewed with Cannon County management. Detailed findings and recommendations are included in the Single Audit section of this report.

## ***Findings***

The following are summaries of the audit findings:

### **CANNON COUNTY AND CANNON COUNTY SCHOOL DEPARTMENT**

- ◆ Cannon County and the Cannon County School Department do not have the resources to produce their financial statements and footnotes.

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### **OFFICE OF COUNTY EXECUTIVE**

- ◆ The Solid Waste/Sanitation Fund required material audit adjustments for proper financial statement presentation.
- ◆ Expenditures exceeded total appropriations approved by the County Commission in the Solid Waste/Sanitation Fund by \$21,224. Expenditures exceeded appropriations in several major appropriation categories (the legal level of control) in the General Fund, General Debt Service Fund, and Industrial/Economic Development Fund.
- ◆ The Solid Waste/Sanitation Fund had a deficit of \$22,001 in the undesignated fund balance account and a cash overdraft of \$11,027 at June 30, 2008. Also, payables of \$20,436 were not determined and recorded on the accounting records at year-end.

## **OFFICE OF COUNTY EXECUTIVE (Cont.)**

- ◆ Expenditures for purchases of equipment and supplies for the Sheriff's Office totaling \$11,364 were posted as reductions to a revenue account instead of as expenditures. This resulted in revenues and expenditures being understated, and the county's budgetary process being bypassed.
  - ◆ Purchase orders were not issued in some instances, and competitive bids were not solicited for a Sheriff's Department vehicle and for hauling waste collections.
  - ◆ A tax anticipation note was issued without approval of the state director of Local Finance as required by state statute.
  - ◆ The Ambulance Service, Senior Citizens' Center, and the REACH program did not always deposit funds with the county trustee within three days of collection.
  - ◆ Computer system backups were not stored off-site, daily backups were not stored in a secure location, a backup log was not maintained, and backups were not tested to ensure reliability.
- 

## **OFFICE OF ROAD SUPERVISOR**

- ◆ System backups were not stored off-site until several months into the fiscal year.
- 

## **OFFICE OF SHERIFF**

- ◆ Official prenumbered receipts were not issued for some commissary collections. Also, one receipt book used during the year could not be located for audit inspection. In addition, some commissary funds were not deposited to the office bank account within three days of collection.
- 

## **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, Director of Schools, 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, 2008

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**Officials**

Mike Gannon, County Executive  
Wayne Hancock, Road Supervisor  
Edward Diden, Director of Schools  
James Maxwell, Trustee  
Donald Preston, Assessor of Property  
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	Greg Mitchell
Karen Ashford	Nathan Nichols
Mark Barker	Rebekah Parton
Kevin George	Robert Stoetzel
Brad Hall	Joe Wimberly
Todd Hollandsworth	

**Highway Commission**

Jerry Pelham, Chairman  
Wayne Alexander  
James Hancock

**Board of Education**

Tommy Hale, Chairman	Roy Parker
Mark Bailey	Ray Todd
Chris Blackburn	

**Industrial Development Board**

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

October 28, 2008

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

To the County Executive and Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Cannon County, Tennessee, as of and for the year ended June 30, 2008, which collectively comprise Cannon County's basic financial statements as listed in the table of contents. 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 auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements of the Cannon County Emergency Communications District, a component unit requiring discrete presentation, had not been made available by other auditors as of the date of this report. Accordingly, the aggregate discretely presented component units' financial statements referred to above do not include amounts for the

Cannon County Emergency Communications District, which should be included to conform with accounting principles generally accepted in the United States of America. The effects on the financial statements of the aggregate discretely presented component units are not reasonably determinable.

In our opinion, except for the effects of not including the financial statements of the Cannon County Emergency Communications District as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of Cannon County, Tennessee, at June 30, 2008, and the results of operations of the aggregate discretely presented component units, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Additionally, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Cannon County, Tennessee, as of June 30, 2008, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 28, 2008, 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.

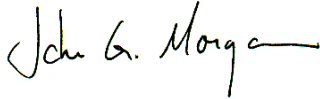
As described in Note V.B., Cannon County has implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. For the first time, the financial statements include the government-wide financial statements. Also, Cannon County has adopted GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions; Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues; and Statement No. 50, Pension Disclosures.

The management of Cannon County did not prepare a management's discussion and analysis. The management's discussion and analysis section is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America.

The budgetary comparison, pension, and postemployment benefits information on pages 69 through 76 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, combining and individual fund financial statements of the Cannon County School Department and the Cannon County Industrial Development Board (discretely presented component units), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Cannon County School Department and the Cannon County Industrial Development Board (discretely presented component units), and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,

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

John G. Morgan  
Comptroller of the Treasury

JGM/sb

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

Cannon County, Tennessee  
Statement of Net Assets  
June 30, 2008

	Primary Governmental Activities	Component Units	
		Cannon County School Department	Cannon County Industrial Development Board
<u>ASSETS</u>			
Cash	\$ 54,554	\$ 1,878	\$ 0
Equity in Pooled Cash and Investments	4,200,851	2,668,572	219,262
Accounts Receivable	477,861	0	22,000
Allowance for Uncollectibles	(140,874)	0	0
Due from Other Governments	336,767	411,193	0
Property Taxes Receivable	3,047,405	2,057,182	0
Allowance for Uncollectible Property Taxes	(48,530)	(30,230)	0
Capital Assets:			
Assets Not Depreciated:			
Land	271,349	140,635	574,512
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	2,863,334	11,748,530	2,279,056
Other Capital Assets	475,285	296,248	0
Infrastructure	12,819,238	0	0
Total Assets	<u>\$ 24,357,240</u>	<u>\$ 17,294,008</u>	<u>\$ 3,094,830</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 86,148	\$ 0	\$ 0
Accrued Payroll	11,369	0	0
Accrued Interest Payable	12,583	0	0
Cash Overdraft	11,027	0	0
Due to State of Tennessee	0	2,255	0
Deferred Revenue - Current Property Taxes	2,835,589	1,932,535	0
Noncurrent Liabilities:			
Due Within One Year	669,541	3,548	94,966
Due in More Than One Year	11,652,416	127,689	620,879
Total Liabilities	<u>\$ 15,278,673</u>	<u>\$ 2,066,027</u>	<u>\$ 715,845</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	\$ 14,842,804	\$ 12,185,413	\$ 2,137,723
Restricted for:			
Central Cafeteria	0	210,879	0
Debt Service	2,257,084	0	0
Drug Control	31,851	0	0
Highway/Public Works	764,983	0	0
School Federal Projects	0	99,056	0
Other Purposes	351,053	1,976,601	0
Unrestricted	<u>(9,169,208)</u>	<u>756,032</u>	<u>241,262</u>
Total Net Assets	<u>\$ 9,078,567</u>	<u>\$ 15,227,981</u>	<u>\$ 2,378,985</u>

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

Exhibit B

Cannon County, Tennessee  
Statement of Activities  
For the Year Ended June 30, 2008

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets						
	Program Revenues				Component Units		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Total	Cannon County School Department	Cannon County Industrial Development Board
Primary Government:							
Governmental Activities:							
General Government	\$ 1,032,183	\$ 112,851	\$ 37,107	\$ 0	\$ (882,225)	\$ 0	\$ 0
Finance	382,831	275,208	4,608	0	(103,015)	0	0
Administration of Justice	424,754	281,274	16,636	0	(126,844)	0	0
Public Safety	1,834,915	148,002	171,993	166,724	(1,348,196)	0	0
Public Health and Welfare	1,838,802	510,458	462,466	0	(865,878)	0	0
Social, Cultural, and Recreational Services	270,032	110,329	3,000	0	(156,703)	0	0
Agriculture and Natural Resources	61,463	0	1,600	0	(59,863)	0	0
Other Operations	813,112	52,264	70,357	500,000	(190,491)	0	0
Highways/Public Works	1,658,832	72,467	1,426,206	172,388	12,229	0	0
Education	43,739	0	0	0	(43,739)	0	0
Interest on Long-term Debt	389,926	0	0	0	(389,926)	0	0
Other Debt Service	53,130	0	250,000	0	196,870	0	0
Total Governmental Activities	\$ 8,803,719	\$ 1,562,853	\$ 2,443,973	\$ 839,112	\$ (3,957,781)	\$ 0	\$ 0
Total Primary Government	\$ 8,803,719	\$ 1,562,853	\$ 2,443,973	\$ 839,112	\$ (3,957,781)	\$ 0	\$ 0
Component Units:							
School Department	\$ 16,683,225	\$ 430,080	\$ 2,200,179	\$ 0	\$ 0	\$ (14,052,966)	\$ 0
Industrial Development Board	118,509	146,900	0	0	0	0	28,391
Total Component Units	\$ 16,801,734	\$ 576,980	\$ 2,200,179	\$ 0	\$ 0	\$ (14,052,966)	\$ 28,391

(Continued)



Exhibit B

Cannon County, Tennessee  
Statement of Activities (Cont.)

Functions/Programs	Program Revenues			Component Units		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Cannon County		
				Primary Government Total	School Department	Industrial Development Board
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes				\$ 2,979,335	\$ 1,775,069	\$ 0
Property Taxes Levied for Debt Service				83,262	0	0
Local Option Sales Taxes				114,660	476,200	0
Wheel Tax				643,123	0	0
Wholesale Beer Tax				92,381	0	0
Litigation Tax - General				39,927	0	0
Business Tax				39,022		
Other Local Taxes				46,818	1,652	0
Grants and Contributions Not Restricted to Specific Programs				92,794	11,432,407	0
Unrestricted Investment Earnings				227,989	0	0
Miscellaneous				27,582	42,817	0
Total General Revenues				\$ 4,386,893	\$ 13,728,145	\$ 0
Insurance Recovery				\$ 12,353	\$ 0	\$ 0
Change in Net Assets				\$ 441,465	\$ (324,821)	\$ 28,391
Net Assets, July 1, 2007				8,637,102	15,552,802	2,350,594
Net Assets, June 30, 2008				\$ 9,078,567	\$ 15,227,981	\$ 2,378,985

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

Cannon County, Tennessee  
Balance Sheet  
Governmental Funds  
June 30, 2008

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Governmental Funds		
\$	0	0	0	0	0	54,554	\$ 54,554
Equity in Pooled Cash and Investments	1,258,294	0	644,768	2,265,224	32,565	4,200,851	4,200,851
Accounts Receivable	474,399	3,462	0	0	0	477,861	477,861
Allowance for Uncollectibles	(140,874)	0	0	0	0	(140,874)	(140,874)
Due from Other Governments	84,479	9,955	242,333	0	0	336,767	336,767
Due from Other Funds	155	0	0	0	0	155	155
Property Taxes Receivable	2,641,948	327,485	0	77,972	0	3,047,405	3,047,405
Allowance for Uncollectible Property Taxes	(42,350)	(4,896)	0	(1,284)	0	(48,530)	(48,530)
Total Assets	\$ 4,276,051	\$ 336,006	\$ 887,101	\$ 2,341,912	\$ 87,119	\$ 7,928,189	\$ 7,928,189

ASSETS

Cash  
 Equity in Pooled Cash and Investments  
 Accounts Receivable  
 Allowance for Uncollectibles  
 Due from Other Governments  
 Due from Other Funds  
 Property Taxes Receivable  
 Allowance for Uncollectible Property Taxes

Total Assets

LIABILITIES AND FUND BALANCES

Liabilities

Accounts Payable  
 Accrued Payroll  
 Cash Overdraft  
 Due to Other Funds  
 Deferred Revenue - Current Property Taxes  
 Deferred Revenue - Delinquent Property Taxes  
 Other Deferred Revenues  
 Total Liabilities

Fund Balances

Reserved for Purchase of Electronic Fingerprint Imaging System  
 Reserved for Alcohol and Drug Treatment  
 Reserved for Litigation Tax - Jail, Workhouse, or Courthouse  
 Reserved for Sexual Offender Registration  
 Reserved for Computer System - Register  
 Reserved for Automation Purposes - Circuit Court  
 Reserved for Automation Purposes - General Sessions Court

\$	59,285	20,436	5,713	0	0	714	\$ 86,148
	11,369	0	0	0	0	0	11,369
	0	11,027	0	0	0	0	11,027
	0	0	0	0	0	155	155
	2,456,306	307,038	0	72,245	0	2,835,589	2,835,589
	137,062	14,875	0	4,250	0	156,187	156,187
	310,369	4,631	116,405	0	0	431,405	431,405
\$	2,974,391	\$ 358,007	\$ 122,118	\$ 76,495	\$ 869	\$ 3,531,880	\$ 3,531,880
	0	0	0	0	0	14,007	14,007
	51,257	0	0	0	0	0	51,257
	90,639	0	0	0	0	0	90,639
	1,566	0	0	0	0	0	1,566
	13,627	0	0	0	0	0	13,627
	788	0	0	0	0	0	788
	13,033	0	0	0	0	0	13,033

(Continued)

Cannon County, Tennessee  
Balance Sheet  
Governmental Funds (Cont.)

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Governmental Funds		
\$	1,048	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	1,048
	7,113	0	0	0	0	0	7,113
	3,674	0	0	0	0	0	3,674
	1,118,915	0	0	0	0	0	1,118,915
	0	(22,001)	764,983	0	72,243	0	815,225
	0	0	0	2,265,417	0	0	2,265,417
	\$ 1,301,660	\$ (22,001)	\$ 764,983	\$ 2,265,417	\$ 86,250	\$ 0	\$ 4,396,309
	\$ 4,276,051	\$ 336,006	\$ 887,101	\$ 2,341,912	\$ 87,119	\$ 0	\$ 7,928,189

LIABILITIES AND FUND BALANCES (Cont.)

<u>Fund Balances (Cont.)</u>
Reserved for Automation Purposes - Chancery Court
Reserved for Automation Purposes - Sheriff
Reserved for Aging Programs
Unreserved, Reported In:
General Fund
Special Revenue Funds (Deficit)
Debt Service Funds
Total Fund Balances
Total Liabilities and Fund Balances

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

Exhibit C-2

Cannon County, Tennessee  
Reconciliation of the Balance Sheet of Governmental  
Funds to the Statement of Net Assets  
June 30, 2008

Amounts reported for governmental activities in the statement of net assets (Exhibit A) are different because:

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$	4,396,309
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	271,349	
Add: infrastructure net of accumulated depreciation		12,819,238	
Add: buildings and improvements net of accumulated depreciation		2,863,334	
Add: other capital assets net of accumulated depreciation		<u>475,285</u>	16,429,206
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: notes payable	\$	(295,612)	
Less: other loans payable		(11,990,790)	
Less: compensated absences payable		(35,555)	
Less: accrued interest on bonds, notes, other loans, and capital leases		<u>(12,583)</u>	(12,334,540)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>587,592</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>9,078,567</u></u>

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

Cannon County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2008

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Governmental Funds	Governmental Funds	
<u>Revenues</u>							
Local Taxes	\$ 2,956,762	\$ 354,579	\$ 18,383	\$ 726,493	\$ 0	\$ 4,056,217	
Licenses and Permits	1,980	0	0	0	0	1,980	
Fines, Forfeitures, and Penalties	81,084	0	0	0	19,008	100,092	
Charges for Current Services	474,891	24,124	0	0	214,879	713,894	
Other Local Revenues	440,690	2	81,904	0	0	522,596	
Fees Received from County Officials	320,663	0	0	0	0	320,663	
State of Tennessee	512,009	15,017	1,548,130	0	0	2,075,156	
Federal Government	657,854	0	50,920	0	0	708,774	
Other Governments and Citizens Groups	426,711	40,000	0	250,000	0	716,711	
Total Revenues	\$ 5,872,644	\$ 433,722	\$ 1,699,337	\$ 976,493	\$ 233,887	\$ 9,216,083	
<u>Expenditures</u>							
Current:							
General Government	\$ 836,200	\$ 0	\$ 0	\$ 0	\$ 525	\$ 836,725	
Finance	166,940	0	0	0	214,372	381,312	
Administration of Justice	426,713	0	0	0	0	426,713	
Public Safety	1,690,722	0	0	0	11,254	1,701,976	
Public Health and Welfare	1,095,119	456,824	0	0	0	1,551,943	
Social, Cultural, and Recreational Services	247,825	0	0	0	0	247,825	
Agriculture and Natural Resources	61,463	0	0	0	0	61,463	
Other Operations	1,157,140	0	0	0	0	1,157,140	
Highways	0	0	1,385,055	0	0	1,385,055	
Operation of Non-Instructional Services	193,517	0	0	0	0	193,517	
Debt Service:							
Principal on Debt	0	0	0	628,793	0	628,793	
Interest on Debt	0	0	0	391,126	0	391,126	
Other Debt Service	0	0	0	53,130	0	53,130	
Total Expenditures	\$ 5,875,639	\$ 456,824	\$ 1,385,055	\$ 1,073,049	\$ 226,151	\$ 9,016,718	
Excess (Deficiency) of Revenues Over Expenditures	\$ (2,995)	\$ (23,102)	\$ 314,282	\$ (96,556)	\$ 7,736	\$ 199,365	

(Continued)

Exhibit C-3

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

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Governmental Funds	Governmental Funds	
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 140,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 140,000
Insurance Recovery	0	0	12,353	0	0	0	12,353
Total Other Financing Sources (Uses)	\$ 140,000	\$ 0	\$ 12,353	\$ 0	\$ 0	\$ 0	\$ 152,353
Net Change in Fund Balances	\$ 137,005	\$ (23,102)	\$ 326,635	\$ (96,556)	\$ 7,736	\$ 7,736	\$ 351,718
Fund Balance, July 1, 2007	1,164,655	1,101	438,348	2,361,973	78,514	78,514	4,044,591
Fund Balance, June 30, 2008	\$ 1,301,660	\$ (22,001)	\$ 764,983	\$ 2,265,417	\$ 86,250	\$ 86,250	\$ 4,396,309

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

Exhibit C-4

Cannon County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2008

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

Net change in fund balances - total governmental funds (Exhibit C-3)		\$	351,718
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:			
Add: capital assets purchased in the current period		\$	360,217
Less: current year depreciation expense			<u>(755,886)</u>
			(395,669)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.			
Add: deferred delinquent property taxes and other deferred June 30, 2008		\$	587,592
Less: deferred delinquent property taxes and other deferred June 30, 2007			<u>(570,843)</u>
			16,749
(3) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:			
Less: note proceeds		\$	(140,000)
Add: principal payments on notes			146,583
Add: principal payments on other loans			<u>482,210</u>
			488,793
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.			
Change in accrued interest payable on notes		\$	1,106
Change in accrued interest payable on other loans			93
Change in compensated absences payable			<u>(21,325)</u>
			<u>(20,126)</u>
Change in net assets of governmental activities (Exhibit B)		\$	<u>441,465</u>

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

Exhibit D

Cannon County, Tennessee  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2008

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 604,573
Due from Other Governments	<u>64,918</u>
Total Assets	<u><u>\$ 669,491</u></u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 64,918
Due to Litigants, Heirs, and Others	<u>604,573</u>
Total Liabilities	<u><u>\$ 669,491</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, 2008**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Cannon County's financial statements are presented in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments.

The following are the more significant accounting policies of 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) and its component units. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

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

**Discretely Presented Component Units** – The following entities meet the criteria for discretely presented component units of the county. They are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the county.

The 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 financial statements of the Cannon County Emergency Communications District were not available from other auditors in time for inclusion in this report.

