



**ANNUAL FINANCIAL REPORT
CANNON COUNTY, TENNESSEE**



FOR THE YEAR ENDED JUNE 30, 2010



**ANNUAL FINANCIAL REPORT
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FOR THE YEAR ENDED JUNE 30, 2010**

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This financial report is available at www.tn.gov/comptroller

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Audit Highlights

Annual Financial Report
Cannon County, Tennessee
For the Year Ended June 30, 2010

Scope

We have audited the basic financial statements of Cannon County as of and for the year ended June 30, 2010.

Results

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

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

Findings and Best Practice

The following are summaries of the audit findings and best practice:

CANNON COUNTY AND CANNON COUNTY SCHOOL DEPARTMENT

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

OFFICE OF COUNTY EXECUTIVE

- ◆ The General Fund required material audit adjustments for proper financial statement presentation.
 - ◆ Deficiencies were noted in the administration of the REACH after-school program.
 - ◆ Expenditures exceeded appropriations.
 - ◆ The office had deficiencies in purchasing procedures.
 - ◆ Payables were not determined and recorded in the Solid Waste/Sanitation Fund.
 - ◆ The office did not document compliance with the Davis-Bacon Act.
 - ◆ Government-wide financial statements did not include other postemployment benefits as required by generally accepted accounting principles.
-

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ The School Federal Projects Fund had a deficit in unreserved fund balance.
 - ◆ Expenditures and encumbrances exceeded appropriations.
-

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

- ◆ The office could change computer generated receipt numbers.
-

OFFICE OF SHERIFF

- ◆ The office had deficiencies in commissary operations.
-

OTHER FINDINGS

- ◆ Cannon County has material recurring audit findings.
 - ◆ 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, and Sheriff.
-

BEST PRACTICE

Cannon County does not have a central system of accounting, budgeting, and purchasing. The Division of County Audit strongly believes that a central system of accounting, budgeting, and purchasing is a best practice that should be adopted by the governing body as a means of significantly improving accountability and the quality of services provided to the citizens of Cannon County.

INTRODUCTORY SECTION

Cannon County Officials

June 30, 2010

Officials

Mike Gannon, County Executive
Wayne Hancock, Road Supervisor
Barbara Parker, Director of Schools
James Maxwell, Trustee
Donald Preston, Assessor of Property
Bobby Smith, County Clerk
Lynne Foster, Circuit and General Sessions Courts Clerk
Harold Patrick, Clerk and Master
Deborah Morris, Register
Billy Nichols, Sheriff

Board of County Commissioners

Mike Gannon, County Executive, Chairman
Karen Ashford
Mark Barker
Kevin George
Todd Hollandsworth
Greg Mitchell

Kevin Mooneyham
Nathan Nichols
Rebekah Parton
Robert Stoetzel
Joe Wimberly

Highway Commission

James Hancock, Chairman
Wayne Alexander
Jerry Pelham

Board of Education

Randy Gannon, Chairman
Chris Blackburn
Shannon Davenport

Cathy Hyatt
Roy Parker

Industrial Development Board

Jackie Francis, Chairman
Buddy Davenport
John Higgins
Bill Jennings
Greg Mitchell

Gary Nichols
Randall Reid
Larry Richards
Greg Rogers

FINANCIAL SECTION



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
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INDEPENDENT AUDITOR'S REPORT

November 5, 2010

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, 2010, 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, 2010, 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.

The financial statements of the Cannon County Library System, a nonmajor special revenue fund, have not been made available by other auditors as of the date of this report. Accordingly, the aggregate remaining fund information of Cannon County, Tennessee, referred to above does not include the financial statements of the Cannon County Library System, which should be included to conform with accounting principles generally accepted in the United States of America. The effects on the financial statements are not reasonably determinable.

In our opinion, except for the effects of the matter discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the aggregate remaining fund information of Cannon County, Tennessee, as of June 30, 2010, 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.

Additionally, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Cannon County, Tennessee, as of June 30, 2010, 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 November 5, 2010, 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.

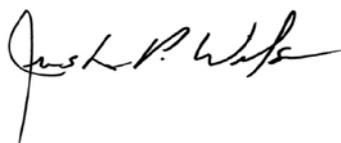
As described in Note V.B., Cannon County has adopted Governmental Accounting Standards Board Statement No. 51, Accounting and Financial Reporting for Intangible Assets; and Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, which became effective for the year ended June 30, 2010.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison, pension, and other postemployment benefits information on pages 60 through 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a prominent vertical stroke at the end.