The Cannon County School Department and the Cannon County Industrial Development Board do not issue separate financial statements from those of the county. Therefore, basic financial statements of the School Department and the Industrial Development Board are included in this report as listed in the table of contents. Although required by GAAP, the financial statements of the Cannon County Emergency Communications District were not available in time for inclusion, as previously mentioned. 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. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. However, when applicable, interfund services provided and used between functions are not eliminated in the process of consolidation in the statement of activities. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities, which rely to a significant extent on fees and charges, are required to be reported separately from governmental activities in government-wide financial statements. However, the primary government of Cannon County does not have any business-type activities to report. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The Cannon County School Department and the Cannon County Industrial Development Board component units only reports governmental activities in the government-wide financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program

revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and fiduciary funds financial statements, except for agency funds, which have no measurement focus. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund financial statements of 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. An emphasis is placed on major funds within the governmental category. Cannon County has no proprietary funds to report.

Separate financial statements are provided for governmental funds, proprietary 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 funds financial statements are reported using the economic resources measurement focus (except for agency funds which have no measurement focus) and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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.

**Solid Waste/Sanitation Fund** – This fund accounts for transactions involving the county’s solid waste disposal.

**Highway/Public Works Fund** – This fund accounts for transactions of the county’s 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 type:

**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.

The discretely presented Cannon County School Department reports the following major governmental fund:

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

Additionally, the Cannon County School Department reports the following fund type:

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

The discretely presented 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.

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

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government’s policy to use restricted revenues first, then unrestricted resources as they are needed.

**D. Assets, Liabilities, and Net Assets or Equity**

**1. Deposits and Investments**

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

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented Cannon County School Department and the discretely presented Cannon County

Industrial Development Board. 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 and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. 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 .9 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.

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$10,000 or more and an estimated useful life of more than three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, equipment, and infrastructure of the primary government, the discretely presented School Department, and the discretely presented Industrial Development Board are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	25 - 50
Other Capital Assets	5 - 50
Infrastructure	20 - 50

**4. Compensated Absences**

The general policy of Cannon County (except for the Highway Department, which does not allow for the accumulation of unused vacation leave beyond year-end) is to permit employees to accumulate a limited amount of vacation benefits, which will be paid to employees upon separation. The county's policy also 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 general policy of the School Department is to permit employees to accumulate a limited amount of vacation benefits, which will be paid to employees upon separation. 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.

All vacation pay is accrued when incurred in the government-wide financial statements for the county and the discretely presented component units. A liability for vacation pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

**5. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line method. Debt issuance costs are reported as deferred charges and amortized over the term of the related debt. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is netted against the new debt and amortized over the remaining life of the refunded debt or the life of the new debt issued, whichever is shorter.



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

Only the matured portion (the portion that has come due for payment) of long-term indebtedness, including bonds payable, is recognized as a liability and expenditure in the governmental fund financial statements. Liabilities and expenditures for other long-term obligations, including compensated absences, are recognized to the extent that the liabilities have matured (come due for payment) each period.

## **6. Net Assets and Fund Equity**

In the government-wide financial statements, equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

On the government-wide statement of net assets (Exhibit A), the account Restricted for Other Purposes for the primary government consists of various restrictions totaling \$351,053, with the primary restrictions being for: (1) alcohol and drug treatment (\$51,257); (2) computer systems for various offices (\$35,609); and (3) litigation taxes used for courthouse and jail maintenance (\$90,639). For the discretely presented School Department, the account Restricted for Other Purposes (\$1,976,601) consists primarily of restrictions for the Basic Education Program (\$1,924,288).

As of June 30, 2008, Cannon County had \$10,700,000 in outstanding debt for capital purposes for the discretely presented Cannon County School Department. This debt is a liability of Cannon County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Cannon County has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the county's capital assets.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

## **II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

### **A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets**

#### **Primary Government**

Exhibit C-2 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide statement of net assets.

#### **Discretely Presented Cannon County School Department**

Exhibit I-3 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide statement of net assets.

#### **Discretely Presented Cannon County Industrial Development Board**

Exhibit J-3 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide statement of net assets.

### **B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

#### **Primary Government**

Exhibit C-4 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the change in net assets of governmental activities reported in the government-wide statement of activities.

### **Discretely Presented Cannon County School Department**

Exhibit I-5 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the change in net assets of governmental activities reported in the government-wide statement of activities.

### **Discretely Presented Cannon County Industrial Development Board**

Exhibit J-5 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the change in net assets of governmental activities reported in the government-wide statement of activities.

## **III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

### **A. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the Constitutional Officers - Fees Fund (special revenue fund) which is not budgeted. 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. Fund Deficit**

The Solid Waste/Sanitation Fund had a deficit in unreserved fund balance of \$22,001 at June 30, 2008. This deficit resulted from expenditures in excess of revenues and available funds.

**C. Cash Overdraft**

The Solid Waste/Sanitation Fund had a cash overdraft of \$11,027 at June 30, 2008. This cash overdraft resulted from issuing warrants that exceeded cash on deposit with the county trustee. The cash overdraft was liquidated subsequent to June 30, 2008.

**D. Expenditures Exceeded Appropriations**

Expenditures exceeded total appropriations approved by the County Commission in the Solid Waste/Sanitation Fund by \$21,224.

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

<u>Fund/Major Category</u>	<u>Amount Overspent</u>
<b>Primary Government:</b>	
<u>General Fund</u>	
County Buildings	\$ 657
Circuit Court	132
Fire Prevention	1,671
Public Safety Grant Programs	47,704
Local Health Center	253
Alcohol and Drug Programs	2,547
Aid to Dependent Children	4,956
Other Local Welfare Services	25,299
Senior Citizens Assistance	227
Miscellaneous	26,698
Community Services	19,517
<u>Highway/Public Works Fund</u>	
Administration	75
Operation and Maintenance of Equipment	28,278
<u>General Debt Service Fund</u>	
Other Debt Service - General Government	106
Other Debt Service - Education	5,174

<u>Fund/Major Category (Cont.)</u>	<u>Amount Overspent</u>
<b>Discretely Presented Cannon County Industrial Development Board</b>	
<u>General Fund</u>	
Interest on Debt - General Government	\$ 1,684

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

#### IV. DETAILED NOTES ON ALL FUNDS

##### A. Deposits and Investments

Cannon County, the Cannon the 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, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Cash reflected on the balance sheets or statements of net assets 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, 2008.

## **B. Capital Assets**

Capital assets activity for the year ended June 30, 2008, was as follows:

### Primary Government

#### **Governmental Activities:**

	Balance 7-1-07	Increases	Balance 6-30-08
Capital Assets Not Depreciated:			
Land	\$ 271,349	\$ 0	\$ 271,349
Total Capital Assets Not Depreciated	\$ 271,349	\$ 0	\$ 271,349
Capital Assets Depreciated:			
Buildings and Improvements	\$ 5,819,157	\$ 53,468	\$ 5,872,625
Roads and Bridges	21,341,630	202,902	21,544,532
Other Capital Assets	944,634	103,847	1,048,481
Total Capital Assets Depreciated	\$ 28,105,421	\$ 360,217	\$ 28,465,638

**Governmental Activities (Cont.):**

	Balance 7-1-07	Increases	Balance 6-30-08
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 2,866,471	\$ 142,820	\$ 3,009,291
Roads and Bridges	8,215,590	509,704	8,725,294
Other Capital Assets	469,834	103,362	573,196
Total Accumulated Depreciation	<u>\$ 11,551,895</u>	<u>\$ 755,886</u>	<u>\$ 12,307,781</u>
Total Capital Assets Depreciated, Net	<u>\$ 16,553,526</u>	<u>\$ (395,669)</u>	<u>\$ 16,157,857</u>
Governmental Activities Capital Assets, Net	<u>\$ 16,824,875</u>	<u>\$ (395,669)</u>	<u>\$ 16,429,206</u>

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

**Governmental Activities:**

General Government	\$ 142,527
Administration of Justice	3,324
Public Safety	38,021
Public Health and Welfare	17,907
Social, Cultural, and Recreational Services	6,892
Highways/Public Works	<u>547,215</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 755,886</u>

**Discretely Presented Cannon County School Department**

**Governmental Activities:**

	Balance 7-1-07	Increases	Balance 6-30-08
Capital Assets Not Depreciated:			
Land	\$ 140,635	\$ 0	\$ 140,635
Total Capital Assets Not Depreciated	<u>\$ 140,635</u>	<u>\$ 0</u>	<u>\$ 140,635</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 18,860,841	\$ 0	\$ 18,860,841
Other Capital Assets	395,890	60,150	456,040
Total Capital Assets Depreciated	<u>\$ 19,256,731</u>	<u>\$ 60,150</u>	<u>\$ 19,316,881</u>
Less Accumulated Depreciated For:			
Buildings and Improvements	\$ 6,682,896	\$ 429,415	\$ 7,112,311
Other Capital Assets	126,104	33,688	159,792
Total Accumulated Depreciation	<u>\$ 6,809,000</u>	<u>\$ 463,103</u>	<u>\$ 7,272,103</u>
Total Capital Assets Depreciated, Net	<u>\$ 12,447,731</u>	<u>\$ (402,953)</u>	<u>\$ 12,044,778</u>
Governmental Activities Capital Assets, Net	<u>\$ 12,588,366</u>	<u>\$ (402,953)</u>	<u>\$ 12,185,413</u>

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

**Governmental Activities:**

Instruction	\$ 429,415
Support Services	<u>33,688</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 463,103</u></u>



**Discretely Presented Cannon County Industrial Development Board**

**Governmental Activities:**

	Balance 7-1-07	Increases	Balance 6-30-08
	<hr/>		<hr/>
Capital Assets Not Depreciated:			
Land	\$ 574,512	\$ 0	\$ 574,512
Total Capital Assets Not Depreciated	<hr/> \$ 574,512	<hr/> \$ 0	<hr/> \$ 574,512
Capital Assets Depreciated:			
Buildings and Improvements	\$ 3,572,752	\$ 0	\$ 3,572,752
Total Capital Assets Depreciated	<hr/> \$ 3,572,752	<hr/> \$ 0	<hr/> \$ 3,572,752
Less Accumulated Depreciated For:			
Buildings and Improvements	\$ 1,204,377	\$ 89,319	\$ 1,293,696
Total Accumulated Depreciation	<hr/> \$ 1,204,377	<hr/> \$ 89,319	<hr/> \$ 1,293,696
Total Capital Assets Depreciated, Net	<hr/> \$ 2,368,375	<hr/> \$ (89,319)	<hr/> \$ 2,279,056
Governmental Activities Capital Assets, Net	<hr/> \$ 2,942,887	<hr/> \$ (89,319)	<hr/> \$ 2,853,568

Depreciation expense was charged to functions of the discretely presented Cannon County Industrial Development Board as follows:

**Governmental Activities:**

Other Operations	<hr/> \$ 89,319
Total Depreciation Expense - Governmental Activities	<hr/> <hr/> \$ 89,319

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

The composition of interfund balances as of June 30, 2008, is as follows:

**Due to/from Other Funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government: General	Nonmajor governmental	\$ 155

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, 2008, consisted of the following amount:

**Discretely Presented Cannon County School Department**

<u>Transfer Out</u>	<u>Transfer In</u>
	General Purpose School Fund
Nonmajor governmental funds	\$ 8,493

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.

**D. Long-term Debt**

**Primary Government**

**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 facilities and other 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, 2008, will be retired from the General Debt Service Fund.

Capital outlay notes and other loans outstanding as of June 30, 2008, are as follows:

Type	Interest Rate	Original Amount of issue	Balance 6-30-08
Capital Outlay Notes	2.4 to 4%	\$ 612,181	\$ 295,612
Other Loans	Variable	14,462,000	11,694,000
Other Loans	4.375	300,000	296,790

In prior years, Cannon County entered into loan agreements with the Montgomery County Public Building Authority. Under these loan agreements, the authority loaned Cannon County \$1,642,000 and \$11,400,000 for school renovations, and \$1,420,000 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, 2008, the variable interest rate was 1.55 percent on the school renovation loans and 2.5 percent on the jail construction loan. The letter of credit fee was .3 percent of the outstanding loan principal on the school renovation loans and .5 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 \$85 per month.

During 2006-07, 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, 2008, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Notes		
	Principal	Interest	Total
2009	\$ 162,413	\$ 11,151	\$ 173,564
2010	46,096	5,087	51,183
2011	27,959	3,310	31,269
2012	29,017	2,252	31,269
2013	30,127	1,142	31,269
Total	\$ 295,612	\$ 22,942	\$ 318,554

Year Ending June 30	Other Loans			Total
	Principal	Interest	Other Fees	
2009	\$ 505,350	\$ 203,685	\$ 50,037	\$ 759,072
2010	529,497	194,969	47,924	772,390
2011	555,650	185,846	45,712	787,208
2012	581,810	176,275	43,392	801,477
2013	609,976	166,266	40,964	817,206
2014-2018	3,519,648	663,642	164,140	4,347,430
2019-2023	3,225,056	376,267	85,284	3,686,607
2024-2028	2,270,754	117,369	20,331	2,408,454
2029-2033	43,050	38,625	0	81,675
2034-2038	53,329	28,346	0	81,675
2039-2043	66,061	15,614	0	81,675
2044-2045	30,609	2,020	0	32,629
Total	\$ 11,990,790	\$ 2,168,924	\$ 497,784	\$ 14,657,498

There is \$2,265,417 available in the General Debt Service Fund to service long-term debt. Debt per capita, including notes and other loans totaled \$958, based on the 2000 federal census.

#### Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2008, was as follows:

Governmental Activities:	Notes	Other Loans	Compensated Absences
Balance, July 1, 2007	\$ 302,195	\$ 12,473,000	\$ 14,230
Additions	140,000	0	57,943
Deductions	(146,583)	(482,210)	(36,618)
Balance, June 30, 2008	\$ 295,612	\$ 11,990,790	\$ 35,555
Balance Due Within One Year	\$ 162,413	\$ 505,350	\$ 1,778

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2008	\$ 12,321,957
Less: Balance Due Within One Year	<u>(669,541)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u><u>\$ 11,652,416</u></u>

Compensated absences will be paid from the employing fund, primarily the General Fund.

**Discretely Presented Cannon County School Department**

Changes in Long-term Liabilities

Long-term liability activity for the discretely presented Cannon County School Department for the year ended June 30, 2008, was as follows:

Governmental Activities:

	Compensated Absences	Other Post- employment Benefits
	<u>                    </u>	<u>                    </u>
Balance, July 1, 2007	\$ 53,266	\$ 0
Additions	52,244	60,279
Deductions	<u>(34,552)</u>	<u>0</u>
Balance, June 30, 2008	<u>\$ 70,958</u>	<u>\$ 60,279</u>
Balance Due Within One Year	<u><u>\$ 3,548</u></u>	<u><u>\$ 0</u></u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2008	\$ 131,237
Less: Balance Due Within One Year	<u>(3,548)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u><u>\$ 127,689</u></u>

Compensated absences will be paid from the employing funds, primarily the General Purpose School and School Federal Projects funds.

**Discretely Presented Cannon County Industrial Development Board**

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, 2008, will be retired from the General Fund.

Other loans outstanding as of June 30, 2008, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-08
Other Loans	1 to 4.5%	\$ 1,032,500	\$ 715,845

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, 2008, including interest payments, are presented in the following table:

Year Ending June 30	Other Loans		
	Principal	Interest	Total
2009	\$ 94,966	\$ 17,038	\$ 112,004
2010	78,536	16,294	94,830
2011	43,108	16,065	59,173
2012	44,278	14,894	59,172
2013	45,538	13,634	59,172
2014-2018	246,791	52,349	299,140
2019-2023	151,178	15,560	166,738
2024	11,450	153	11,603
Total	<u>\$ 715,845</u>	<u>\$ 145,987</u>	<u>\$ 861,832</u>

#### Changes in Long-term Liabilities

Long-term liability activity for the discretely presented Cannon County Industrial Development Board for the year ended June 30, 2008, was as follows:

Governmental Activities:	<u>Other Loans</u>
Balance, July 1, 2007	\$ 808,165
Deductions	<u>(92,320)</u>
Balance, June 30, 2008	<u>\$ 715,845</u>
Balance Due Within One Year	<u>\$ 94,966</u>

#### Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2008	\$ 715,845
Less: Balance Due Within One Year	<u>(94,966)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 620,879</u>

#### **E. On-Behalf Payments – Discretely Presented Cannon County School Department**

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Cannon County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual

Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2008, were \$43,222 and \$7,800, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

**F. 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 (\$200,000). 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, 2008, was as follows:

	Balance			Balance
	7-1-07	Issued	Paid	6-30-08
Tax Anticipation Notes	\$ 0	\$ 400,000	\$ (400,000)	\$ 0

**V. OTHER INFORMATION**

**A. Risk Management**

Cannon County, the Cannon County School Department, and the Cannon County Industrial Development Board participate in the Tennessee Risk Management Trust (TN-RMT), which is a public entity risk pool created under the auspices of the Tennessee Governmental Tort Liability Act to provide governmental insurance coverage. The county, School Department, and Industrial Board pay annual premiums to the TN-RMT for their general liability, property, casualty, and workers' compensation insurance coverage. The creation of the TN-RMT provides for it to be self-sustaining through member premiums.

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.

The School Department participates in the Local Education Group Insurance Fund (LEGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local education agencies. In accordance with Section 8-27-301, Tennessee Code Annotated (TCA), all local education agencies are eligible to participate. The LEGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. Section 8-27-303, TCA, provides for the LEGIF to be self-sustaining through member premiums.



## B. Accounting Changes

At the beginning of the year, Cannon County implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. In the prior year, Cannon County had elected to implement only the provisions of Statement No. 34 that related to the fund financial statements. Also, provisions of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions; Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues; and Statement No. 50, Pension Disclosures became effective for the year ended June 30, 2008.

GASB Statement No. 45 establishes reporting requirements for Other Postemployment Benefits (OPEB). OPEB includes postemployment healthcare, as well as other forms of postemployment benefits (for example, life insurance) when provided separately from a pension plan. This statement establishes standards for the measurement, recognition, and display of OPEB expenses/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the county’s financial statements. In previous years, the Cannon County School Department had only recognized the current year cost (expense) of these benefits. GASB Statement No. 45 was implemented prospectively with a zero net OPEB obligation at transition. GASB Statement No. 45 had no effect on the financial statements of Cannon County for the year ended June 30, 2008, since the county does not currently provide any postemployment benefits to its employees. However, it is reasonably expected that Cannon County may provide OPEB benefits in subsequent years.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions are sales or collateralized borrowings and provides guidance on how to account for sales or pledges of receivables or future revenues. This statement provides additional guidance for sales of receivables and future revenues within the same reporting entity. This statement also requires governments to disclose in the notes to the financial statements the nature of any receivables or future revenues that have been pledged or sold. Tennessee state statutes do not currently allow counties to sell or pledge receivables or sell future revenue streams. Therefore, those provisions of GASB Statement No. 48 that pertain to the sale or pledge receivables or sale of future revenue will not apply to Cannon County. GASB Statement No. 48 had no effect on the financial statements of Cannon County for the year ended June 30, 2008, since the county has not pledged any of its future revenues. However, it is reasonably expected that Cannon County may pledge a future revenue stream toward the payment of debt in subsequent years.

GASB Statement No. 50 amends previous guidance concerning pension information. This statement closely aligns the financial reporting requirements for pensions with those for other postemployment benefits and

enhances the information disclosed in the notes to the financial statements or presented as required supplementary information for pension plans. This statement requires Cannon County to provide additional and more detailed pension plan note disclosures than in previous years.

**C. Subsequent Events**

In July 2008, the General Debt Service Fund loaned \$100,000 tax anticipation notes to the Solid Waste/Sanitation Fund for temporary operating funds.

On October 15, 2008, the county issued a \$82,000 capital outlay note for the Highway/Public Works Fund for the purchase of a loader.

**D. Contingent Liabilities**

There are several pending lawsuits in which the county is involved. Attorneys for the county and the School Department estimate that the potential claims not covered by insurance resulting from such litigation would not materially affect the financial statements of the county.

**E. Change in Administration**

On December 31, 2007, Thomas Lovvorn left the Office of Road Supervisor and was succeeded by Wayne Hancock.

**F. 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, 2008, 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

## **G. 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://treasury.state.tn.us/tcrs/PS/>.

#### **Funding Policy**

Cannon County requires employees to contribute five percent of their earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2008, was 7.99 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the county is established and may be amended by the TCRS Board of Trustees.

#### **Annual Pension Cost**

For the year ended June 30, 2008, Cannon County's annual pension cost of \$281,825 to TCRS was equal to the 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 postretirement 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. The 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, 2007, which established contribution rates effective July 1, 2008.

### Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-08	\$281,825	100%	\$0
6-30-07	258,848	100	0
6-30-06	179,167	100	0

### Funded Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was 88.27 percent funded. The actuarial accrued liability for benefits was \$7.52 million, and the actuarial value of assets was \$6.64 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.88 million. The covered payroll (annual payroll of active employees covered by the plan) was \$3.17 million, and the ratio of the UAAL to the covered payroll was 27.85 percent.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the Actuarial Accrued Liability for benefits.

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

## **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 <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, 2008, was 6.24 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, 2008, 2007, and 2006, were \$ 491,041, \$443,156, and \$390,960, respectively, equal to the required contributions for each year.

## H. Other Postemployment Benefits (OPEB)

### Postemployment Healthcare Plan

#### Plan Description

The School Department participates in the state-administered Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, the plan is an agent multiple-employer defined benefit OPEB plan. Benefits are established and amended by an insurance committee created by Section 8-27-302, Tennessee Code Annotated for teachers. Prior to reaching the age of 65, all members have the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare supplement plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tennessee.gov/finance/act/cafr.html>.

#### Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop their own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state does not provide a subsidy for local government participants; however, the state does provide a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. The required contribution rate for retirees ranges from 55 to 75 percent based on the years of service. During the year ended June 30, 2008, the discretely presented Cannon County School Department contributed \$79,247 for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	<u>Local Education Group Plan</u>
ARC	\$ 139,526
Interest on the NPO	0
Adjustment to the ARC	0
Annual OPEB cost	<u>\$ 139,526</u>
Amount of contribution	<u>(79,247)</u>
Increase/decrease in NPO	\$ 60,279
Net OPEB obligation - 7-1-07	<u>0</u>
Net OPEB obligation - 6-30-08	<u><u>\$ 60,279</u></u>

Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-08	Local Education Group	\$ 139,526	57 %	\$ 60,279

\* Data not available for two preceding years.

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2008, was as follows:

	<u>Local Education Group Plan</u>
Actuarial valuation date	6-30-07
Actuarial accrued liability (AAL)	\$ 1,076,488
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 1,076,488
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 9,375,745
UAAL as a % of covered payroll	11%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

### Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the June 30, 2007, actuarial valuation, the projected unit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 11 percent initially, reduced by decrements to an ultimate rate of six percent after ten years. Both rates include a three percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with June 30, 2008.

## **I. 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 \$10,000 to be made after public advertisement and solicitation of competitive bids.

### Office of Road Supervisor

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



Office of Director of Schools

Purchasing procedures for the discretely presented Cannon County School Department are governed by purchasing laws applicable to the schools as set forth in Section 49-2-203, TCA, 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.

Cannon County Industrial Development Board

Purchasing procedures for the Industrial Development Board are governed by the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, TCA, which provide for all purchases exceeding \$10,000 to be made after public advertisement and solicitation of competitive bids.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit E-1

Cannon County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Fund  
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,956,762	\$ 2,794,180	\$ 2,799,580	\$ 157,182
Licenses and Permits	1,980	650	650	1,330
Fines, Forfeitures, and Penalties	81,084	74,225	74,225	6,859
Charges for Current Services	474,891	422,000	440,322	34,569
Other Local Revenues	440,690	318,830	421,034	19,656
Fees Received from County Officials	320,663	267,517	262,117	58,546
State of Tennessee	512,009	526,517	698,580	(186,571)
Federal Government	657,854	728,274	719,975	(62,121)
Other Governments and Citizens Groups	426,711	133,045	346,320	80,391
<b>Total Revenues</b>	<b>\$ 5,872,644</b>	<b>\$ 5,265,238</b>	<b>\$ 5,762,803</b>	<b>\$ 109,841</b>
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 3,800	\$ 4,000	\$ 4,000	\$ 200
County Mayor/Executive	168,640	161,089	168,839	199
Election Commission	119,159	127,169	128,942	9,783
Register of Deeds	103,889	104,606	104,606	717
County Buildings	440,712	140,595	440,055	(657)
Preservation of Records	0	4,000	4,000	4,000
<u>Finance</u>				
Property Assessor's Office	106,305	110,079	110,079	3,774
County Trustee's Office	23,786	28,195	28,195	4,409
County Clerk's Office	36,849	37,044	37,044	195
<u>Administration of Justice</u>				
Circuit Court	190,360	187,278	190,228	(132)
General Sessions Court	89,422	90,141	90,141	719
Chancery Court	94,396	97,357	97,357	2,961
Juvenile Court	25,625	25,732	25,732	107
Judicial Commissioners	21,910	22,350	22,350	440
Other Administration of Justice	5,000	0	5,000	0
<u>Public Safety</u>				
Sheriff's Department	801,955	874,316	892,651	90,696
Jail	539,012	543,536	565,181	26,169
Fire Prevention and Control	65,751	62,413	64,080	(1,671)
Other Emergency Management	17,782	7,800	17,783	1
Public Safety Grant Programs	266,222	218,518	218,518	(47,704)
<u>Public Health and Welfare</u>				
Local Health Center	37,799	37,546	37,546	(253)
Ambulance/Emergency Medical Services	722,539	726,345	729,417	6,878
Maternal and Child Health Services	129,859	150,000	148,500	18,641
Alcohol and Drug Programs	12,547	10,000	10,000	(2,547)
Other Local Health Services	15,789	0	15,789	0
Regional Mental Health Center	2,506	118,800	118,800	116,294

(Continued)

Exhibit E-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>				
General Welfare Assistance	\$ 12,295	\$ 12,830	\$ 12,830	\$ 535
Aid to Dependent Children	54,956	50,000	50,000	(4,956)
Other Local Welfare Services	68,471	30,000	43,172	(25,299)
Sanitation Management	28,608	29,237	29,237	629
Other Public Health and Welfare	9,750	0	9,750	0
<u>Social, Cultural, and Recreational Services</u>				
Adult Activities	1,560	0	1,561	1
Senior Citizens Assistance	106,348	72,274	106,121	(227)
Libraries	92,297	93,278	93,278	981
Parks and Fair Boards	47,620	49,180	49,180	1,560
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	61,463	57,492	61,463	0
<u>Other Operations</u>				
Veterans' Services	5,873	5,965	5,965	92
Other Charges	263,969	298,714	298,714	34,745
Contributions to Other Agencies	744,880	43,871	766,265	21,385
Employee Benefits	8,320	20,000	20,000	11,680
Miscellaneous	134,098	106,200	107,400	(26,698)
<u>Operation of Non-Instructional Services</u>				
Community Services	193,517	50,000	174,000	(19,517)
<u>Capital Outlay</u>				
Regular Capital Outlay	0	640,000	0	0
Total Expenditures	\$ 5,875,639	\$ 5,447,950	\$ 6,103,769	\$ 228,130
Excess (Deficiency) of Revenues				
Over Expenditures	\$ (2,995)	\$ (182,712)	\$ (340,966)	\$ 337,971
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 140,000	\$ 140,000	\$ 140,000	\$ 0
Insurance Recovery	0	0	29,759	(29,759)
Total Other Financing Sources (Uses)	\$ 140,000	\$ 140,000	\$ 169,759	\$ (29,759)
Net Change in Fund Balance	\$ 137,005	\$ (42,712)	\$ (171,207)	\$ 308,212
Fund Balance, July 1, 2007	1,164,655	978,899	978,899	185,756
Fund Balance, June 30, 2008	\$ 1,301,660	\$ 936,187	\$ 807,692	\$ 493,968

Exhibit E-2

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, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 354,579	\$ 341,580	\$ 341,580	\$ 12,999
Charges for Current Services	24,124	17,000	17,000	7,124
Other Local Revenues	2	0	0	2
State of Tennessee	15,017	8,000	22,700	(7,683)
Other Governments and Citizens Groups	40,000	40,000	40,000	0
Total Revenues	<u>\$ 433,722</u>	<u>\$ 406,580</u>	<u>\$ 421,280</u>	<u>\$ 12,442</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Management	\$ 456,824	\$ 420,900	\$ 435,600	\$ (21,224)
Total Expenditures	<u>\$ 456,824</u>	<u>\$ 420,900</u>	<u>\$ 435,600</u>	<u>\$ (21,224)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (23,102)</u>	<u>\$ (14,320)</u>	<u>\$ (14,320)</u>	<u>\$ (8,782)</u>
Net Change in Fund Balance	\$ (23,102)	\$ (14,320)	\$ (14,320)	\$ (8,782)
Fund Balance, July 1, 2007	<u>1,101</u>	<u>19,922</u>	<u>19,922</u>	<u>(18,821)</u>
Fund Balance, June 30, 2008	<u>\$ (22,001)</u>	<u>\$ 5,602</u>	<u>\$ 5,602</u>	<u>\$ (27,603)</u>

Exhibit E-3

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, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 18,383	\$ 39,500	\$ 39,500	\$ (21,117)
Other Local Revenues	81,904	57,000	57,000	24,904
State of Tennessee	1,548,130	1,980,198	1,980,198	(432,068)
Federal Government	50,920	50,000	50,000	920
Total Revenues	<u>\$ 1,699,337</u>	<u>\$ 2,126,698</u>	<u>\$ 2,126,698</u>	<u>\$ (427,361)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 127,947	\$ 127,872	\$ 127,872	\$ (75)
Highway and Bridge Maintenance	627,484	866,077	866,077	238,593
Operation and Maintenance of Equipment	278,551	250,273	250,273	(28,278)
Other Charges	73,173	74,774	74,774	1,601
Employee Benefits	66,560	67,600	68,446	1,886
Capital Outlay	211,340	812,250	812,250	600,910
Total Expenditures	<u>\$ 1,385,055</u>	<u>\$ 2,198,846</u>	<u>\$ 2,199,692</u>	<u>\$ 814,637</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 314,282</u>	<u>\$ (72,148)</u>	<u>\$ (72,994)</u>	<u>\$ 387,276</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 12,353	0	0	\$ 12,353
Total Other Financing Sources (Uses)	<u>\$ 12,353</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 12,353</u>
Net Change in Fund Balance	\$ 326,635	\$ (72,148)	\$ (72,994)	\$ 399,629
Fund Balance, July 1, 2007	<u>438,348</u>	<u>200,650</u>	<u>200,650</u>	<u>237,698</u>
Fund Balance, June 30, 2008	<u>\$ 764,983</u>	<u>\$ 128,502</u>	<u>\$ 127,656</u>	<u>\$ 637,327</u>



Exhibit E-4

Cannon County, Tennessee  
Schedule of Funding Progress – Pension Plan  
June 30, 2008

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-07	\$ 6,642	\$ 7,525	\$ 883	88.27 %	\$ 3,171	27.85 %

The Governmental Accounting Standards Board requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the entry age actuarial cost method was a change made during the year; therefore, only the most current year is presented.

Exhibit E-5

Cannon County, Tennessee  
Schedule of Funding Progress – Other Postemployment Benefits Plan  
June 30, 2008

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Local Education Group Insurance Plan						
6-30-07	\$ 0	\$ 1,076	1,076	0 %	\$ 9,376	11 %

**CANNON COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2008**

**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, 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. FUND DEFICIT**

The Solid Waste/Sanitation Fund had a deficit in unreserved fund balance of \$22,001 at June 30, 2008. This deficit resulted from expenditures in excess of revenues and available funds.

**C. CASH OVERDRAFT**

The Solid Waste/Sanitation Fund had a cash overdraft of \$11,027 at June 30, 2008. This cash overdraft resulted from issuing warrants that exceeded cash on deposit with the county trustee. The cash overdraft was liquidated subsequent to June 30, 2008.

**D. EXPENDITURES EXCEEDED APPROPRIATIONS**

Expenditures exceeded total appropriations approved by the County Commission in the Solid Waste/Sanitation Fund by \$21,224.

Expenditures exceeded appropriations approved by the County Commission in major appropriations categories (the legal level of control) of the General Fund and the Highway/Public Works Fund, as follows:

<u>Fund/Major Category</u>	<u>Amount Overspent</u>
<u>General Fund</u>	
County Buildings	\$ 657
Circuit Court	132
Fire Prevention	1,671
Public Safety Grant Programs	47,704
Local Health Center	253
Alcohol and Drug Programs	2,547
Aid to Dependent Children	4,956
Other Local Welfare Services	25,299
Senior Citizens Assistance	227
Miscellaneous	26,698
Community Services	19,517
<u>Highway/Public Works Fund</u>	
Administration	75
Operation and Maintenance of Equipment	28,278

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

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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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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 operating expenses paid directly from the fee and commission accounts of the trustee, clerks, register, and sheriff.

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Exhibit F-1

Cannon County, Tennessee  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2008

	<u>Special Revenue Funds</u>		
	Drug Control	Constitu- tional Officers - Fees	Total Nonmajor Governmental Funds
<b><u>ASSETS</u></b>			
Cash	\$ 0	\$ 54,554	\$ 54,554
Equity in Pooled Cash and Investments	32,565	0	32,565
Total Assets	<u>\$ 32,565</u>	<u>\$ 54,554</u>	<u>\$ 87,119</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
<u>Liabilities</u>			
Accounts Payable	\$ 714	\$ 0	\$ 714
Due to Other Funds	0	155	155
Total Liabilities	<u>\$ 714</u>	<u>\$ 155</u>	<u>\$ 869</u>
<u>Fund Balances</u>			
Reserved for Purchase of Electronic Fingerprint Imaging System	\$ 14,007	\$ 0	\$ 14,007
Unreserved	17,844	54,399	72,243
Total Fund Balances	<u>\$ 31,851</u>	<u>\$ 54,399</u>	<u>\$ 86,250</u>
Total Liabilities and Fund Balances	<u>\$ 32,565</u>	<u>\$ 54,554</u>	<u>\$ 87,119</u>

Exhibit F-2

Cannon County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2008

	<u>Special Revenue Funds</u>		
	Drug Control	Constitu- tional Officers - Fees	Total Nonmajor Governmental Funds
<u>Revenues</u>			
Fines, Forfeitures, and Penalties	\$ 19,008	\$ 0	\$ 19,008
Charges for Current Services	0	214,879	214,879
Total Revenues	<u>\$ 19,008</u>	<u>\$ 214,879</u>	<u>\$ 233,887</u>
<u>Expenditures</u>			
Current:			
General Government	\$ 0	\$ 525	\$ 525
Finance	0	214,372	214,372
Public Safety	11,254	0	11,254
Total Expenditures	<u>\$ 11,254</u>	<u>\$ 214,897</u>	<u>\$ 226,151</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 7,754</u>	<u>\$ (18)</u>	<u>\$ 7,736</u>
Net Change in Fund Balances	\$ 7,754	\$ (18)	\$ 7,736
Fund Balance, July 1, 2007	<u>24,097</u>	<u>54,417</u>	<u>78,514</u>
Fund Balance, June 30, 2008	<u>\$ 31,851</u>	<u>\$ 54,399</u>	<u>\$ 86,250</u>

Exhibit F-3

Cannon County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Drug Control Fund  
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive - (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 19,008	\$ 32,200	\$ 33,140	\$ (14,132)
State of Tennessee	0	0	721	(721)
Total Revenues	<u>\$ 19,008</u>	<u>\$ 32,200</u>	<u>\$ 33,861</u>	<u>\$ (14,853)</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Sheriff's Department	\$ 11,254	\$ 32,200	\$ 33,861	\$ 22,607
Total Expenditures	<u>\$ 11,254</u>	<u>\$ 32,200</u>	<u>\$ 33,861</u>	<u>\$ 22,607</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 7,754</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 7,754</u>
Net Change in Fund Balance	\$ 7,754	\$ 0	\$ 0	\$ 7,754
Fund Balance, July 1, 2007	<u>24,097</u>	<u>24,098</u>	<u>24,098</u>	<u>(1)</u>
Fund Balance, June 30, 2008	<u>\$ 31,851</u>	<u>\$ 24,098</u>	<u>\$ 24,098</u>	<u>\$ 7,753</u>

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# **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 G

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, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 726,493	\$ 679,287	\$ 679,287	\$ 47,206
Other Governments and Citizens Groups	250,000	250,000	250,000	0
Total Revenues	<u>\$ 976,493</u>	<u>\$ 929,287</u>	<u>\$ 929,287</u>	<u>\$ 47,206</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 229,793	\$ 235,000	\$ 235,000	\$ 5,207
Education	399,000	399,000	399,000	0
<u>Interest on Debt</u>				
General Government	51,198	78,700	78,700	27,502
Education	339,928	554,950	554,950	215,022
<u>Other Debt Service</u>				
General Government	7,956	7,850	7,850	(106)
Education	45,174	40,000	40,000	(5,174)
Total Expenditures	<u>\$ 1,073,049</u>	<u>\$ 1,315,500</u>	<u>\$ 1,315,500</u>	<u>\$ 242,451</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (96,556)</u>	<u>\$ (386,213)</u>	<u>\$ (386,213)</u>	<u>\$ 289,657</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 0	\$ 400,000	\$ (400,000)
Transfers Out	0	0	(400,000)	400,000
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (96,556)	\$ (386,213)	\$ (386,213)	\$ 289,657
Fund Balance, July 1, 2007	<u>2,361,973</u>	<u>2,364,674</u>	<u>2,364,674</u>	<u>(2,701)</u>
Fund Balance, June 30, 2008	<u>\$ 2,265,417</u>	<u>\$ 1,978,461</u>	<u>\$ 1,978,461</u>	<u>\$ 286,956</u>

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# 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.