Justin P. Wilson
Comptroller of the Treasury

JPW/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

Cannon County, Tennessee
Statement of Net Assets
June 30, 2010

	Primary Governmental Activities	Component Units	
		Cannon County School Department	Cannon County Industrial Development Board
<u>ASSETS</u>			
Cash	\$ 89,181	\$ 1,317	\$ 0
Equity in Pooled Cash and Investments	4,218,163	2,593,738	91,645
Accounts Receivable	581,590	0	0
Allowance for Uncollectibles	(154,383)	0	0
Due from Other Governments	521,654	275,650	0
Property Taxes Receivable	3,335,629	2,019,844	0
Allowance for Uncollectible Property Taxes	(51,332)	(31,083)	0
Capital Assets:			
Assets Not Depreciated:			
Land	271,349	140,635	574,512
Construction in Progress	626,871	22,283	0
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	2,579,489	10,889,700	2,100,419
Other Capital Assets	586,733	340,232	0
Infrastructure	12,156,810	0	0
Total Assets	<u>\$ 24,761,754</u>	<u>\$ 16,252,316</u>	<u>\$ 2,766,576</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 54,485	\$ 0	\$ 0
Payroll Deductions Payable	150	253	0
Accrued Interest Payable	13,584	0	0
Contracts Payable	157,177	0	0
Retainage Payable	35,228	0	0
Due to State of Tennessee	0	548	0
Deferred Revenue - Current Property Taxes	3,078,395	1,864,081	0
Noncurrent Liabilities:			
Due Within One Year	707,665	3,856	43,104
Due in More Than One Year	10,735,696	276,730	499,239
Total Liabilities	<u>\$ 14,782,380</u>	<u>\$ 2,145,468</u>	<u>\$ 542,343</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	\$ 14,703,269	\$ 0	\$ 2,132,588
Invested in Capital Assets	0	11,392,850	0
Restricted for:			
Solid Waste/Sanitation	37,203	0	0
Drug Control	111,915	0	0
Highway/Public Works	1,231,369	0	0
Debt Service	2,507,801	0	0
School Federal Projects	0	48,550	0
Central Cafeteria	0	282,976	0
Other Purposes	261,706	1,815,288	0
Unrestricted	(8,873,889)	567,184	91,645
Total Net Assets	<u>\$ 9,979,374</u>	<u>\$ 14,106,848</u>	<u>\$ 2,224,233</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, 2010

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 Governmental Activities	Cannon County School Department	Cannon County Industrial Development Board			
Primary Government:										
Governmental Activities:										
General Government	\$ 961,153	\$ 91,567	\$ 16,380	\$ 454,300	\$ (398,906)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Finance	399,312	276,071	3,743	0	(119,498)	0	0	0	0	0
Administration of Justice	461,152	333,456	29,894	0	(97,802)	0	0	0	0	0
Public Safety	2,407,708	242,163	363,901	0	(1,801,644)	0	0	0	0	0
Public Health and Welfare	1,733,231	599,981	338,284	0	(794,966)	0	0	0	0	0
Social, Cultural, and Recreational Services	397,424	7,964	134,545	0	(254,915)	0	0	0	0	0
Agriculture and Natural Resources	68,604	2,200	0	0	(66,404)	0	0	0	0	0
Other Operations	165,267	37,566	0	0	(127,701)	0	0	0	0	0
Highways/Public Works	1,690,606	61,023	1,360,267	42,677	(226,639)	0	0	0	0	0
Interest on Long-term Debt	76,453	0	0	0	(76,453)	0	0	0	0	0
Other Debt Service	55,406	0	255,541	0	200,135	0	0	0	0	0
Total Governmental Activities	\$ 8,416,316	\$ 1,651,991	\$ 2,502,555	\$ 496,977	\$ (3,764,793)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Primary Government	\$ 8,416,316	\$ 1,651,991	\$ 2,502,555	\$ 496,977	\$ (3,764,793)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Component Units:										
School Department	\$ 17,709,777	\$ 406,116	\$ 2,600,952	\$ 11,309	\$ 0	\$ (14,691,400)	\$ 0	\$ 0	\$ 0	\$ 0
Industrial Development Board	107,330	43,200	0	0	0	0	0	0	0	(64,130)
Total Component Units	\$ 17,817,107	\$ 449,316	\$ 2,600,952	\$ 11,309	\$ 0	\$ (14,691,400)	\$ 0	\$ (64,130)	\$ 0	\$ (64,130)

(Continued)

Exhibit B

Cannon County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets					
	Program Revenues			Component Units		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Total Governmental Activities	Cannon County School Department	Cannon County Industrial Development Board
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes				\$ 3,038,088	\$ 1,870,715	\$ 0
Property Taxes Levied for Debt Service				86,912	0	0
Local Option Sales Taxes				110,563	468,396	0
Litigation Tax - General				41,209	1,113	0
Litigation Tax - Jail, Workhouse, or Courthouse				13,880	0	0
Litigation Tax - Special Purpose				17,373	0	0
Wheel Tax				622,961	0	0
Wholesale Beer Tax				75,270	0	0
Mineral Severance Tax				9,706	0	0
Business Tax				45,972	0	0
Other Local Taxes				813	0	0
Grants and Contributions Not Restricted to Specific Programs				97,308	11,839,676	0
Unrestricted Investment Earnings				97,764	0	0
Miscellaneous				6,610	42,780	0
Total General Revenues				\$ 4,264,429	\$ 14,222,680	\$ 0
Change in Net Assets				\$ 499,636	\$ (468,720)	\$ (64,130)
Net Assets, July 1, 2009				9,479,738	14,575,568	2,288,363
Net Assets, June 30, 2010				\$ 9,979,374	\$ 14,106,848	\$ 2,224,233

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

Exhibit C-1

Cannon County, Tennessee
 Balance Sheet
 Governmental Funds
 June 30, 2010

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Governmental Funds	Governmental Funds	
Cash	\$ 0	\$ 0	\$ 0	\$ 89,181	\$ 89,181	\$ 89,181
Equity in Pooled Cash and Investments	607,328	989,606	2,515,684	105,545	4,218,163	4,218,163
Accounts Receivable	580,552	0	0	1,038	581,590	581,590
Allowance for Uncollectibles	(154,383)	0	0	0	(154,383)	(154,383)
Due from Other Governments	267,498	245,428	0	8,728	521,654	521,654
Due from Other Funds	86	0	0	38,926	39,012	39,012
Property Taxes Receivable	2,877,206	0	92,336	366,087	3,335,629	3,335,629
Allowance for Uncollectible Property Taxes	(44,633)	0	(1,421)	(5,278)	(51,332)	(51,332)
Total Assets	\$ 4,133,654	\$ 1,235,034	\$ 2,606,599	\$ 604,227	\$ 8,579,514	\$ 8,579,514

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

LIABILITIES AND FUND BALANCES

Liabilities
 Accounts Payable
 Payroll Deductions Payable
 Contracts Payable
 Retainage Payable
 Due to Other Funds
 Deferred Revenue - Current Property Taxes
 Deferred Revenue - Delinquent Property Taxes
 Other Deferred Revenues
 Total Liabilities

\$ 25,752	\$ 3,665	\$ 0	\$ 25,068	\$ 54,485
150	0	0	0	150
157,177	0	0	0	157,177
35,228	0	0	0	35,228
0	0	0	39,012	39,012
2,652,321	0	85,215	340,860	3,078,396
172,699	0	5,461	19,113	197,273
389,522	113,260	0	4,530	507,312
\$ 3,432,849	\$ 116,925	\$ 90,676	\$ 428,583	\$ 4,069,033

(Continued)

Exhibit C-1

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

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Governmental Funds		
<u>Fund Balances</u>						
Reserved for Purchase of Electronic Fingerprint Imaging System	\$ 0	\$ 0	0	\$ 14,007	\$ 14,007	14,007
Reserved for Alcohol and Drug Treatment	62,746	0	0	0	62,746	62,746
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	130,736	0	0	0	130,736	130,736
Reserved for Sexual Offender Registration	3,760	0	0	0	3,760	3,760
Reserved for Courtroom Security	1,601	0	0	0	1,601	1,601
Reserved for Computer System - Register	25,002	0	0	0	25,002	25,002
Reserved for Automation Purposes - Circuit Court	1,453	0	0	0	1,453	1,453
Reserved for Automation Purposes - General Sessions Court	22,466	0	0	0	22,466	22,466
Reserved for Automation Purposes - Chancery Court	1,864	0	0	0	1,864	1,864
Reserved for Automation Purposes - Sheriff	11,365	0	0	0	11,365	11,365
Reserved for Aging Programs	713	0	0	0	713	713
Unreserved, Reported In:						
General Fund	439,099	0	0	0	439,099	439,099
Special Revenue Funds	0	1,118,109	0	161,637	1,279,746	1,279,746
Debt Service Funds	0	0	2,515,923	0	2,515,923	2,515,923
<u>Total Fund Balances</u>	\$ 700,805	\$ 1,118,109	\$ 2,515,923	\$ 175,644	\$ 4,510,481	
<u>Total Liabilities and Fund Balances</u>	\$ 4,133,654	\$ 1,235,034	\$ 2,606,599	\$ 604,227	\$ 8,579,514	