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Exhibit H-1

Cannon County, Tennessee  
Combining Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2008

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 604,573	\$ 604,573
Due from Other Governments	64,918	0	64,918
Total Assets	<u>\$ 64,918</u>	<u>\$ 604,573</u>	<u>\$ 669,491</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 64,918	\$ 0	\$ 64,918
Due to Litigants, Heirs, and Others	0	604,573	604,573
Total Liabilities	<u>\$ 64,918</u>	<u>\$ 604,573</u>	<u>\$ 669,491</u>

Exhibit H-2

Cannon County, Tennessee  
Combining Statement of Changes in Assets and  
Liabilities - All Agency Funds  
For the Year Ended June 30, 2008

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 354,599	\$ 354,599	\$ 0
Due from Other Governments	57,940	64,918	57,940	64,918
<b>Total Assets</b>	<b>\$ 57,940</b>	<b>\$ 419,517</b>	<b>\$ 412,539</b>	<b>\$ 64,918</b>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 57,940	\$ 419,517	\$ 412,539	\$ 64,918
<b>Total Liabilities</b>	<b>\$ 57,940</b>	<b>\$ 419,517</b>	<b>\$ 412,539</b>	<b>\$ 64,918</b>
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 667,345	\$ 7,590,387	\$ 7,653,159	\$ 604,573
<b>Total Assets</b>	<b>\$ 667,345</b>	<b>\$ 7,590,387</b>	<b>\$ 7,653,159</b>	<b>\$ 604,573</b>
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 667,345	\$ 7,590,387	\$ 7,653,159	\$ 604,573
<b>Total Liabilities</b>	<b>\$ 667,345</b>	<b>\$ 7,590,387</b>	<b>\$ 7,653,159</b>	<b>\$ 604,573</b>
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 354,599	\$ 354,599	\$ 0
Cash	667,345	7,590,387	7,653,159	604,573
Due from Other Governments	57,940	64,918	57,940	64,918
<b>Total Assets</b>	<b>\$ 725,285</b>	<b>\$ 8,009,904</b>	<b>\$ 8,065,698</b>	<b>\$ 669,491</b>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 57,940	\$ 419,517	\$ 412,539	\$ 64,918
Due to Litigants, Heirs, and Others	667,345	7,590,387	7,653,159	604,573
<b>Total Liabilities</b>	<b>\$ 725,285</b>	<b>\$ 8,009,904</b>	<b>\$ 8,065,698</b>	<b>\$ 669,491</b>

# Cannon County School Department

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This section presents combining and individual fund financial statements for the Cannon County School Department, a discretely presented component unit. The Cannon County School Department uses a General Fund and two Special Revenue Funds.

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

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

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

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Exhibit I-1

Cannon County, Tennessee  
Statement of Activities  
Discretely Presented Cannon County School Department  
For the Year Ended June 30, 2008

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	
Component Unit:				
Governmental Activities:				
Instruction	\$ 10,112,845	\$ 0	\$ 1,063,858	\$ (9,048,987)
Support Services	4,714,388	14,292	143,056	(4,557,040)
Operation of Non-Instructional Services	1,605,992	415,788	993,265	(196,939)
Other Debt Service	250,000	0	0	(250,000)
Total Governmental Activities	\$ 16,683,225	\$ 430,080	\$ 2,200,179	\$ (14,052,966)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 1,775,069
Local Option Sales Taxes				476,200
Other Local Taxes				1,652
Grants and Contributions Not Restricted to Specific Programs				11,432,407
Miscellaneous				42,817
Total General Revenues				\$ 13,728,145
Change in Net Assets				\$ (324,821)
Net Assets, July 1, 2007				15,552,802
Net Assets, June 30, 2008				\$ 15,227,981

Exhibit I-2

Cannon County, Tennessee  
Balance Sheet - Governmental Funds  
Discretely Presented Cannon County School Department  
June 30, 2008

	<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	\$ 1,878	\$ 1,878
Equity in Pooled Cash and Investments	2,493,941	174,631	2,668,572
Due from Other Governments	275,512	135,681	411,193
Property Taxes Receivable	2,057,182	0	2,057,182
Allowance for Uncollectible Property Taxes	(30,230)	0	(30,230)
Total Assets	<u>\$ 4,796,405</u>	<u>\$ 312,190</u>	<u>\$ 5,108,595</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Due to State of Tennessee	\$ 0	\$ 2,255	\$ 2,255
Deferred Revenue - Current Property Taxes	1,932,535	0	1,932,535
Deferred Revenue - Delinquent Property Taxes	90,312	0	90,312
Other Deferred Revenues	42,209	0	42,209
Total Liabilities	<u>\$ 2,065,056</u>	<u>\$ 2,255</u>	<u>\$ 2,067,311</u>
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 643,014	\$ 73,643	\$ 716,657
Reserved for Career Ladder - Extended Contract	50,842	0	50,842
Reserved for Career Ladder Program	1,471	0	1,471
Reserved for Basic Education Program	1,924,288	0	1,924,288
Reserved for Title I Grants to Local Education Agencies	0	13,848	13,848
Reserved for Innovative Education Program Strategies	0	2,527	2,527
Other Federal Reserves	0	9,038	9,038
Unreserved, Reported In:			
General Fund	111,734	0	111,734
Special Revenue Funds	0	210,879	210,879
Total Fund Balances	<u>\$ 2,731,349</u>	<u>\$ 309,935</u>	<u>\$ 3,041,284</u>
Total Liabilities and Fund Balances	<u>\$ 4,796,405</u>	<u>\$ 312,190</u>	<u>\$ 5,108,595</u>



Exhibit I-3

Cannon County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets  
Discretely Presented Cannon County School Department  
June 30, 2008

Amounts reported for governmental activities in the statement of net assets (Exhibit A) are different because:

Total fund balances - balance sheet - governmental funds (Exhibit I-2)		\$ 3,041,284	
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	140,635	
Add: buildings and improvements net of accumulated depreciation		11,748,530	
Add: other capital assets net of accumulated depreciation		<u>296,248</u>	12,185,413
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: compensated absences payable	\$	(70,958)	
Less: other postemployment benefits liability		<u>(60,279)</u>	(131,237)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>132,521</u>
Net assets of governmental activities (Exhibit A)			<u><u>\$ 15,227,981</u></u>

Exhibit I-4

Cannon County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Governmental Funds  
Discretely Presented Cannon County School Department  
For the Year Ended June 30, 2008

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 2,275,126	\$ 0	\$ 2,275,126
Licenses and Permits	411	0	411
Charges for Current Services	14,292	414,943	429,235
Other Local Revenues	63,997	2,630	66,627
State of Tennessee	11,673,456	11,095	11,684,551
Federal Government	22,740	1,835,105	1,857,845
Total Revenues	<u>\$ 14,050,022</u>	<u>\$ 2,263,773</u>	<u>\$ 16,313,795</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 8,714,214	\$ 863,265	\$ 9,577,479
Support Services	4,324,160	451,045	4,775,205
Operation of Non-Instructional Services	325,820	948,258	1,274,078
Capital Outlay	266,657	0	266,657
Debt Service:			
Other Debt Service	250,000	0	250,000
Total Expenditures	<u>\$ 13,880,851</u>	<u>\$ 2,262,568</u>	<u>\$ 16,143,419</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 169,171</u>	<u>\$ 1,205</u>	<u>\$ 170,376</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	\$ 8,493	\$ 0	\$ 8,493
Transfers Out	0	(8,493)	(8,493)
Total Other Financing Sources (Uses)	<u>\$ 8,493</u>	<u>\$ (8,493)</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ 177,664	\$ (7,288)	\$ 170,376
Fund Balance, July 1, 2007	2,553,685	317,223	2,870,908
Fund Balance, June 30, 2008	<u>\$ 2,731,349</u>	<u>\$ 309,935</u>	<u>\$ 3,041,284</u>

Exhibit I-5

Cannon County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
Discretely Presented Cannon County School Department  
For the Year Ended June 30, 2008

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

Net change in fund balances - total governmental funds (Exhibit I-4)		\$	170,376
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:			
Add: capital assets purchased in the current period	\$	60,150	
Less: current year depreciation expense		<u>(463,103)</u>	(402,953)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.			
Less: deferred delinquent property taxes and other deferred June 30, 2007	\$	(146,794)	
Add: deferred delinquent property taxes and other deferred June 30, 2008		<u>132,521</u>	(14,273)
(3) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.			
Change in compensated absences payable	\$	(17,692)	
Change in other postemployment benefits liability		<u>(60,279)</u>	<u>(77,971)</u>
Change in net assets of governmental activities (Exhibit B)		\$	<u><u>(324,821)</u></u>

Exhibit I-6

Cannon County, Tennessee  
Combining Balance Sheet - Nonmajor Governmental Funds  
Discretely Presented Cannon County School Department  
June 30, 2008

	<u>Special Revenue Funds</u>		<u>Total</u>
	<u>School</u>	<u>Central</u>	<u>Nonmajor</u>
	<u>Federal</u>	<u>Cafeteria</u>	<u>Governmental</u>
	<u>Projects</u>		<u>Funds</u>
<u>ASSETS</u>			
Cash	\$ 0	\$ 1,878	\$ 1,878
Equity in Pooled Cash and Investments	10,169	164,462	174,631
Due from Other Governments	90,890	44,791	135,681
<b>Total Assets</b>	<b>\$ 101,059</b>	<b>\$ 211,131</b>	<b>\$ 312,190</b>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Due to State of Tennessee	\$ 2,003	\$ 252	\$ 2,255
<b>Total Liabilities</b>	<b>\$ 2,003</b>	<b>\$ 252</b>	<b>\$ 2,255</b>
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 73,643	\$ 0	\$ 73,643
Reserved for Title I Grants to Local Education Agencies	13,848	0	13,848
Reserved for Innovative Education Program Strategies	2,527	0	2,527
Other Federal Reserves	9,038	0	9,038
Unreserved	0	210,879	210,879
<b>Total Fund Balances</b>	<b>\$ 99,056</b>	<b>\$ 210,879</b>	<b>\$ 309,935</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 101,059</b>	<b>\$ 211,131</b>	<b>\$ 312,190</b>

Exhibit I-7

Cannon County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Nonmajor Governmental Funds  
Discretely Presented Cannon County School Department  
For the Year Ended June 30, 2008

	<u>Special Revenue Funds</u>		Total
	School	Central	Nonmajor
	Federal	Cafeteria	Governmental
	Projects		Funds
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 414,943	\$ 414,943
Other Local Revenues	405	2,225	2,630
State of Tennessee	0	11,095	11,095
Federal Government	1,289,653	545,452	1,835,105
Total Revenues	<u>\$ 1,290,058</u>	<u>\$ 973,715</u>	<u>\$ 2,263,773</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 863,265	\$ 0	\$ 863,265
Support Services	451,045	0	451,045
Operation of Non-Instructional Services	0	948,258	948,258
Total Expenditures	<u>\$ 1,314,310</u>	<u>\$ 948,258</u>	<u>\$ 2,262,568</u>
Excess (Deficiency) of Revenues			
Over Expenditures	<u>\$ (24,252)</u>	<u>\$ 25,457</u>	<u>\$ 1,205</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	\$ (8,493)	\$ 0	\$ (8,493)
Total Other Financing Sources (Uses)	<u>\$ (8,493)</u>	<u>\$ 0</u>	<u>\$ (8,493)</u>
Net Change in Fund Balances	\$ (32,745)	\$ 25,457	\$ (7,288)
Fund Balance, July 1, 2007	131,801	185,422	317,223
Fund Balance, June 30, 2008	<u>\$ 99,056</u>	<u>\$ 210,879</u>	<u>\$ 309,935</u>

Exhibit I-8

Cannon County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Discretely Presented Cannon County School Department  
General Purpose School Fund  
For the Year Ended June 30, 2008

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 2,275,126	\$ 0	\$ 0	\$ 2,275,126	\$ 2,209,200	\$ 2,209,200	\$ 65,926
Licenses and Permits	411	0	0	411	500	500	(89)
Charges for Current Services	14,292	0	0	14,292	9,000	9,000	5,292
Other Local Revenues	63,997	0	0	63,997	65,000	71,500	(7,503)
State of Tennessee	11,673,456	0	0	11,673,456	11,372,940	11,562,388	111,068
Federal Government	22,740	0	0	22,740	23,000	23,000	(260)
Total Revenues	\$ 14,050,022	\$ 0	\$ 0	\$ 14,050,022	\$ 13,679,640	\$ 13,875,588	\$ 174,434
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 7,055,199	\$ (279,319)	\$ 319,284	\$ 7,095,164	\$ 7,259,750	\$ 7,181,750	\$ 86,586
Alternative Instruction Program	52,677	0	0	52,677	48,070	53,270	593
Special Education Program	1,173,517	0	0	1,173,517	1,188,650	1,188,650	15,133
Vocational Education Program	432,821	(2,315)	1,268	431,774	477,110	477,110	45,336
<u>Support Services</u>							
Attendance	73,183	(150)	0	73,033	80,160	80,160	7,127
Health Services	176,195	0	9,825	186,020	162,680	192,680	6,660
Other Student Support	225,057	0	9,600	234,657	237,080	237,080	2,423
Regular Instruction Program	506,625	(2,770)	14,962	518,817	523,960	542,960	24,143
Special Education Program	105,177	0	0	105,177	104,280	105,280	103
Vocational Education Program	17,526	0	0	17,526	24,140	24,140	6,614
Other Programs	51,022	0	0	51,022	0	51,022	0
Board of Education	174,014	(3,006)	783	171,791	242,260	242,260	70,469
Director of Schools	151,489	(7,261)	100	144,328	156,950	156,950	12,622
Office of the Principal	945,783	(9,785)	5,252	941,250	953,400	953,400	12,150
Fiscal Services	156,873	(8,312)	8,329	156,890	158,760	158,760	1,870

(Continued)

Exhibit I-8

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

	Actual (GAAP Basis)	Less:		Add:	Actual Revenues/ Expenditures/ (Budgetary Basis)		Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Encumbrances 7/1/2007	Encumbrances 6/30/2008		Original	Final			
<u>Expenditures (Cont.)</u>									
<u>Support Services (Cont.)</u>									
Operation of Plant	\$ 920,183	\$ (6,000)	\$ 22,515	\$ 936,698	\$ 959,760	\$ 959,760	\$ 23,062		
Maintenance of Plant	236,364	(19,180)	11,700	228,884	226,100	236,100	7,216		
Transportation	584,669	0	0	584,669	548,720	596,420	11,751		
<u>Operation of Non-Instructional Services</u>									
Early Childhood Education	325,820	(45,917)	97,846	377,749	267,810	377,836	87		
<u>Capital Outlay</u>									
Regular Capital Outlay	266,657	(40,798)	141,550	367,409	380,000	380,000	12,591		
<u>Other Debt Service</u>									
Education	250,000	0	0	250,000	250,000	250,000	0		
Total Expenditures	\$ 13,880,851	\$ (424,813)	\$ 643,014	\$ 14,099,052	\$ 14,249,640	\$ 14,445,588	\$ 346,536		
Excess (Deficiency) of Revenues Over Expenditures	\$ 169,171	\$ 424,813	\$ (643,014)	\$ (49,030)	\$ (570,000)	\$ (570,000)	\$ 520,970		
<u>Other Financing Sources (Uses)</u>									
Transfers In	\$ 8,493	\$ 0	\$ 0	\$ 8,493	\$ 3,000	\$ 3,000	\$ 5,493		
Total Other Financing Sources (Uses)	\$ 8,493	\$ 0	\$ 0	\$ 8,493	\$ 3,000	\$ 3,000	\$ 5,493		
Net Change in Fund Balance Fund Balance, July 1, 2007	\$ 177,664	\$ 424,813	\$ (643,014)	\$ (40,537)	\$ (567,000)	\$ (567,000)	\$ 526,463		
	2,553,685	(424,813)	0	2,128,872	1,566,967	1,566,967	561,905		
Fund Balance, June 30, 2008	\$ 2,731,349	\$ 0	\$ (643,014)	\$ 2,088,335	\$ 999,967	\$ 999,967	\$ 1,088,368		

Exhibit I-9

Cannon County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Discretely Presented Cannon County School Department  
School Federal Projects Fund  
For the Year Ended June 30, 2008

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Final	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>							
Other Local Revenues	\$ 405 \$	0 \$	0 \$	405 \$	0 \$	0 \$	405
Federal Government	1,289,653	0	0	1,289,653	1,669,779	1,370,603	(80,950)
<b>Total Revenues</b>	<b>\$ 1,290,058 \$</b>	<b>0 \$</b>	<b>0 \$</b>	<b>1,290,058 \$</b>	<b>1,669,779 \$</b>	<b>1,370,603 \$</b>	<b>(80,545)</b>
<b>Expenditures</b>							
<u>Instruction</u>							
Regular Instruction Program	\$ 420,878 \$	0 \$	908 \$	421,786 \$	584,109 \$	481,546 \$	59,760
Special Education Program	398,460	(16,495)	166	382,131	749,736	388,271	6,140
Vocational Education Program	43,927	(11,993)	0	31,934	29,175	31,937	3
<u>Support Services</u>							
Other Student Support	6,258	0	0	6,258	14,357	6,258	0
Regular Instruction Program	373,174	(68,743)	70,904	375,335	317,297	390,931	15,596
Special Education Program	61,019	(1,355)	1,146	60,810	129,596	64,798	3,988
Vocational Education Program	1,849	0	0	1,849	1,859	1,859	0
Transportation	8,745	0	519	9,264	23,174	11,587	2,323
<b>Total Expenditures</b>	<b>\$ 1,314,310 \$</b>	<b>(98,586) \$</b>	<b>73,643 \$</b>	<b>1,289,367 \$</b>	<b>1,849,303 \$</b>	<b>1,377,187 \$</b>	<b>87,820</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ (24,252) \$</b>	<b>98,586 \$</b>	<b>(73,643) \$</b>	<b>691 \$</b>	<b>(179,524) \$</b>	<b>(6,584) \$</b>	<b>7,275</b>
<b>Other Financing Sources (Uses)</b>							
Transfers In	0 \$	0 \$	0 \$	0 \$	85,000 \$	85,000 \$	(85,000)
Transfers Out	(8,493)	0	0	(8,493)	(102,571)	(93,945)	85,452
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (8,493) \$</b>	<b>0 \$</b>	<b>0 \$</b>	<b>(8,493) \$</b>	<b>(17,571) \$</b>	<b>(8,945) \$</b>	<b>452</b>
<b>Net Change in Fund Balance Fund Balance, July 1, 2007</b>	<b>\$ (32,745) \$</b>	<b>98,586 \$</b>	<b>(73,643) \$</b>	<b>(7,802) \$</b>	<b>(197,095) \$</b>	<b>(15,529) \$</b>	<b>7,727</b>
	131,801	(98,586)	0	33,215	197,095	197,095	(163,880)
<b>Fund Balance, June 30, 2008</b>	<b>\$ 99,056 \$</b>	<b>0 \$</b>	<b>(73,643) \$</b>	<b>25,413 \$</b>	<b>0 \$</b>	<b>181,566 \$</b>	<b>(156,153)</b>



Exhibit I-10

Cannon County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Discretely Presented Cannon County School Department  
Central Cafeteria Fund  
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 414,943	\$ 468,500	\$ 478,500	\$ (63,557)
Other Local Revenues	2,225	400	400	1,825
State of Tennessee	11,095	11,500	11,500	(405)
Federal Government	545,452	530,000	530,000	15,452
Total Revenues	<u>\$ 973,715</u>	<u>\$ 1,010,400</u>	<u>\$ 1,020,400</u>	<u>\$ (46,685)</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 948,258	\$ 1,013,600	\$ 1,023,600	\$ 75,342
Total Expenditures	<u>\$ 948,258</u>	<u>\$ 1,013,600</u>	<u>\$ 1,023,600</u>	<u>\$ 75,342</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 25,457</u>	<u>\$ (3,200)</u>	<u>\$ (3,200)</u>	<u>\$ 28,657</u>
Net Change in Fund Balance	\$ 25,457	\$ (3,200)	\$ (3,200)	\$ 28,657
Fund Balance, July 1, 2007	<u>185,422</u>	<u>36,911</u>	<u>36,911</u>	<u>148,511</u>
Fund Balance, June 30, 2008	<u>\$ 210,879</u>	<u>\$ 33,711</u>	<u>\$ 33,711</u>	<u>\$ 177,168</u>

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# Cannon County Industrial Development Board

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This section presents combining and individual fund financial statements for the Cannon County Industrial Development Board, a discretely presented component unit. The Cannon County Industrial Development Board uses only one fund, a General Fund.

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General Fund – The General Fund is used to account for general operations of the Industrial Development Board.

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Exhibit J-1

Cannon County, Tennessee  
Statement of Activities  
Discretely Presented Cannon County Industrial Development Board  
For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Changes in Net Assets Total Governmental Activities
Component Unit:			
Governmental Activities:			
Other Operations	\$ 98,825	\$ 146,900	\$ 48,075
Interest on Long-term Debt	19,684	0	(19,684)
Total Governmental Activities	\$ 118,509	\$ 146,900	\$ 28,391
General Revenues:			
Total General Revenues			\$ 0
Change in Net Assets			\$ 28,391
Net Assets, July 1, 2007			2,350,594
Net Assets, June 30, 2008			\$ 2,378,985

Exhibit J-2

Cannon County, Tennessee  
Balance Sheet - Governmental Fund  
Discretely Presented Cannon County Industrial Development Board  
June 30, 2008

	<u>General Fund</u>
<u>ASSETS</u>	
Equity in Pooled Cash and Investments	\$ 219,262
Accounts Receivable	<u>22,000</u>
Total Assets	<u><u>\$ 241,262</u></u>
<u>FUND BALANCE</u>	
<u>Fund Balances</u>	
Unreserved	<u>\$ 241,262</u>
Total Fund Balance	<u><u>\$ 241,262</u></u>

Exhibit J-3

Cannon County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets  
Discretely Presented Cannon County Industrial Development Board  
June 30, 2008

Amounts reported for governmental activities in the statement of net assets (Exhibit A) are different because:

Total fund balances - balance sheet - governmental funds (Exhibit J-2)		\$	241,262
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	574,512	
Add: buildings and improvements net of accumulated depreciation		<u>2,279,056</u>	2,853,568
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: other loans payable			<u>(715,845)</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>2,378,985</u></u>

Exhibit J-4

Cannon County, Tennessee  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance  
Discretely Presented Cannon County Industrial Development Board  
For the Year Ended June 30, 2008

	General Fund
<hr/>	
<u>Revenues</u>	
Other Local Revenues	\$ 146,900
Total Revenues	<u>\$ 146,900</u>
 <u>Expenditures</u>	
Current:	
Other Operations	\$ 9,506
Debt Service:	
Principal on Debt	92,320
Interest on Debt	<u>19,684</u>
Total Expenditures	<u>\$ 121,510</u>
 Excess (Deficiency) of Revenues Over Expenditures	 <u>\$ 25,390</u>
 Net Change in Fund Balances	 \$ 25,390
Fund Balance, July 1, 2007	<u>215,872</u>
 Fund Balance, June 30, 2008	 <u><u>\$ 241,262</u></u>



Exhibit J-5

Cannon County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance  
of Governmental Funds to the Statement of Activities  
Discretely Presented Cannon County Industrial Development Board  
For the Year Ended June 30, 2008

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

Net change in fund balances - total governmental funds (Exhibit J-4)	\$ 25,390
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:	
Less: current year depreciation expense	(89,319)
(2) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:	
Add: principal payments on other loans	<u>92,320</u>
Change in net assets of governmental activities (Exhibit B)	<u><u>\$ 28,391</u></u>

Exhibit J-6

Cannon County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Discretely Presented Cannon County Industrial Board  
General Fund  
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 146,900	\$ 152,400	\$ 152,400	\$ (5,500)
Total Revenues	\$ 146,900	\$ 152,400	\$ 152,400	\$ (5,500)
<u>Expenditures</u>				
<u>Other Operations</u>				
Industrial Development	\$ 9,506	\$ 32,384	\$ 32,384	\$ 22,878
<u>Principal on Debt</u>				
General Government	92,320	95,000	95,000	2,680
<u>Interest on Debt</u>				
General Government	19,684	18,000	18,000	(1,684)
Total Expenditures	\$ 121,510	\$ 145,384	\$ 145,384	\$ 23,874
Excess (Deficiency) of Revenues Over Expenditures	\$ 25,390	\$ 7,016	\$ 7,016	\$ 18,374
Net Change in Fund Balance	\$ 25,390	\$ 7,016	\$ 7,016	\$ 18,374
Fund Balance, July 1, 2007	215,872	155,371	155,371	60,501
Fund Balance, June 30, 2008	\$ 241,262	\$ 162,387	\$ 162,387	\$ 78,875

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## MISCELLANEOUS SCHEDULES

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Exhibit K-1

Cannon County, Tennessee  
 Schedule of Changes in Long-term Notes and Other Loans  
 Primary Government and Discretely Presented Cannon County Industrial Development Board  
 For the Year Ended June 30, 2008

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-07	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-08
<b>PRIMARY GOVERNMENT</b>								
<b>NOTES PAYABLE</b>								
Payable through General Debt Service Fund								
Ambulance	\$ 75,000	2.4 %	7-17-03	6-30-08	\$ 15,000	0 \$	15,000 \$	0
ADA Improvements	166,956	3.37	11-9-05	11-8-08	113,138	0	55,632	57,506
Senior Center Addition	175,000	4	3-16-06	3-14-09	118,832	0	58,285	60,547
Ambulance	55,225	3.94	11-21-06	11-21-09	55,225	0	17,666	37,559
Water Line Extension Project	140,000	3.8	3-17-08	3-17-13	0	140,000	0	140,000
Total Notes Payable					\$ 302,195	\$ 140,000	\$ 146,583	\$ 295,612
<b>OTHER LOANS PAYABLE</b>								
Payable through General Debt Service Fund								
School Construction/Improvements - High School (1)	1,642,000	Variable	9-17-1999	5-25-19	\$ 1,177,000	0 \$	74,000 \$	1,103,000
School Construction/Improvements - Elementary (1)	11,400,000	Variable	5-25-02	5-25-26	9,922,000	0	325,000	9,597,000
Jail Construction Bond Refunding	1,420,000	Variable	7-18-02	5-25-18	1,074,000	0	80,000	994,000
Expo Center Construction	300,000	4.375	10-23-06	10-23-44	300,000	0	3,210	296,790
Total Other Loans Payable					\$ 12,473,000	0 \$	482,210 \$	11,990,790
<b>DISCRETELY PRESENTED CANNON COUNTY INDUSTRIAL DEVELOPMENT BOARD</b>								
<b>OTHER LOANS PAYABLE</b>								
Payable through General Fund								
Industrial Development	300,000	4.5	12-10-03	12-10-23	\$ 264,935	0 \$	11,047 \$	253,888
Industrial Development	482,500	1 to 3	7-5-04	11-30-19	404,474	0	30,749	373,725
Industrial Development	250,000	3.5	1-21-05	2-28-10	138,756	0	50,524	88,232
Total Other Loans Payable					\$ 808,165	0 \$	92,320 \$	715,845

(1) These two loans (\$13,042,000) were combined in prior years.

Exhibit K-2

Cannon County, Tennessee  
Schedule of Long-term Debt Requirements by Year  
Primary Government and Discretely Presented Cannon County Industrial Development Board

PRIMARY GOVERNMENT

Year Ending June 30	Note Principal	Note Interest	Total Note Requirements
2009	\$ 162,413	\$ 11,151	\$ 173,564
2010	46,096	5,087	51,183
2011	27,959	3,310	31,269
2012	29,017	2,252	31,269
2013	30,127	1,142	31,269
Total	\$ 295,612	\$ 22,942	\$ 318,554

Year Ending June 30	Other Loan Principal	Other Loan Interest	Other Loan Fees	Total Other Loan Requirements
2009	\$ 505,350	\$ 203,685	\$ 50,037	\$ 759,072
2010	529,497	194,969	47,924	772,390
2011	555,650	185,845	45,712	787,207
2012	581,810	176,275	43,392	801,477
2013	609,976	166,266	40,964	817,206
2014	639,150	155,778	38,421	833,349
2015	670,332	144,793	35,756	850,881
2016	703,521	133,284	32,963	869,768
2017	736,719	121,207	30,033	887,959
2018	769,926	108,580	26,967	905,473
2019	687,141	95,406	22,748	805,295
2020	589,366	84,609	19,074	693,049
2021	618,601	75,323	16,855	710,779
2022	648,846	65,576	14,525	728,947
2023	681,102	55,354	12,082	748,538
2024	715,369	44,624	9,517	769,510
2025	751,647	33,357	6,823	791,827
2026	788,938	21,518	3,991	814,447
2027	7,242	9,093	0	16,335
2028	7,558	8,777	0	16,335
2029	7,889	8,446	0	16,335
2030	8,234	8,101	0	16,335
2031	8,594	7,741	0	16,335
2032	8,970	7,365	0	16,335
2033	9,363	6,972	0	16,335
2034	9,773	6,562	0	16,335
2035	10,200	6,135	0	16,335

(Continued)

Exhibit K-2

Cannon County, Tennessee

Schedule of Long-term Debt Requirements by Year

Primary Government and Discretely Presented Cannon County Industrial Development Board (Cont.)

PRIMARY GOVERNMENT (Cont.)

Year Ending June 30	Other Loan Principal	Other Loan Interest	Other Loan Fees	Total Other Loan Requirements
2036	\$ 10,646	\$ 5,689	\$ 0	\$ 16,335
2037	11,112	5,223	0	16,335
2038	11,598	4,737	0	16,335
2039	12,106	4,229	0	16,335
2040	12,635	3,700	0	16,335
2041	13,188	3,147	0	16,335
2042	13,765	2,570	0	16,335
2043	14,367	1,968	0	16,335
2044	14,996	1,339	0	16,335
2045	15,613	681	0	16,294
Total	\$ 11,990,790	\$ 2,168,924	\$ 497,784	\$ 14,657,498

DISCRETELY PRESENTED CANNON COUNTY INDUSTRIAL DEVELOPMENT BOARD

Year Ending June 30	Other Loan Principal	Other Loan Interest	Other Loan Fees	Total Other Loan Requirements
2009	\$ 94,966	\$ 17,038	\$ 0	\$ 112,004
2010	78,536	16,294	0	94,830
2011	43,108	16,065	0	59,173
2012	44,278	14,894	0	59,172
2013	45,538	13,634	0	59,172
2014	46,815	12,357	0	59,172
2015	47,702	12,003	0	59,705
2016	48,988	11,100	0	60,088
2017	50,743	9,345	0	60,088
2018	52,543	7,544	0	60,087
2019	54,412	5,677	0	60,089
2020	34,409	3,914	0	38,323
2021	19,860	2,916	0	22,776
2022	20,772	2,004	0	22,776
2023	21,725	1,049	0	22,774
2024	11,450	153	0	11,603
Total	\$ 715,845	\$ 145,987	\$ 0	\$ 861,832

Exhibit K-3

Cannon County, Tennessee  
Schedule of Transfers  
Discretely Presented Cannon County School Department  
For the Year Ended June 30, 2008

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
School Federal Projects	General Purpose School	Indirect costs	\$ 8,493
Total Transfers Discretely Presented Cannon County School Department			<u>\$ 8,493</u>



Cannon County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
Primary Government and Discretely Presented Cannon County School Department  
For the Year Ended June 30, 2008

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Executive	Section 8-24-102, <u>TCA</u>	\$ 63,377	\$ 25,000	Auto Owners Insurance Company
Road Supervisor:				
Thomas Lovvorn (7-1-07 through 12-31-07)	Section 8-24-102, <u>TCA</u>	30,180	100,000	Western Surety Company
Wayne Hancock (1-1-08 through 6-30-08)	Section 8-24-102, <u>TCA</u>	30,180	100,000	"
Director of Schools	State Board of Education and Cannon County Board of Education	95,980 (1)	(4)	
Trustee	Section 8-24-102, <u>TCA</u>	54,872	519,000	RLI Insurance Company
Assessor of Property	Section 8-24-102, <u>TCA</u>	54,872	10,000	Nationwide Mutual Insurance Company
County Clerk	Section 8-24-102, <u>TCA</u>	54,872	25,000	Auto Owners Insurance Company
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	54,872	25,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u> , and Chancery Court Judge	54,872 (2)	45,000	"
Register	Section 8-24-102, <u>TCA</u>	54,872	15,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	60,360 (3)	25,000	"
Employee Blanket Bonds:				
Public Employee Dishonesty - County Employees			150,000	Tennessee Risk Management Trust
Public Employee Dishonesty - School Employees			150,000	"

- (1) Does not include chief executive officer training supplement of \$1,000.
- (2) Does not include special commissioner fees of \$29,450.
- (3) Does not include law enforcement training supplement of \$600.
- (4) The director of schools is covered under the school employee dishonesty bond.

Exhibit K-5

Cannon County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
For the Year Ended June 30, 2008

	Special Revenue Funds						Debt Service Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service		
<u>Local Taxes</u>								
<u>County Property Taxes</u>								
Current Property Tax	\$ 2,511,157	\$ 272,529	\$ 0	\$ 0	\$ 0	\$ 77,865	\$ 2,861,551	
Trustee's Collections - Prior Year	127,133	15,994	0	0	0	3,739	146,866	
Circuit/Clerk & Master Collections - Prior Years	23,771	2,965	0	0	0	699	27,435	
Interest and Penalty	23,411	2,872	0	0	0	694	26,977	
Payments in-Lieu-of Taxes - Other	1,902	0	0	0	0	0	1,902	
<u>County Local Option Taxes</u>								
Local Option Sales Tax	58,259	58,259	0	0	0	0	116,518	
Wheel Tax	0	0	0	0	0	643,123	643,123	
Litigation Tax - General	39,927	0	0	0	0	0	39,927	
Litigation Tax - Special Purpose	14,878	0	0	0	0	0	14,878	
Litigation Tax - Jail, Workhouse, or Courthouse	13,729	0	0	0	0	0	13,729	
Business Tax	37,522	0	0	0	1,500	0	39,022	
Mineral Severance Tax	0	0	0	0	16,883	0	16,883	
<u>Statutory Local Taxes</u>								
Bank Excise Tax	12,038	1,306	0	0	0	373	13,717	
Wholesale Beer Tax	92,381	0	0	0	0	0	92,381	
Interstate Telecommunications Tax	654	654	0	0	0	0	1,308	
Total Local Taxes	\$ 2,956,762	\$ 354,579	\$ 0	\$ 0	\$ 18,383	\$ 726,493	\$ 4,056,217	
<u>Licenses and Permits</u>								
<u>Licenses</u>								
Marriage Licenses	\$ 411	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 411	
Cable TV Franchise	1,319	0	0	0	0	0	1,319	
<u>Permits</u>								
Beer Permits	250	0	0	0	0	0	250	
Total Licenses and Permits	\$ 1,980	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,980	
<u>Fines, Forfeitures, and Penalties</u>								
<u>Circuit Court</u>								
Fines	\$ 8,189	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,189	
Drug Control Fines	0	0	7,893	0	0	0	7,893	
DUI Treatment Fines	285	0	0	0	0	0	285	

(Continued)

Exhibit K-5

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

	Special Revenue Funds						Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>							
<u>Circuit Court (Cont.)</u>							
Data Entry Fee - Circuit Court	\$ 207	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	207
<u>General Sessions Court</u>							
Fines	43,934	0	0	0	0	0	43,934
Officers Costs	13,797	0	0	0	0	0	13,797
Drug Control Fines	0	0	7,910	0	0	0	7,910
DUI Treatment Fines	2,807	0	0	0	0	0	2,807
Data Entry Fee - General Sessions Court	3,221	0	0	0	0	0	3,221
Courtroom Security Fee	504	0	0	0	0	0	504
<u>Juvenile Court</u>							
Jail Fees	3,736	0	0	0	0	0	3,736
<u>Chancery Court</u>							
Officers Costs	1,368	0	0	0	0	0	1,368
Data Entry Fee - Chancery Court	186	0	0	0	0	0	186
<u>Other Courts - In-county</u>							
Fines	2,850	0	0	0	0	0	2,850
<u>Other Fines, Forfeitures, and Penalties</u>							
Proceeds from Confiscated Property	0	0	3,205	0	0	0	3,205
Total Fines, Forfeitures, and Penalties	\$ 81,084	\$ 0	\$ 19,008	\$ 0	\$ 0	\$ 0	\$ 100,092
<u>Charges for Current Services</u>							
<u>General Service Charges</u>							
Commercial and Industrial Waste Collection Charge	\$ 0	\$ 24,124	\$ 0	\$ 0	\$ 0	\$ 0	24,124
Patient Charges	398,175	0	0	0	0	0	398,175
Other General Service Charges	6,222	0	0	0	0	0	6,222
Water Tap Sales	5,150	0	0	0	0	0	5,150
<u>Fees</u>							
Copy Fees	987	0	0	0	0	0	987
Telephone Commissions	1,224	0	0	0	0	0	1,224
Vending Machine Collections	65	0	0	0	0	0	65
Constitutional Officers' Fees and Commissions	0	0	0	214,879	0	0	214,879
Data Processing Fee - Register	6,706	0	0	0	0	0	6,706
Data Processing Fee - Sheriff	1,452	0	0	0	0	0	1,452

(Continued)

Exhibit K-5

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

	Special Revenue Funds						Debt Service Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service		
<u>Charges for Current Services (Cont.)</u>								
<u>Fees (Cont.)</u>								
Sexual Offender Registration Fees - Sheriff Education Charges	\$ 750	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 750	
Community Service Fees - Children	54,160	0	0	0	0	0	54,160	
Total Charges for Current Services	\$ 474,891	\$ 24,124	\$ 0	\$ 214,879	\$ 0	\$ 0	\$ 713,894	
<u>Other Local Revenues</u>								
<u>Recurring Items</u>								
Investment Income	\$ 227,989	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 227,989	
Lease/Rentals	26,600	0	0	0	0	0	26,600	
Sale of Materials and Supplies	1,928	0	0	0	0	0	1,928	
Sale of Gasoline	47,114	0	0	0	72,467	0	119,581	
Miscellaneous Refunds	18,143	2	0	0	9,437	0	27,582	
<u>Nonrecurring Items</u>								
Damages Recovered from Individuals	455	0	0	0	0	0	455	
Contributions and Gifts	16,279	0	0	0	0	0	16,279	
<u>Other Local Revenues</u>								
Other Local Revenues	102,182	0	0	0	0	0	102,182	
Total Other Local Revenues	\$ 440,690	\$ 2	\$ 0	\$ 81,904	\$ 0	\$ 0	\$ 522,596	
<u>Fees Received from County Officials</u>								
<u>Excess Fees</u>								
County Clerk	\$ 854	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 854	
Trustee	60,000	0	0	0	0	0	60,000	
<u>Fees In-Lieu-of Salary</u>								
Circuit Court Clerk	43,675	0	0	0	0	0	43,675	
General Sessions Court Clerk	104,558	0	0	0	0	0	104,558	
Clerk and Master	30,222	0	0	0	0	0	30,222	
Register	76,469	0	0	0	0	0	76,469	
Sheriff	4,885	0	0	0	0	0	4,885	
Total Fees Received from County Officials	\$ 320,663	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 320,663	

(Continued)