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, 2010

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)		\$	4,510,481
(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: construction in progress		626,871	
Add: infrastructure net of accumulated depreciation		12,156,809	
Add: buildings and improvements net of accumulated depreciation		2,579,490	
Add: other capital assets net of accumulated depreciation		<u>586,733</u>	16,221,252
(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	\$	(304,081)	
Less: other loans payable		(11,054,902)	
Less: compensated absences payable		(84,378)	
Less: accrued interest on bonds, notes, other loans, and capital leases		<u>(13,583)</u>	(11,456,944)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>704,585</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>9,979,374</u></u>

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

Exhibit C-3

Cannon County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2010

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other		
				Governmental Funds	Governmental Funds	
Revenues						
Local Taxes	\$ 2,975,597	\$ 11,206	\$ 709,020	\$ 355,536	\$ 4,051,359	
Licenses and Permits	8,409	0	0	0	8,409	
Fines, Forfeitures, and Penalties	86,849	0	0	81,175	168,024	
Charges for Current Services	570,705	0	0	266,395	837,100	
Other Local Revenues	328,619	61,023	0	220	389,862	
Fees Received from County Officials	289,631	0	0	0	289,631	
State of Tennessee	329,939	1,401,644	0	0	1,731,583	
Federal Government	858,262	0	0	0	858,262	
Other Governments and Citizens Groups	213,411	0	255,541	40,000	508,952	
Total Revenues	\$ 5,661,422	\$ 1,473,873	\$ 964,561	\$ 743,326	\$ 8,843,182	
Expenditures						
Current:						
General Government	\$ 606,092	\$ 0	\$ 0	\$ 29,598	\$ 635,690	
Finance	178,680	0	0	220,427	399,107	
Administration of Justice	440,136	0	0	0	440,136	
Public Safety	2,130,654	0	0	10,111	2,140,765	
Public Health and Welfare	1,052,113	0	0	491,024	1,543,137	
Social, Cultural, and Recreational Services	376,220	0	0	0	376,220	
Agriculture and Natural Resources	68,604	0	0	0	68,604	
Other Operations	1,342,264	0	0	0	1,342,264	
Highways	0	1,119,444	0	0	1,119,444	
Capital Outlay	59,000	0	0	0	59,000	
Debt Service:						
Principal on Debt	0	39,000	631,620	0	670,620	
Interest on Debt	0	1,881	75,250	0	77,131	
Other Debt Service	0	0	55,406	0	55,406	
Total Expenditures	\$ 6,253,763	\$ 1,160,325	\$ 762,276	\$ 751,160	\$ 8,927,524	

(Continued)

Exhibit C-3

Cannon County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2010

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Governmental Funds		
Excess (Deficiency) of Revenues Over Expenditures	\$ (592,341)	\$ 313,548	\$ 202,285	\$ (7,834)	\$	(84,342)
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 59,000	\$ 0	\$ 0	\$ 0	\$	59,000
Transfers In	0	0	0	110,000		110,000
Transfers Out	(110,000)	0	0	0		(110,000)
Total Other Financing Sources (Uses)	\$ (51,000)	\$ 0	\$ 0	\$ 110,000	\$	59,000
Net Change in Fund Balances	\$ (643,341)	\$ 313,548	\$ 202,285	\$ 102,166	\$	(25,342)
Fund Balance, July 1, 2009	1,344,146	804,561	2,313,638	73,478		4,535,823
Fund Balance, June 30, 2010	\$ 700,805	\$ 1,118,109	\$ 2,515,923	\$ 175,644	\$	4,510,481