Exhibit K-5

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

	Special Revenue Funds					Debt Service Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works		
<u>State of Tennessee</u>							
<u>General Government Grants</u>							
Juvenile Services Program	9,800	0	0	0	0	0	9,800
State Reappraisal Grant	4,608	0	0	0	0	0	4,608
Solid Waste Grants	0	15,017	0	0	0	0	15,017
<u>Health and Welfare Grants</u>							
Health Department Programs	2,507	0	0	0	0	0	2,507
<u>Public Works Grants</u>							
Bridge Program	0	0	0	0	121,468	0	121,468
Litter Program	26,870	0	0	0	0	0	26,870
<u>Other State Revenues</u>							
Income Tax	32,443	0	0	0	0	0	32,443
Beer Tax	19,312	0	0	0	0	0	19,312
Alcoholic Beverage Tax	23,455	0	0	0	0	0	23,455
Contracted Prisoner Boarding	141,890	0	0	0	0	0	141,890
Gasoline and Motor Fuel Tax	0	0	0	0	1,417,220	0	1,417,220
Petroleum Special Tax	0	0	0	0	9,442	0	9,442
Registrar's Salary Supplement	16,380	0	0	0	0	0	16,380
Other State Grants	206,325	0	0	0	0	0	206,325
Other State Revenues	28,419	0	0	0	0	0	28,419
Total State of Tennessee	\$ 512,009	\$ 15,017	\$ 0	\$ 0	\$ 1,548,130	\$ 0	\$ 2,075,156
<u>Federal Government</u>							
<u>Federal Through State</u>							
Community Development	500,000	0	0	0	0	0	500,000
Homeland Security Grants	9,282	0	0	0	0	0	9,282
Medicaid	1,200	0	0	0	0	0	1,200
Other Federal through State	147,372	0	0	0	0	0	147,372
<u>Direct Federal Revenue</u>							
Other Direct Federal Revenue	0	0	0	0	50,920	0	50,920
Total Federal Government	\$ 657,854	\$ 0	\$ 0	\$ 0	\$ 50,920	\$ 0	\$ 708,774

(Continued)

Exhibit K-5

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

	Special Revenue Funds					Debt Service Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works		
<u>Other Governments and Citizens Groups</u>							
<u>Other Governments</u>							
Contributions	\$ 70,357	\$ 40,000	\$ 0	\$ 0	\$ 0	\$ 250,000	\$ 360,357
Contracted Services	152,146	0	0	0	0	0	152,146
<u>Citizens Groups</u>							
Donations	37,484	0	0	0	0	0	37,484
<u>Other</u>							
Other	166,724	0	0	0	0	0	166,724
<u>Total Other Governments and Citizens Groups</u>	<u>\$ 426,711</u>	<u>\$ 40,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 250,000</u>	<u>\$ 716,711</u>
Total	\$ 5,872,644	\$ 433,722	\$ 19,008	\$ 214,879	\$ 1,699,337	\$ 976,493	\$ 9,216,083

Exhibit K-6

Cannon County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
Discretely Presented Cannon County School Department  
For the Year Ended June 30, 2008

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 1,522,844	\$ 0	\$ 0	\$ 1,522,844
Trustee's Collections - Prior Year	231,817	0	0	231,817
Circuit/Clerk & Master Collections - Prior Years	18,702	0	0	18,702
Interest and Penalty	17,998	0	0	17,998
<u>County Local Option Taxes</u>				
Local Option Sales Tax	474,181	0	0	474,181
<u>Statutory Local Taxes</u>				
Bank Excise Tax	7,932	0	0	7,932
Interstate Telecommunications Tax	1,652	0	0	1,652
<b>Total Local Taxes</b>	<b>\$ 2,275,126</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 2,275,126</b>
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 411	\$ 0	\$ 0	\$ 411
<b>Total Licenses and Permits</b>	<b>\$ 411</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 411</b>
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Lunch Payments - Children	\$ 0	\$ 0	\$ 199,931	\$ 199,931
Lunch Payments - Adults	0	0	26,621	26,621
Income from Breakfast	0	0	49,700	49,700
Special Milk Sales	0	0	3,850	3,850
A la carte Sales	0	0	134,841	134,841
<u>Other Charges for Services</u>				
Other Charges for Services	14,292	0	0	14,292
<b>Total Charges for Current Services</b>	<b>\$ 14,292</b>	<b>\$ 0</b>	<b>\$ 414,943</b>	<b>\$ 429,235</b>
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	\$ 845	\$ 845
Refund of Telecommunication and Internet Fees (E-Rate)	22,965	0	0	22,965
Miscellaneous Refunds	40,914	405	1,380	42,699
<u>Other Local Revenues</u>				
Other Local Revenues	118	0	0	118
<b>Total Other Local Revenues</b>	<b>\$ 63,997</b>	<b>\$ 405</b>	<b>\$ 2,225</b>	<b>\$ 66,627</b>
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-Behalf Contributions for OPEB	\$ 51,022	\$ 0	\$ 0	\$ 51,022
<u>State Education Funds</u>				
Basic Education Program	10,656,055	0	0	10,656,055
Early Childhood Education	377,836	0	0	377,836
School Food Service	0	0	11,095	11,095
Driver Education	8,165	0	0	8,165
Other State Education Funds	19,561	0	0	19,561
Career Ladder Program	101,099	0	0	101,099
Career Ladder - Extended Contract	43,660	0	0	43,660

(Continued)

Exhibit K-6

Cannon County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
Discretely Presented 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.	\$ 292,563	\$ 0	\$ 0	\$ 292,563
Other State Grants	105,052	0	0	105,052
Other State Revenues	18,443	0	0	18,443
Total State of Tennessee	\$ 11,673,456	\$ 0	\$ 11,095	\$ 11,684,551
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 383,062	\$ 383,062
Breakfast	0	0	162,390	162,390
Vocational Education - Basic Grants to States	0	40,053	0	40,053
Title I Grants to Local Education Agencies	0	398,079	0	398,079
Innovative Education Program Strategies	0	3,380	0	3,380
Special Education - Grants to States	0	442,882	0	442,882
Special Education Preschool Grants	0	15,942	0	15,942
Safe and Drug-Free Schools - State Grants	0	8,897	0	8,897
Eisenhower Professional Development State Grants	0	123,596	0	123,596
Job Training Partnership Act	22,740	0	0	22,740
Other Federal through State	0	256,824	0	256,824
Total Federal Government	\$ 22,740	\$ 1,289,653	\$ 545,452	\$ 1,857,845
Total	\$ 14,050,022	\$ 1,290,058	\$ 973,715	\$ 16,313,795



Exhibit K-7

Cannon County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
Discretely Presented Cannon County Industrial Development Board  
For the Year Ended June 30, 2008

	Industrial / Economic Development
<hr/>	
<u>Other Local Revenues</u>	
<u>Recurring Items</u>	
Lease/Rentals	\$ 146,900
Total Other Local Revenues	<u>\$ 146,900</u>
 Total	 <u><u>\$ 146,900</u></u>

Exhibit K-8

Cannon County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2008

General Fund

General Government

County Commission

Other Per Diem and Fees	\$	3,530	
Social Security		270	
Total County Commission			\$ 3,800

County Mayor/Executive

County Official/Administrative Officer	\$	63,377	
Accountants/Bookkeepers		50,606	
Social Security		9,055	
State Retirement		9,466	
Audit Services		2,926	
Communication		4,393	
Contracts with Government Agencies		9,250	
Contracts with Other Public Agencies		5,386	
Legal Services		2,200	
Legal Notices, Recording, and Court Costs		1,918	
Maintenance and Repair Services - Office Equipment		1,434	
Postal Charges		1,516	
Travel		233	
Office Supplies		6,304	
Other Charges		576	
Total County Mayor/Executive			168,640

Election Commission

County Official/Administrative Officer	\$	49,385	
Clerical Personnel		17,000	
Election Commission		1,885	
Election Workers		13,440	
In-Service Training		1,002	
Social Security		5,031	
State Retirement		5,304	
Employee and Dependent Insurance		5,993	
Communication		1,918	
Legal Notices, Recording, and Court Costs		2,216	
Maintenance Agreements		8,134	
Maintenance and Repair Services - Office Equipment		301	
Postal Charges		1,019	
Printing, Stationery, and Forms		1,391	
Travel		213	
Custodial Supplies		88	
Office Supplies		2,518	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Office Equipment	\$ 2,321	
Total Election Commission		\$ 119,159

Register of Deeds

County Official/Administrative Officer	\$ 54,872	
Secretary(ies)	20,500	
Social Security	5,263	
State Retirement	6,022	
Employee and Dependent Insurance	3,030	
Communication	1,806	
Data Processing Services	7,252	
Dues and Memberships	498	
Postal Charges	700	
Printing, Stationery, and Forms	2,392	
Office Supplies	1,554	
Total Register of Deeds		103,889

County Buildings

Social Security	\$ 1,198	
Communication	724	
Contracts with Private Agencies	200	
Janitorial Services	15,656	
Maintenance and Repair Services - Buildings	45,573	
Maintenance and Repair Services - Vehicles	1,830	
Other Contracted Services	898	
Custodial Supplies	2,143	
Utilities	105,766	
Building Improvements	266,724	
Total County Buildings		440,712

Finance

Property Assessor's Office

County Official/Administrative Officer	\$ 54,872
Secretary(ies)	20,885
Other Salaries and Wages	2,285
Board and Committee Members Fees	950
Social Security	5,662
State Retirement	6,138
Employee and Dependent Insurance	5,993
Audit Services	1,805

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Communication	\$	708	
Data Processing Services		4,102	
Dues and Memberships		898	
Postal Charges		476	
Travel		351	
Office Supplies		1,180	
Total Property Assessor's Office			\$ 106,305

County Trustee's Office

Social Security	\$	6,924	
State Retirement		7,138	
Communication		1,000	
Data Processing Services		2,029	
Dues and Memberships		383	
Legal Notices, Recording, and Court Costs		1,153	
Postal Charges		3,800	
Printing, Stationery, and Forms		758	
Office Supplies		601	
Total County Trustee's Office			23,786

County Clerk's Office

Secretary(ies)	\$	8,254	
Board and Committee Members Fees		262	
Social Security		10,192	
State Retirement		9,603	
Communication		1,187	
Dues and Memberships		383	
Postal Charges		1,750	
Printing, Stationery, and Forms		4,658	
Office Supplies		560	
Total County Clerk's Office			36,849

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	54,872	
Clerical Personnel		80,515	
Jury and Witness Fees		6,082	
Social Security		10,194	
State Retirement		10,818	
Employee and Dependent Insurance		8,956	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

Communication	\$	2,131	
Contracts with Other Public Agencies		3,779	
Dues and Memberships		443	
Legal Notices, Recording, and Court Costs		633	
Maintenance and Repair Services - Office Equipment		803	
Postal Charges		2,419	
Printing, Stationery, and Forms		1,450	
Other Contracted Services		1,672	
Office Supplies		5,593	
Total Circuit Court			\$ 190,360

General Sessions Court

Judge(s)	\$	74,396	
Social Security		5,691	
State Retirement		5,944	
Communication		841	
Dues and Memberships		10	
Other Contracted Services		1,000	
Office Supplies		1,540	
Total General Sessions Court			89,422

Chancery Court

County Official/Administrative Officer	\$	54,872	
Deputy(ies)		20,500	
Social Security		5,133	
State Retirement		6,022	
Employee and Dependent Insurance		3,030	
Communication		990	
Postal Charges		1,100	
Printing, Stationery, and Forms		1,708	
Office Supplies		1,041	
Total Chancery Court			94,396

Juvenile Court

Other Salaries and Wages	\$	17,922	
Social Security		1,371	
State Retirement		1,432	
Contracts with Other Public Agencies		4,875	
Other Supplies and Materials		25	
Total Juvenile Court			25,625

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Administration of Justice (Cont.)

Judicial Commissioners

Other Salaries and Wages	\$	18,900	
In-Service Training		240	
Social Security		1,446	
Communication		1,208	
Travel		116	
Total Judicial Commissioners			\$ 21,910

Other Administration of Justice

Educational Assistants	\$	2,414	
Other Contracted Services		1,000	
Other Supplies and Materials		1,586	
Total Other Administration of Justice			5,000

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	60,360	
Assistant(s)		24,776	
Supervisor/Director		21,506	
Deputy(ies)		199,632	
Investigator(s)		60,058	
Captain(s)		13,975	
Lieutenant(s)		26,230	
Sergeant(s)		28,175	
Accountants/Bookkeepers		24,006	
Dispatchers/Radio Operators		3,433	
Clerical Personnel		18,866	
Overtime Pay		20,607	
Other Salaries and Wages		16,965	
In-Service Training		6,605	
Social Security		61,023	
State Retirement		15,972	
Employee and Dependent Insurance		35,469	
Advertising		109	
Communication		15,500	
Legal Services		4,433	
Maintenance and Repair Services - Equipment		12,411	
Maintenance and Repair Services - Vehicles		22,752	
Postal Charges		668	
Gasoline		64,493	
Office Supplies		6,495	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Uniforms	\$	11,333	
Vehicle and Equipment Insurance		15,259	
Law Enforcement Equipment		9,989	
Motor Vehicles		855	
Total Sheriff's Department			\$ 801,955

Jail

Medical Personnel	\$	36,209	
Truck Drivers		21,558	
Guards		179,269	
Cafeteria Personnel		41,067	
Maintenance Personnel		21,478	
Maintenance and Repair Services - Buildings		20,066	
Travel		456	
Other Contracted Services		588	
Custodial Supplies		15,504	
Food Supplies		65,374	
Utilities		41,570	
Other Supplies and Materials		9,112	
Medical Claims		83,520	
Food Service Equipment		1,784	
Office Equipment		1,457	
Total Jail			539,012

Fire Prevention and Control

In-Service Training	\$	2,065	
Communication		5,080	
Consultants		1,200	
Contracts with Other Public Agencies		432	
Maintenance and Repair Services - Equipment		5,882	
Maintenance and Repair Services - Vehicles		7,497	
Postal Charges		154	
Gasoline		7,136	
Office Supplies		294	
Uniforms		10,214	
Other Supplies and Materials		5,480	
Vehicle and Equipment Insurance		954	
Communication Equipment		2,862	
Other Equipment		16,501	
Total Fire Prevention and Control			65,751

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Safety (Cont.)

Other Emergency Management

In-Service Training	\$	50	
Communication		4,737	
Maintenance and Repair Services - Vehicles		855	
Gasoline		4,241	
Other Supplies and Materials		169	
Other Charges		7,730	
Total Other Emergency Management			\$ 17,782

Public Safety Grant Programs

Supervisor/Director	\$	35,000	
Dispatchers/Radio Operators		187,682	
Overtime Pay		11,210	
Social Security		17,709	
State Retirement		4,275	
Employee and Dependent Insurance		10,346	
Total Public Safety Grant Programs			266,222

Public Health and Welfare

Local Health Center

Communication	\$	2,626	
Contracts with Government Agencies		16,414	
Dues and Memberships		100	
Janitorial Services		4,337	
Maintenance and Repair Services - Buildings		8,010	
Custodial Supplies		832	
Office Supplies		3,471	
Utilities		2,009	
Total Local Health Center			37,799

Ambulance/Emergency Medical Services

Supervisor/Director	\$	41,200	
Medical Personnel		447,767	
Secretary(ies)		7,500	
Overtime Pay		9,269	
In-Service Training		6,405	
Social Security		38,105	
State Retirement		30,817	
Employee and Dependent Insurance		48,521	
Communication		7,491	
Dues and Memberships		280	

(Continued)



Exhibit K-8

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.)

Maintenance Agreements	\$	6,471	
Maintenance and Repair Services - Equipment		600	
Maintenance and Repair Services - Vehicles		9,914	
Postal Charges		1,515	
Custodial Supplies		2,117	
Drugs and Medical Supplies		17,188	
Gasoline		16,930	
Office Supplies		3,331	
Uniforms		9,482	
Utilities		2,877	
Other Supplies and Materials		4,476	
Vehicle and Equipment Insurance		8,583	
Motor Vehicles		1,700	
Total Ambulance/Emergency Medical Services			\$ 722,539

Maternal and Child Health Services

Accountants/Bookkeepers	\$	1,500	
Educational Assistants		65,705	
Other Salaries and Wages		23,841	
Social Security		6,931	
State Retirement		2,903	
Employee and Dependent Insurance		10,848	
Communication		3,122	
Travel		5,543	
Other Contracted Services		700	
Other Supplies and Materials		8,766	
Total Maternal and Child Health Services			129,859

Alcohol and Drug Programs

Supervisor/Director	\$	4,750	
Educational Assistants		750	
Social Security		134	
State Retirement		100	
Other Contracted Services		3,699	
Other Supplies and Materials		3,114	
Total Alcohol and Drug Programs			12,547

Other Local Health Services

Travel	\$	185	
Other Contracted Services		4,310	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Other Local Health Services (Cont.)

Other Supplies and Materials	\$ 11,294	
Total Other Local Health Services		\$ 15,789

Regional Mental Health Center

Other Salaries and Wages	\$ 1,912	
Social Security	146	
Travel	448	
Total Regional Mental Health Center		2,506

General Welfare Assistance

Contributions	\$ 11,295	
Other Contracted Services	1,000	
Total General Welfare Assistance		12,295

Aid to Dependent Children

Supervisor/Director	\$ 5,884	
Accountants/Bookkeepers	1,500	
Educational Assistants	28,919	
Social Security	2,455	
State Retirement	549	
Employee and Dependent Insurance	213	
Other Contracted Services	12,710	
Other Supplies and Materials	2,726	
Total Aid to Dependent Children		54,956

Other Local Welfare Services

Educational Assistants	\$ 28,710	
Other Salaries and Wages	21,984	
Social Security	3,695	
State Retirement	2,188	
Employee and Dependent Insurance	7,409	
Other Contracted Services	2,528	
Other Supplies and Materials	1,957	
Total Other Local Welfare Services		68,471

Sanitation Management

Laborers	\$ 19,615	
Social Security	1,501	
Maintenance and Repair Services - Vehicles	1,558	
Other Contracted Services	594	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Sanitation Management (Cont.)

Gasoline	\$	2,130	
Instructional Supplies and Materials		2,876	
Other Supplies and Materials		334	
Total Sanitation Management			\$ 28,608

Other Public Health and Welfare

Other Contracted Services	\$	6,021	
Other Supplies and Materials		3,729	
Total Other Public Health and Welfare			9,750

Social, Cultural, and Recreational Services

Adult Activities

Other Supplies and Materials	\$	1,560	
Total Adult Activities			1,560

Senior Citizens Assistance

Supervisor/Director	\$	24,486	
Part-time Personnel		2,770	
Other Salaries and Wages		15,604	
Social Security		3,279	
Audit Services		625	
Communication		3,359	
Maintenance and Repair Services - Buildings		2,526	
Maintenance and Repair Services - Equipment		695	
Postal Charges		1,601	
Printing, Stationery, and Forms		838	
Travel		13,716	
Data Processing Supplies		2,171	
Food Supplies		1,253	
Instructional Supplies and Materials		820	
Office Supplies		2,234	
Utilities		9,486	
Other Supplies and Materials		6,775	
Premiums on Corporate Surety Bonds		595	
Other Charges		10,525	
Furniture and Fixtures		2,990	
Total Senior Citizens Assistance			106,348

Libraries

County Official/Administrative Officer	\$	26,000	
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(Continued)

Exhibit K-8

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Libraries (Cont.)

Assistant(s)	\$	30,466	
Social Security		4,211	
State Retirement		2,077	
Employee and Dependent Insurance		5,993	
Contributions		23,550	
Total Libraries			\$ 92,297

Parks and Fair Boards

Assistant(s)	\$	5,068	
Supervisor/Director		20,500	
Other Salaries and Wages		7,132	
In-Service Training		180	
Social Security		2,372	
State Retirement		1,638	
Employee and Dependent Insurance		3,030	
Communication		568	
Dues and Memberships		340	
Maintenance and Repair Services - Buildings		2,630	
Maintenance and Repair Services - Equipment		134	
Custodial Supplies		248	
Gasoline		389	
Office Supplies		48	
Other Supplies and Materials		3,343	
Total Parks and Fair Boards			47,620

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$	41,652	
Other Fringe Benefits		9,701	
Communication		3,387	
Maintenance and Repair Services - Buildings		134	
Other Supplies and Materials		4,435	
Other Charges		2,154	
Total Agriculture Extension Service			61,463

Other Operations

Veterans' Services

Other Salaries and Wages	\$	3,850	
Social Security		294	
Communication		1,131	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Other Operations (Cont.)

Veterans' Services (Cont.)

Postal Charges	\$	82	
Travel		287	
Office Supplies		229	
Total Veterans' Services			\$ 5,873

Other Charges

Building and Contents Insurance	\$	78,446	
Premiums on Corporate Surety Bonds		3,205	
Trustee's Commission		60,105	
Workers' Compensation Insurance		120,668	
Other Charges		1,545	
Total Other Charges			263,969

Contributions to Other Agencies

Contributions	\$	744,880	
Total Contributions to Other Agencies			744,880

Employee Benefits

Employee and Dependent Insurance	\$	869	
Unemployment Compensation		7,451	
Total Employee Benefits			8,320

Miscellaneous

Contracts with Private Agencies	\$	10,400	
Gasoline		63,048	
Other Supplies and Materials		57,410	
Other Charges		3,240	
Total Miscellaneous			134,098

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	32,297	
Accountants/Bookkeepers		1,500	
Secretary(ies)		1,381	
Educational Assistants		53,900	
Cafeteria Personnel		26,248	
Social Security		8,253	
State Retirement		4,623	
Employee and Dependent Insurance		3,681	
Unemployment Compensation		1,151	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Community Services (Cont.)

Communication	\$	2,165	
Travel		1,186	
Other Contracted Services		41,892	
Other Supplies and Materials		15,240	
Total Community Services			\$ 193,517

Total General Fund \$ 5,875,639

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Laborers	\$	41,261	
Overtime Pay		474	
Social Security		3,120	
State Retirement		722	
Employee and Dependent Insurance		1,463	
Advertising		272	
Communication		474	
Contracts with Other Public Agencies		348,744	
Maintenance Agreements		1,000	
Maintenance and Repair Services - Equipment		15,796	
Maintenance and Repair Services - Vehicles		4,644	
Other Contracted Services		1,822	
Gasoline		3,098	
Utilities		2,004	
Other Supplies and Materials		1,386	
Trustee's Commission		6,394	
Motor Vehicles		21,000	
Solid Waste Equipment		3,150	
Total Sanitation Management			\$ 456,824

Total Solid Waste/Sanitation Fund 456,824

Drug Control Fund

Public Safety

Sheriff's Department

Part-time Personnel	\$	2,000	
In-Service Training		850	
Social Security		153	
State Retirement		64	

(Continued)

Exhibit K-8

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

Drug Control Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Confidential Drug Enforcement Payments	\$	4,000	
Maintenance and Repair Services - Equipment		60	
Maintenance and Repair Services - Vehicles		1,716	
Uniforms		821	
Other Charges		71	
Law Enforcement Equipment		1,105	
Other Equipment		414	
Total Sheriff's Department			\$ 11,254

Total Drug Control Fund \$ 11,254

Constitutional Officers - Fees Fund

General Government

Other General Administration

Constitutional Officers' Operating Expenses	\$	525	
Total Other General Administration			\$ 525

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$	90,519	
Total County Trustee's Office			90,519

County Clerk's Office

Constitutional Officers' Operating Expenses	\$	123,853	
Total County Clerk's Office			123,853

Total Constitutional Officers - Fees Fund 214,897

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	60,360	
Accountants/Bookkeepers		31,760	
Board and Committee Members Fees		1,200	
Social Security		5,409	
State Retirement		7,360	
Employer Medicare		1,265	
Communication		7,255	
Data Processing Services		3,459	
Dues and Memberships		2,233	

(Continued)

Exhibit K-8

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Legal Notices, Recording, and Court Costs	\$	424	
Postal Charges		505	
Printing, Stationery, and Forms		1,300	
Electricity		2,480	
Natural Gas		2,019	
Water and Sewer		153	
Other Supplies and Materials		765	
Total Administration			\$ 127,947

Highway and Bridge Maintenance

Equipment Operators	\$	114,660	
Truck Drivers		64,378	
Laborers		88,225	
Social Security		14,044	
State Retirement		9,917	
Employer Medicare		3,284	
Other Contracted Services		11,266	
Asphalt		111,987	
Asphalt - Cold Mix		24,826	
Crushed Stone		142,550	
Pipe - Metal		13,984	
Road Signs		12,883	
Structural Steel		13,151	
Other Supplies and Materials		2,329	
Total Highway and Bridge Maintenance			627,484

Operation and Maintenance of Equipment

Mechanic(s)	\$	49,528	
Social Security		2,357	
State Retirement		2,151	
Employer Medicare		551	
Maintenance and Repair Services - Equipment		1,357	
Diesel Fuel		138,502	
Equipment and Machinery Parts		35,294	
Garage Supplies		8,153	
Gasoline		23,385	
Lubricants		3,633	
Tires and Tubes		13,640	
Total Operation and Maintenance of Equipment			278,551

(Continued)



Exhibit K-8

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Other Charges

Liability Insurance	\$	12,849	
Trustee's Commission		14,250	
Vehicle and Equipment Insurance		13,854	
Workers' Compensation Insurance		32,220	
Total Other Charges			\$ 73,173

Employee Benefits

Medical Insurance	\$	62,577	
Unemployment Compensation		3,983	
Total Employee Benefits			66,560

Capital Outlay

Engineering Services	\$	16,770	
Bridge Construction		121,461	
Building Improvements		1,762	
Highway Equipment		71,347	
Total Capital Outlay			211,340

Total Highway/Public Works Fund \$ 1,385,055

General Debt Service Fund

Principal on Debt

General Government

Principal on Notes	\$	146,583	
Principal on Other Loans		83,210	
Total General Government			\$ 229,793

Education

Principal on Other Loans	\$	399,000	
Total Education			399,000

Interest on Debt

General Government

Interest on Notes	\$	11,207	
Interest on Other Loans		39,991	
Total General Government			51,198

Education

Interest on Other Loans	\$	339,928	
Total Education			339,928

(Continued)

Exhibit K-8

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

General Debt Service Fund (Cont.)

Other Debt Service

General Government

Trustee's Commission	\$	1,639	
Other Debt Service		<u>6,317</u>	
Total General Government	\$		7,956

Education

Other Debt Service	\$	<u>45,174</u>	
Total Education			<u>45,174</u>

Total General Debt Service Fund \$ 1,073,049

Total Governmental Funds - Primary Government \$ 9,016,718

Exhibit K-9

Cannon County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Discretely Presented Cannon County School Department  
For the Year Ended June 30, 2008

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 4,851,911	
Career Ladder Program	59,290	
Career Ladder Extended Contracts	27,215	
Homebound Teachers	27,129	
Educational Assistants	106,692	
Certified Substitute Teachers	3,000	
Non-certified Substitute Teachers	103,260	
Social Security	305,774	
State Retirement	339,433	
Medical Insurance	534,172	
Unemployment Compensation	6,737	
Employer Medicare	71,657	
Instructional Supplies and Materials	94,353	
Textbooks	167,814	
Other Supplies and Materials	1,920	
Other Charges	495	
Regular Instruction Equipment	354,347	
Total Regular Instruction Program		\$ 7,055,199

Alternative Instruction Program

Teachers	\$ 40,984	
Career Ladder Extended Contracts	1,200	
Social Security	2,588	
State Retirement	2,302	
Medical Insurance	4,998	
Employer Medicare	605	
Total Alternative Instruction Program		52,677

Special Education Program

Teachers	\$ 785,088	
Career Ladder Program	6,100	
Career Ladder Extended Contracts	2,815	
Educational Assistants	29,285	
Social Security	49,579	
State Retirement	46,645	
Medical Insurance	72,723	
Employer Medicare	11,649	
Other Contracted Services	169,633	
Total Special Education Program		1,173,517

(Continued)

Exhibit K-9

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Vocational Education Program

Teachers	\$	328,673	
Career Ladder Program		4,500	
Other Salaries and Wages		17,175	
Social Security		20,873	
State Retirement		18,076	
Medical Insurance		25,641	
Employer Medicare		4,881	
Instructional Supplies and Materials		13,002	
Total Vocational Education Program			\$ 432,821

Support Services

Attendance

Supervisor/Director	\$	54,936	
Social Security		3,208	
State Retirement		2,859	
Medical Insurance		6,178	
Employer Medicare		750	
Travel		4,061	
Other Supplies and Materials		1,191	
Total Attendance			73,183

Health Services

Medical Personnel	\$	101,463	
Educational Assistants		12,505	
Social Security		6,610	
State Retirement		8,204	
Medical Insurance		20,791	
Employer Medicare		1,546	
Travel		7,530	
Other Contracted Services		890	
Drugs and Medical Supplies		468	
Other Supplies and Materials		16,188	
Total Health Services			176,195

Other Student Support

Career Ladder Program	\$	1,000	
Guidance Personnel		155,946	
Career Ladder Extended Contracts		600	
Social Security		9,381	

(Continued)

Exhibit K-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

State Retirement	\$	8,931	
Medical Insurance		22,408	
Employer Medicare		2,194	
Evaluation and Testing		13,611	
Other Contracted Services		10,986	
Total Other Student Support			\$ 225,057

Regular Instruction Program

Supervisor/Director	\$	67,863	
Career Ladder Program		3,000	
Career Ladder Extended Contracts		400	
Librarians		152,238	
Instructional Computer Personnel		141,165	
Educational Assistants		19,847	
Social Security		22,944	
State Retirement		22,684	
Medical Insurance		36,673	
Employer Medicare		5,366	
Travel		9,506	
Other Contracted Services		12	
Library Books/Media		19,661	
In Service/Staff Development		5,266	
Total Regular Instruction Program			506,625

Special Education Program

Supervisor/Director	\$	28,806	
Career Ladder Program		1,000	
Psychological Personnel		50,820	
Career Ladder Extended Contracts		600	
Social Security		4,526	
State Retirement		3,815	
Medical Insurance		11,595	
Employer Medicare		1,059	
Travel		2,848	
Other Contracted Services		108	
Total Special Education Program			105,177

Vocational Education Program

Supervisor/Director	\$	15,928	
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(Continued)

Exhibit K-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Vocational Education Program (Cont.)

Employer Medicare	\$	231	
Travel		1,367	
Total Vocational Education Program			\$ 17,526

Other Programs

On-Behalf Payments to OPEB	\$	51,022	
Total Other Programs			51,022

Board of Education

Board and Committee Members Fees	\$	7,300	
Social Security		453	
Employer Medicare		106	
Audit Services		3,600	
Dues and Memberships		3,824	
Legal Services		11,256	
Travel		3,143	
Liability Insurance		18,632	
Trustee's Commission		63,825	
Workers' Compensation Insurance		49,871	
Criminal Investigation of Applicants - TBI		2,048	
Other Charges		9,956	
Total Board of Education			174,014

Director of Schools

County Official/Administrative Officer	\$	95,980	
Career Ladder Program		1,000	
Social Security		5,656	
State Retirement		4,567	
Medical Insurance		13,196	
Employer Medicare		1,323	
Communication		12,639	
Dues and Memberships		1,733	
Postal Charges		3,819	
Travel		3,203	
Office Supplies		8,373	
Total Director of Schools			151,489

Office of the Principal

Principals	\$	432,257	
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(Continued)

Exhibit K-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal (Cont.)

Career Ladder Program	\$	9,000	
Career Ladder Extended Contracts		1,200	
Assistant Principals		50,365	
Secretary(ies)		176,597	
Social Security		38,667	
State Retirement		37,093	
Medical Insurance		80,462	
Employer Medicare		9,043	
Communication		65,318	
Travel		6,982	
Office Supplies		13,037	
Administration Equipment		25,762	
Total Office of the Principal			\$ 945,783

Fiscal Services

Accountants/Bookkeepers	\$	38,163	
Secretary(ies)		34,418	
Clerical Personnel		29,074	
Social Security		5,915	
State Retirement		8,122	
Medical Insurance		17,087	
Employer Medicare		1,383	
Data Processing Services		6,120	
Dues and Memberships		150	
Travel		577	
Other Contracted Services		7,619	
Data Processing Supplies		535	
Office Supplies		7,710	
Total Fiscal Services			156,873

Operation of Plant

Custodial Personnel	\$	220,129	
Social Security		13,028	
State Retirement		16,550	
Medical Insurance		37,765	
Employer Medicare		3,047	
Other Contracted Services		41,663	
Electricity		404,660	
Natural Gas		74,285	

(Continued)

Exhibit K-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Water and Sewer	\$	50,655	
Other Supplies and Materials		58,301	
Boiler Insurance		100	
Total Operation of Plant			\$ 920,183

Maintenance of Plant

Maintenance Personnel	\$	102,013	
Social Security		5,681	
State Retirement		8,151	
Medical Insurance		20,955	
Employer Medicare		1,329	
Communication		92	
Travel		169	
Other Contracted Services		43,573	
Other Supplies and Materials		41,751	
Maintenance Equipment		12,650	
Total Maintenance of Plant			236,364

Transportation

Supervisor/Director	\$	17,500	
Bus Drivers		114,370	
Other Salaries and Wages		18,514	
Social Security		9,320	
State Retirement		7,624	
Employer Medicare		2,181	
Communication		155	
Contracts with Vehicle Owners		243,742	
Travel		1,557	
Other Contracted Services		335	
Gasoline		99,475	
Tires and Tubes		4,833	
Vehicle Parts		50,171	
Vehicle and Equipment Insurance		14,075	
Other Charges		505	
Transportation Equipment		312	
Total Transportation			584,669

(Continued)



Exhibit K-9

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services

Early Childhood Education

Teachers	\$	162,024	
Educational Assistants		43,389	
Non-certified Substitute Teachers		1,250	
Social Security		12,613	
State Retirement		12,599	
Medical Insurance		8,023	
Employer Medicare		2,950	
Travel		6,861	
Other Supplies and Materials		76,111	
Total Early Childhood Education			\$ 325,820

Capital Outlay

Regular Capital Outlay

Other Contracted Services	\$	112,148	
Building Improvements		154,509	
Total Regular Capital Outlay			266,657

Other Debt Service

Education

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

Total General Purpose School Fund \$ 13,880,851

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	341,880	
Clerical Personnel		2,878	
Educational Assistants		9,698	
Certified Substitute Teachers		250	
Non-certified Substitute Teachers		8,975	
Social Security		7,891	
State Retirement		7,654	
Medical Insurance		5,678	
Unemployment Compensation		1,213	
Employer Medicare		1,842	
Instructional Supplies and Materials		30,276	
Other Supplies and Materials		2,643	
Total Regular Instruction Program			\$ 420,878

(Continued)

Exhibit K-9

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program

Teachers	\$	5,299	
Homebound Teachers		14,528	
Educational Assistants		226,035	
Non-certified Substitute Teachers		950	
Social Security		13,118	
State Retirement		15,291	
Medical Insurance		58,626	
Unemployment Compensation		3,292	
Employer Medicare		2,953	
Instructional Supplies and Materials		34,108	
Other Supplies and Materials		14,943	
Special Education Equipment		9,317	
Total Special Education Program			\$ 398,460

Vocational Education Program

Teachers	\$	10,839	
Other Salaries and Wages		600	
Social Security		715	
State Retirement		720	
Employer Medicare		178	
T&I Construction Materials		4,449	
Vocational Instruction Equipment		26,426	
Total Vocational Education Program			43,927

Support Services

Other Student Support

Travel	\$	2,151	
In Service/Staff Development		2,193	
Other Charges		1,914	
Total Other Student Support			6,258

Regular Instruction Program

Supervisor/Director	\$	63,550	
Social Security		17,363	
State Retirement		18,367	
Medical Insurance		24,081	
Unemployment Compensation		854	
Employer Medicare		4,061	
Consultants		900	

(Continued)

Exhibit K-9

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Maintenance and Repair Services - Equipment	\$	3,500	
Travel		28,410	
Other Contracted Services		29,538	
Instructional Supplies and Materials		126,562	
Other Supplies and Materials		20,206	
In Service/Staff Development		31,390	
Other Charges		4,392	
Total Regular Instruction Program			\$ 373,174

Special Education Program

Supervisor/Director	\$	28,806	
Social Security		1,547	
State Retirement		2,203	
Medical Insurance		4,779	
Unemployment Compensation		119	
Employer Medicare		362	
Travel		10,480	
Other Supplies and Materials		6,519	
In Service/Staff Development		6,204	
Total Special Education Program			61,019

Vocational Education Program

Supervisor/Director	\$	1,832	
Employer Medicare		17	
Total Vocational Education Program			1,849

Transportation

Bus Drivers	\$	651	
Social Security		40	
State Retirement		52	
Unemployment Compensation		7	
Employer Medicare		9	
Maintenance and Repair Services - Vehicles		7,986	
Total Transportation			8,745

Total School Federal Projects Fund \$ 1,314,310

(Continued)

Exhibit K-9

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

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	37,916	
Accountants/Bookkeepers		21,138	
Cafeteria Personnel		304,104	
Social Security		21,779	
State Retirement		27,188	
Medical Insurance		49,672	
Unemployment Compensation		657	
Employer Medicare		4,297	
Communication		2,003	
Maintenance and Repair Services - Equipment		12,422	
Travel		900	
Other Contracted Services		1,844	
Food Supplies		408,001	
Office Supplies		1,328	
Other Supplies and Materials		40,332	
Other Charges		2,398	
Food Service Equipment		12,279	
Total Food Service			\$ 948,258

Total Central Cafeteria Fund \$ 948,258

Total Governmental Funds - Cannon County School Department \$ 16,143,419

Exhibit K-10

Cannon County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Discretely Presented Cannon County Industrial Development Board  
For the Year Ended June 30, 2008

General Fund

Other Operations

Industrial Development

Dues and Memberships	\$ 20	
Maintenance and Repair Services - Buildings	6,610	
Trustee's Commission	1,854	
Other Charges	<u>1,022</u>	
Total Industrial Development		\$ 9,506

Principal on Debt

General Government

Principal on Other Loans	<u>\$ 92,320</u>	
Total General Government		92,320

Interest on Debt

General Government

Interest on Other Loans	<u>\$ 19,684</u>	
Total General Government		<u>19,684</u>

Total General Fund \$ 121,510

Total Governmental Funds - Cannon County Industrial Development Board \$ 121,510

Exhibit K-11

Cannon County, Tennessee  
Schedule of Detailed Receipts, Disbursements,  
and Changes in Cash Balance - City Agency Fund  
For the Year Ended June 30, 2008

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 354,599
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 351,053
Trustee's Commission	3,546
Total Cash Disbursements	<u>\$ 354,599</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0
Cash Balance, July 1, 2007	<u>0</u>
Cash Balance, June 30, 2008	<u><u>\$ 0</u></u>

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## **SINGLE AUDIT 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

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

October 28, 2008

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

To the County Executive and Board of County Commissioners:

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Cannon County, Tennessee, as of and for the year ended June 30, 2008, which collectively comprise Cannon County's basic financial statements and have issued our report thereon dated October 28, 2008. Our report on the aggregate discretely presented component units was qualified due to not including the financial statements of the Cannon County Emergency Communications District, which were not available from other auditors as of the date of this report. 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 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 internal control over financial reporting.

Accordingly, we do not express an opinion on the effectiveness of Cannon County's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting: 08.01, 08.02, 08.04, 08.06(A), 08.09, 08.10, and 08.13.