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, 2010

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)		\$	(25,342)
(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	\$	650,979	
Less: current year depreciation expense		<u>(801,134)</u>	(150,155)
(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, 2010	\$	704,585	
Less: deferred delinquent property taxes and other deferred June 30, 2009		<u>(631,815)</u>	72,770
(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	\$	(59,000)	
Add: principal payments on notes		140,082	
Add: principal payments on other loans		<u>530,538</u>	611,620
(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 the governmental funds.			
Change in accrued interest payable	\$	679	
Change in compensated absences payable		<u>(9,936)</u>	<u>(9,257)</u>
Change in net assets of governmental activities (Exhibit B)			<u>\$ 499,636</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, 2010

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 841,716
Due from Other Governments	<u>60,556</u>
Total Assets	<u><u>\$ 902,272</u></u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 60,556
Due to Litigants, Heirs, and Others	<u>841,716</u>
Total Liabilities	<u><u>\$ 902,272</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, 2010

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. Although required by GAAP, the financial statements of the Cannon County Library System, a nonmajor special revenue fund, were not available from other auditors in time for inclusion in this report. 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.

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 report 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.

Cannon County issues all debt for the discretely presented Cannon County School Department.

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 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.

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 funds:

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.

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

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

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; deposit accounts at state and federal chartered banks and savings and loan associations; repurchase agreements; the State Treasurer’s Investment Pool; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county’s own legally issued bonds or notes.

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 receivables 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 .95 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.

Retainage payable in the General Fund represents amounts withheld from payments made on construction contracts pending completion of the projects. These amounts are held by the trustee as Equity in Pooled Cash and Investments in the General Fund.

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 from service with the government. 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 from service with the government. 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 and other postemployment benefits, 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 \$261,706, with the primary restrictions being for: (1) alcohol and drug treatment (\$62,746); (2) computer systems for various offices (\$62,150); and (3) litigation taxes used for courthouse and jail maintenance (\$130,736). For the discretely presented School Department, the account Restricted for Other Purposes (\$1,815,288) consists primarily of restrictions for the Basic Education Program (\$1,805,215).

As of June 30, 2010, Cannon County had \$9,841,000 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 County 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 discretely presented School Department's School Federal Projects Fund (special revenue fund) had a deficit in unreserved fund balance of \$34,313 at June 30, 2010. This deficit resulted from the deferral of certain revenues

under the School Department's revenue recognition policy. The deficit was liquidated when these revenues were recognized after June 30, 2010.

C. Expenditures Exceeded Appropriations

Expenditures exceeded total appropriations approved by the County Commission in the Solid Waste/Sanitation Fund by \$3,884.

Also, 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>
Primary Government:	
<u>General:</u>	
County Mayor/Executive	\$ 421
Jail	75,491
Fire Prevention and Control	108
Rural Fire Protection	4,055
Ambulance/Emergency Medical Services	378
General Welfare Assistance	123
Other Local Welfare Services	68
Other Social, Cultural, and Recreational	1,410
Other Economic and Community Development	192,405
Contributions to Other Agencies	1,999
 <u>General Debt Service:</u>	
Other Debt Service - Education	3,381
 Discretely Presented Cannon County	
School Department:	
<u>General Purpose School:</u>	
Support Services - Other Student Support	12,026

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 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; deposits at state and federal chartered banks and savings and loan associations; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; 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 Comptroller's Office 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 fair value of the securities on the day of purchase.

The county had no pooled and nonpooled investments as of June 30, 2010.

B. Capital Assets

Capital assets activity for the year ended June 30, 2010, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-09	Increases	Balance 6-30-10
Capital Assets Not Depreciated:			
Land	\$ 271,349	\$ 0	\$ 271,349
Construction in Progress	0	626,871	626,871
Total Capital Assets Not Depreciated	\$ 271,349	\$ 626,871	\$ 898,220
Capital Assets Depreciated:			
Buildings and Improvements	\$ 5,873,580	\$ 0	\$ 5,873,580
Roads and Bridges	21,917,523	0	21,917,523
Other Capital Assets	1,385,093	24,108	1,409,201
Total Capital Assets Depreciated	\$ 29,176,196	\$ 24,108	\$ 29,200,304
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 3,151,669	\$ 142,422	\$ 3,294,091
Roads and Bridges	9,241,556	519,157	9,760,713
Other Capital Assets	682,913	139,555	822,468
Total Accumulated Depreciation	\$ 13,076,138	\$ 801,134	\$ 13,877,272
Total Capital Assets Depreciated, Net	\$ 16,100,058	\$ (777,026)	\$ 15,323,032
Governmental Activities Capital Assets, Net	\$ 16,371,407	\$ (150,155)	\$ 16,221,252