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 internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 08.01 and 08.02 to be material weaknesses.

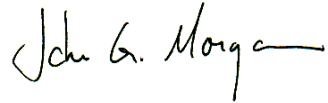
#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cannon County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying Schedule of Findings and Questioned Costs as items 08.03, 08.05, 08.06(B), 08.07, 08.08, 08.11, and 08.14.

We consider item 08.12 described in the accompanying Schedule of Findings and Questioned Costs to be a noteworthy control deficiency over financial operations. We also noted certain matters that we reported to management of Cannon County 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, Highway Commission, Board of Education, 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" with a long horizontal flourish extending to the right.

John G. Morgan  
Comptroller of the Treasury

JGM/sb

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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

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

October 28, 2008

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

To the County Executive and Board of County Commissioners:

Compliance

We have audited the compliance of Cannon County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Cannon County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Cannon County's management. Our responsibility is to express an opinion on Cannon County's compliance based on our audit.

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

such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Cannon County's compliance with those requirements.

In our opinion, Cannon County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

#### Internal Control Over Compliance

The management of Cannon County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Cannon County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Cannon County's internal control over compliance.

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

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

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

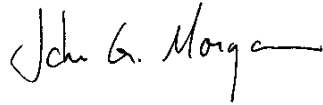
#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Cannon County as of and for the year ended June 30, 2008, and have issued our report thereon dated October 28, 2008. Our report on the aggregate discretely presented component units was qualified due to not including the financial statements of the Cannon County Emergency Communications District, which were not available from other auditors as of the date of this report. Our audit was performed for the purpose of

forming our opinions on the financial statements that collectively comprise Cannon County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Yours very truly,

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

John G. Morgan  
Comptroller of the Treasury

JGM/sb

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Cannon County, Tennessee  
Schedule of Expenditures of Federal Awards and State Grants (1)  
For the Year Ended June 30, 2008

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Direct Program:			
Emergency Watershed Protection Program	10.923	68-4741-7-677	\$ <u>50,920</u>
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	\$ <u>58,882</u> (3)
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	\$ 162,390
National School Lunch Program	10.555	N/A	383,062 (3)
Total Passed-through State Department of Education			<u>\$ 545,452</u>
Passed-through State Department of Human Services:			
Child and Adult Care Food Program	10.558	(2)	\$ 22,099
Total U.S. Department of Agriculture			<u>\$ 677,353</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants - State's Program	14.228	GG-07-21561-00	\$ <u>500,000</u>
U.S. Department of Labor:			
Passed-through Upper Cumberland Human Resource Agency:			
WIA Youth Activities	17.259	(2)	\$ <u>22,740</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 411,557
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	460,114
Special Education - Preschool Grants	84.173	N/A	16,533
Vocational Education - Basic Grants to States	84.048	N/A	52,035
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	14,546
Twenty-First Century Community Learning Centers	84.287	GR-08-21792-00	123,500
State Grants for Innovative Programs	84.298	N/A	4,030
Education Technology State Grants	84.318	(2)	7,596
Reading First State Grants	84.357	N/A	237,495
English Language Acquisition Grants	84.365	N/A	3,940
Improving Teacher Quality State Grants	84.367	N/A	114,957
Total U.S. Department of Education			<u>\$ 1,446,303</u>
Elections Assistance Commission:			
Passed-through Tennessee Secretary of State:			
Help America Vote Act Requirements Payments	90.401	GG-08-201048-00	\$ <u>1,773</u>
U.S. Department of Homeland Security:			
Passed-through United Way Emergency Food and Shelter Program:			
Emergency Food and Shelter National Board Program	97.024	(2)	\$ 748
Passed-through State Department of Military:			
Homeland Security Grant Program	97.067	Z-05-025137-00	<u>9,282</u>
Total U.S. Department of Homeland Security			<u>\$ 10,030</u>
Total Expenditures of Federal Awards			<u>\$ 2,658,199</u>

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Contract Number	Expenditures
<u>State Grants</u>			
Juvenile Justice - State Commission on Children and Youth	N/A	(4)	\$ 9,800
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	4,608
Litter Grant - State Department of Transportation	N/A	Z-08-020973-00	26,870
Lottery Education Afterschool Program - State Department of Education	N/A	(2)	174,000
Community Enhancement Grant - Tennessee Secretary of State	N/A	(2)	8,500
Agriculture Producer Association Grant - State Department of Agriculture	N/A	Z-07-035511-00	1,200
Tender Care - State Department of Health	N/A	Z-08-020327-00	2,507
Early Childhood Education Expansion Program - State Department of Education	N/A	(2)	188,918
Voluntary Pre-K for Tennessee - State Department of Education	N/A	(2)	188,918
Safe Schools Act - State Department of Education	N/A	(2)	10,986
Tennessee Learn and Serve Grant - State Department of Education	N/A	(2)	6,500
Coordinated Health Services - State Department of Education	N/A	(2)	98,552
Courtroom Security and Audio/Visual Grant - Administrative Office of the Courts	N/A	(2)	6,836
Waste Tire Grant - State Department of Environment and Conservation	N/A	Z-03-011322-00	317
Conservation	N/A	Z-05-020909-00	14,700
Tobacco Use Prevention and Cessation Grant - State Department of Health	N/A	GG-08-23376-00	<u>15,789</u>
Total State Grants			<u>\$ 759,001</u>

CFDA = Catalog of Federal Domestic Assistance  
N/A = Not Applicable

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Number not available.
- (3) Total for CFDA No. 10.555 is \$441,944.
- (4) Z-08-023209-00: \$800; Z-08-022737-00: \$9,000.

Cannon County, Tennessee  
Schedule of Audit Findings Not Corrected  
June 30, 2008

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, for the year ended June 30, 2007, which have not been corrected.

**OFFICE OF COUNTY EXECUTIVE**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
07.02	15	Expenditures exceeded appropriations
07.04(A)	16	Purchase orders were not issued in some required instances
07.05	17	Competitive bids were not solicited for certain purchases
07.08(A)	18	The Ambulance Service and Senior Citizens' Center did not deposit some collections with the county trustee within three days of collection

**OFFICE OF SHERIFF**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
07.13	21	The office had deficiencies in commissary operations

**OTHER FINDINGS**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
07.14	21	A central system of accounting, budgeting, and purchasing had not been adopted
07.15	22	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
07.16	22	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**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2008**

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

1. Our report on the aggregate discretely presented component units is qualified. Our report on the governmental activities, each major fund, and the aggregate remaining fund information is unqualified.
2. The audit of the financial statements of Cannon County disclosed significant deficiencies in internal control. Two of these conditions were considered to be material weaknesses.
3. The audit disclosed three instances of noncompliance that were material to the financial statements of Cannon County.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: the School Breakfast Program and the National School Lunch Program (CFDA Nos. 10.553 and 10.555), Community Development Block Grant/State's Program (CFDA No. 14.228), the Title I Grants to Local Educational Agencies (CFDA No. 84.010), and the Special Education Cluster: Special Education – Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Cannon County did not qualify as a low-risk auditee.

## **PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS**

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

### **CANNON COUNTY AND CANNON COUNTY SCHOOL DEPARTMENT**

#### **FINDING 08.01      **CANNON COUNTY AND THE CANNON COUNTY SCHOOL DEPARTMENT DO NOT HAVE THE RESOURCES TO PRODUCE THEIR FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS****

(Internal Control – Material Weakness Under Government Auditing Standards)

Generally accepted auditing standards require that Cannon County's and the Cannon County School Department's financial statements be the product of a financial reporting system that offers reasonable assurance that management is able to produce financial statements and footnotes that comply with generally accepted accounting principles (GAAP). The preparation of financial statements in accordance with GAAP requires that the county and the School Department have internal controls over reporting government-wide and fund financial statements, including the related notes. It is permissible for us, as the county's and the School Department's external auditors, to assist the county and the School Department in preparing their financial statements and footnotes as a matter of convenience as long as the county and the School Department have the skills needed to prepare their financial statements and footnotes. However, management, including the accounting staff, does not have the technical skills to prepare GAAP financial statements and disclosures. The inability to prepare financial statements and footnotes is an indication of a lack of controls, or ineffective controls, because material misstatements may not be detected.

#### **RECOMMENDATION**

Cannon County and the Cannon County School Department should develop the ability to produce financial statements and footnotes that comply with GAAP. This could include having at least one staff member trained in financial statement preparation. This staff member should have sufficient skills necessary to prepare a complete set of year-end financial statements even though the external auditors prepare the county's and the School Department's financial statements as a matter of convenience. If we, as the external auditors, continue to prepare the county's and the School Department's financial statements, this individual must have sufficient knowledge to determine the completeness of financial statement information and disclosures.

**OFFICE OF COUNTY EXECUTIVE**

**FINDING 08.02      **THE SOLID WASTE/SANITATION FUND REQUIRED MATERIAL  
AUDIT ADJUSTMENTS FOR PROPER FINANCIAL STATEMENT  
PRESENTATION****

(Internal Control – Material Weakness Under Government Auditing  
Standards)

Generally accepted accounting principles require Cannon County to have adequate internal controls over the maintenance of its accounting records. At June 30, 2008, certain general ledger account balances in the Solid Waste/Sanitation Fund were not materially correct, and audit adjustments were required for the financial statements to be materially correct at year-end. Therefore, the county's financial reporting system did not prevent, detect, or correct potential misstatements in the accounting records. Although it is permissible for us, as the external auditors, to assist the county in preparing its financial statements, it is a strong indicator of a material weakness in internal controls if the county has ineffective controls over the maintenance of its accounting records, which are used to prepare the financial statements, including the related notes to the financial statements. We presented audit adjustments to management that they approved and posted to properly present the financial statements in this report.

**RECOMMENDATION**

Cannon County should have appropriate processes in place to ensure that its general ledgers are materially correct.

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**FINDING 08.03      **EXPENDITURES EXCEEDED APPROPRIATIONS**  
(Noncompliance Under Government 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 \$21,224.
- B. 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:	
County Buildings	\$ 657
Circuit Court	132
Fire Prevention	1,671
Public Safety Grant Programs	47,704
Local Health Center	253
Alcohol and Drug Programs	2,547
Aid to Dependent Children	4,956
Other Local Welfare Services	25,299
Senior Citizens Assistance	227
Miscellaneous	26,698
Community Services	19,517
General Debt Service:	
Other Debt Service - General Government	106
Other Debt Service - Education	5,174
Industrial/Economic Development:	
Interest on Debt - General Government	1,684

Section 5-9-401, Tennessee Code Annotated, states that “All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies.” These deficiencies exist because: 1) management failed to stay within the spending limits authorized by the County Commission which resulted in unauthorized expenditures, and 2) the failure of management to correct audit findings noted in prior reports.

**RECOMMENDATION**

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

**FINDING 08.04**      **DEFICIENCIES WERE NOTED IN THE ADMINISTRATION OF THE SOLID WASTE/SANITATION FUND**  
 (Internal Control – Significant Deficiency Under Government Auditing Standards)

We noted the following deficiencies in the administration of the Solid Waste/Sanitation Fund:



- A. The Solid Waste/Sanitation Fund had a deficit of \$22,001 in the undesignated fund balance account at June 30, 2008. Sound business practice dictates that expenditures be held within available funds. This deficit can be attributed in part to the findings (B) and (C) noted below.
- B. The Solid Waste/Sanitation Fund had a cash overdraft of \$11,027 at June 30, 2008. Sound business practice dictates that expenditures be held within available funds. This overdraft resulted from the issuance of warrants exceeding cash on deposit with the county trustee. The office reflected this overdraft as a receivable from the General Fund at year end; however, the County Commission had not approved a transfer from the General Fund. We presented audit adjustments to management that they approved and posted to present the cash overdraft properly in the financial statements of this report. This cash overdraft was liquidated in July 2008.
- C. Payables were not determined and recorded on the accounting records of the Solid Waste/Sanitation Fund at June 30, 2008, as required by generally accepted accounting principles. We performed additional audit procedures and determined payables of \$20,436 existed at June 30, 2008. We have presented audit adjustments to management for their approval and posting to present these payables properly in the financial statements of this report.

**RECOMMENDATION**

County officials should monitor the financial activity of the Solid Waste/Sanitation Fund to ensure that adequate funding is timely provided to prevent the recurrence of a fund deficit and a cash overdraft. Payables should be properly determined and recorded on the accounting records as required by generally accepted accounting principles.

---

**FINDING 08.05      GENERAL FUND EXPENDITURES WERE NOT APPROPRIATED BY THE COUNTY COMMISSION  
(Noncompliance Under Government Auditing Standards)**

During the year examined, Sheriff's Department expenditures totaling \$11,364 for purchases of equipment and supplies were posted as reductions of a revenue account instead of as expenditures. These expenditures were funded by commissions earned from the Sheriff's Department commissary. This practice resulted in both revenues and expenditures being understated. It also resulted in the office bypassing the budgetary process and disbursing county funds that had not been appropriated by the County Commission as required by state statute. Section 5-9-401, Tennessee Code Annotated, states that "All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies." It appears that the office posted these expenditures against the revenue account to spend commissary commissions without seeking County Commission approval.

## RECOMMENDATION

All revenues and expenditures should be properly recorded in the accounting records. All expenditures should be appropriated by the County Commission.

---

### FINDING 08.06      **THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES**

(A. – Internal Control – Significant Deficiency Under Government Auditing Standards; B. – Material Noncompliance Under Government Auditing Standards)

Our examination of purchasing procedures revealed the following deficiencies, which can be attributed in part to the failure of management to correct audit findings noted in prior reports.

- A. Purchase orders were not issued in some instances. Purchase orders are necessary to control who has purchasing authority for the county and to document purchasing commitments. The failure to issue purchase orders in all required instances increases the risks of unauthorized purchases.
- B. Competitive bids were not solicited for the purchase of a vehicle for the Sheriff's Department (\$11,500) and for hauling waste collections (\$122,593) 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 \$10,000. The failure to solicit competitive bids could result in the county paying more than the most competitive price.

## RECOMMENDATION

The office should issue purchase orders for all applicable purchases to improve internal controls over the purchasing process and to document purchasing commitments. Competitive bids should be solicited for all purchases exceeding \$10,000 as required by statute.

---

### FINDING 08.07      **A TAX ANTICIPATION NOTE WAS NOT ISSUED IN COMPLIANCE WITH STATE STATUTE**

(Material Noncompliance Under Government Auditing Standards)

On July 31, 2007, the county issued a \$100,000 tax anticipation note to provide cash for operations of the Solid Waste/Sanitation Fund in anticipation of tax collections. This note was not approved by the state director of Local Finance until August 10, 2007. Section 9-21-801, Tennessee Code Annotated (TCA), allows counties to issue notes in anticipation of the collection of taxes provided that the notes shall first be approved by the state director of Local Finance. This deficiency can be attributed to the failure of management to correct audit findings noted in prior reports.

## RECOMMENDATION

Tax anticipation notes should be approved by the state director of Local Finance prior to the issuance of the notes.

---

**FINDING 08.08      RECEIPTS FROM REMOTE COLLECTION SITES WERE NOT ALWAYS DEPOSITED WITHIN THREE DAYS OF COLLECTION**  
(Noncompliance Under Government Auditing Standards)

The Ambulance Service, Senior Citizens' Center, and the REACH program did not always deposit funds with the county trustee within three days of collection as required by Section 5-8-207, Tennessee Code Annotated. This statute requires that county officials deposit all funds within three days of collection. This deficiency can be attributed to the failure of management to correct audit findings noted in prior reports.

## RECOMMENDATION

All funds should be deposited within three days of collection as required by state statutes.

---

**FINDING 08.09      THE OFFICE HAD DEFICIENCIES IN COMPUTER SYSTEM BACKUP PROCEDURES**  
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The office had the following weaknesses regarding computer system backup procedures during the audit period:

- A. System backups were not stored off-site. In the event of a disaster, all backup data could be destroyed, resulting in costly delays in generating and recording information accounted for through the automated process.
- B. Daily backups were not stored in a secure location. Unsecured access to system backups exposes the data to environmental hazards, as well as possible sabotage.
- C. A backup log was not maintained. If system backups are not labeled and inventoried systematically, discrepancies may occur and affect the integrity of system backups in the event of a hardware or software failure.
- D. Backups were not tested to ensure reliability. If backup integrity is not periodically tested, accurate backup data may not be available in the event of a disaster.

Sound business practices dictate that proper backup procedures be implemented. This deficiency is the result of management's failure to implement adequate disaster recovery planning procedures.

### RECOMMENDATION

Management should store daily backups in a secure, fireproof location. In addition to daily system backups, a weekly system backup should be rotated off-site on a weekly basis. Year-end backups should be stored off-site and retained indefinitely. Some possibilities for an off-site storage location would be another county office building with a fireproof vault or a safe-deposit box at a local bank. Furthermore, these backups should be tested on a periodic basis to ensure reliability. A current log of all backups that includes label descriptions, date of creation, contents, and storage location should be maintained.

---

### OFFICE OF ROAD SUPERVISOR

FINDING 08.10      **THE OFFICE HAD DEFICIENCIES IN COMPUTER SYSTEM BACKUP PROCEDURES**  
(Internal Control – Significant Deficiency Under Government Auditing Standards)

System backups were not stored off-site until several months into the fiscal year. Sound business practices dictate that system backups should be stored off-site. This deficiency is the result of management's failure to implement adequate disaster recovery planning procedures. In the event of a disaster, all backup data could be destroyed, resulting in costly delays in generating and recording information accounted for through the automated process. Proper system backup procedures are now in place.

---

### OFFICE OF SHERIFF

FINDING 08.11      **THE OFFICE HAD DEFICIENCIES IN COMMISSARY OPERATIONS**  
(Noncompliance Under Government Auditing Standards)

The following deficiencies were noted in the operation of the commissary and can be attributed to the failure of management to correct audit findings noted in prior reports.

- A. Official prenumbered receipts were not issued for some collections. Also, employees could not locate one of the receipts books used during the year for commissary funds; therefore, we could not compare these receipts with deposits. Section 9-2-103, Tennessee Code Annotated (TCA), requires that official prenumbered receipts be issued for all collections. The absence of good internal controls over the issuance of receipts on all collections increases the risks of fraud and misappropriation.

- 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. The delay in depositing funds increases the risks of fraud and misappropriation.

RECOMMENDATION

Official prenumbered receipts should be issued for all collections, and receipts books should be available for audit inspection. All collections should be deposited to the bank account within three days as required by state statute.

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OTHER FINDINGS AND RECOMMENDATIONS

FINDING 08.12      **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. Sound business practice indicates that establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes. The absence of a central system of accounting, budgeting, and purchasing has been a management decision by the County Commission resulting in decentralization and some duplication of effort.

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.

---

FINDING 08.13      **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 the 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 accounting records were also involved in receipting, depositing, and/or disbursing funds. Accounting standards provide that internal controls be

designed to give reasonable assurance of the reliability of financial reporting and of the effectiveness and efficiency of operations. This lack of segregation of duties is the result of managements' decisions based on the availability of financial resources and is a significant deficiency in internal controls that increases the risk of unauthorized transactions.

RECOMMENDATION

Officials should segregate duties to the extent possible using available resources.

---

FINDING 08.14      **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 \$43,722 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. This same deficiency has been reported every year in audit reports since at least 2003 and has not been corrected by management.

RECOMMENDATION

Building 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.

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**CANNON COUNTY, TENNESSEE  
AUDITEE REPORTING RESPONSIBILITIES  
For the Year Ended June 30, 2008**

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