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

Governmental Activities:

General Government	\$ 75,974
Public Safety	102,815
Public Health and Welfare	29,711
Social, Cultural, and Recreational Services	21,472
Highways/Public Works	<u>571,162</u>
 Total Depreciation Expense - Governmental Activities	 <u>\$ 801,134</u>

Discretely Presented Cannon County School Department

Governmental Activities:

	Balance 7-1-09	Increases	Balance 6-30-10
Capital Assets Not Depreciated:			
Land	\$ 140,635	\$ 0	\$ 140,635
Construction in Progress	0	22,283	22,283
Total Capital Assets Not Depreciated	<u>\$ 140,635</u>	<u>\$ 22,283</u>	<u>\$ 162,918</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 18,860,841	\$ 0	\$ 18,860,841
Other Capital Assets	518,240	56,520	574,760
Total Capital Assets Depreciated	<u>\$ 19,379,081</u>	<u>\$ 56,520</u>	<u>\$ 19,435,601</u>
Less Accumulated Depreciated For:			
Buildings and Improvements	\$ 7,541,726	\$ 429,415	\$ 7,971,141
Other Capital Assets	193,826	40,702	234,528
Total Accumulated Depreciation	<u>\$ 7,735,552</u>	<u>\$ 470,117</u>	<u>\$ 8,205,669</u>
Total Capital Assets Depreciated, Net	<u>\$ 11,643,529</u>	<u>\$ (413,597)</u>	<u>\$ 11,229,932</u>
Governmental Activities Capital Assets, Net	<u>\$ 11,784,164</u>	<u>\$ (391,314)</u>	<u>\$ 11,392,850</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>40,702</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 470,117</u>

Discretely Presented Cannon County Industrial Development Board

Governmental Activities:

	Balance 7-1-09	Increases	Balance 6-30-10
Capital Assets Not Depreciated:			
Land	\$ 574,512	\$ 0	\$ 574,512
Total Capital Assets Not Depreciated	<u>\$ 574,512</u>	<u>\$ 0</u>	<u>\$ 574,512</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 3,572,752	\$ 0	\$ 3,572,752
Total Capital Assets Depreciated	<u>\$ 3,572,752</u>	<u>\$ 0</u>	<u>\$ 3,572,752</u>
Less Accumulated Depreciated For:			
Buildings and Improvements	\$ 1,383,014	\$ 89,319	\$ 1,472,333
Total Accumulated Depreciation	<u>\$ 1,383,014</u>	<u>\$ 89,319</u>	<u>\$ 1,472,333</u>
Total Capital Assets Depreciated, Net	<u>\$ 2,189,738</u>	<u>\$ (89,319)</u>	<u>\$ 2,100,419</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,764,250</u>	<u>\$ (89,319)</u>	<u>\$ 2,674,931</u>

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

Governmental Activities:

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

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2010, is as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General	Nonmajor governmental	\$ 86
Nonmajor governmental	Nonmajor governmental	38,926
Discretely Presented School Department		
General Purpose School	School Federal Projects	17,195
Central Cafeteria	General Purpose School	939

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

A portion of the receivable in the Central Cafeteria Fund (\$930) was in transit from the General Purpose School Fund at June 30, 2010.

Interfund Transfers:

Interfund transfers for the year ended June 30, 2010, consisted of the following amounts:

Primary Government

<u>Transfer Out</u>	<u>Transfer In</u> Nonmajor Govern- mental Fund
General Fund	\$ 110,000

Discretely Presented Cannon County School Department

<u>Transfer Out</u>	<u>Transfer In</u> General Purpose School Fund
School Federal Projects Fund	\$ 17,195

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, 2010, will be retired from the General Debt Service and Highway/Public Works funds.

Capital outlay notes and other loans outstanding, as of June 30, 2010, are as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Original Amount of issue</u>	<u>Balance 6-30-10</u>
Capital Outlay Notes	2.96 to 3.8%	\$ 1,091,225	\$ 304,081
Other Loans	Variable	14,462,000	10,666,000
Other Loans	4.375 to 4.5	400,000	388,902

Cannon County entered into various loan agreements with the Montgomery County Public Building Authority (PBA) to finance various capital projects for Cannon County and the discretely presented Cannon County School Department. Under the loan agreements, the PBA issued revenue bonds and made the proceeds available for loan to Cannon County. 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.

The following table summarizes loan agreements outstanding at June 30, 2010:

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-10	Interest Type	Interest Rate as of 6-30-10	Fee Rate as of 6-30-10
Series 1997	\$ 1,642,000	\$ 943,000	Variable	.52 %	.43 %
Series 1999	11,400,000	8,898,000	Variable	.47	.43
Series 2002	1,420,000	825,000	Variable	.44	.58

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.

During 2008-09, Cannon County received a USDA Rural Development Loan of \$100,000 for the renovation of the E-911 building. This loan is repayable to USDA at an interest rate of 4.5 percent.

The annual requirements to amortize all notes and other loans outstanding as of June 30, 2010, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Notes		
	Principal	Interest	Total
2011	\$ 146,706	\$ 9,106	\$ 155,812
2012	107,006	5,161	112,167
2013	50,369	1,743	52,112
Total	\$ 304,081	\$ 16,010	\$ 320,091

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2011	\$ 556,738	\$ 67,492	\$ 50,161	\$ 674,391
2012	582,947	64,673	47,653	695,273
2013	611,164	61,722	45,028	717,914
2014	640,391	58,629	42,277	741,297
2015	671,629	55,387	39,395	766,411
2016-2020	3,494,090	223,109	146,311	3,863,510
2021-2025	3,424,807	137,230	66,999	3,629,036
2026-2030	831,378	63,677	4,383	899,438
2031-2035	61,254	48,126	0	109,380
2036-2040	75,984	33,397	0	109,381
2041-2045	94,217	15,122	0	109,339
2046-2047	10,303	699	0	11,002
Total	\$ 11,054,902	\$ 829,263	\$ 442,207	\$ 12,326,372

There is \$2,515,923 available in the General Debt Service Fund to service long-term debt. Debt per capita, including notes and other loans totaled \$886, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2010, was as follows:

Governmental Activities:	Notes	Other Loans	Compensated Absences
Balance, July 1, 2009	\$ 385,163	\$ 11,585,440	\$ 74,442
Additions	59,000	0	103,204
Deductions	(140,082)	(530,538)	(93,268)
Balance, June 30, 2010	<u>\$ 304,081</u>	<u>\$ 11,054,902</u>	<u>\$ 84,378</u>
Balance Due Within One Year	<u>\$ 146,706</u>	<u>\$ 556,738</u>	<u>\$ 4,220</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2010	\$ 11,443,361
Less: Balance Due Within One Year	<u>(707,665)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 10,735,696</u>

Compensated absences will be paid from the employing funds, 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, 2010, was as follows:

Governmental Activities:

	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2009	\$ 65,818	\$ 147,678
Additions	62,567	164,351
Deductions	(51,253)	(108,575)
Balance, June 30, 2010	<u>\$ 77,132</u>	<u>\$ 203,454</u>
Balance Due Within One Year	<u>\$ 3,856</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2010	\$ 280,586
Less: Balance Due Within One Year	<u>(3,856)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 276,730</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, 2010, will be retired from the General Fund.

Other loans outstanding as of June 30, 2010, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-10
Other Loans	1 to 4.5%	\$ 1,032,500	\$ 542,343

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, 2010, including interest payments, are presented in the following table:

Year Ending June 30	Other Loans		
	Principal	Interest	Total
2011	\$ 43,108	\$ 16,065	\$ 59,173
2012	44,278	14,894	59,172
2013	45,538	13,634	59,172
2014	46,815	12,357	59,172
2015	47,702	12,003	59,705
2016-2020	241,095	37,580	278,675
2021-2024	73,807	6,122	79,929
Total	\$ 542,343	\$ 112,655	\$ 654,998

Changes in Long-term Liabilities

Long-term liability activity for the discretely presented Cannon County Industrial Development Board for the year ended June 30, 2010, was as follows:

Governmental Activities:	Other Loans
Balance, July 1, 2009	\$ 620,879
Deductions	(78,536)
Balance, June 30, 2010	\$ 542,343
Balance Due Within One Year	\$ 43,108

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2010	\$ 542,343
Less: Balance Due Within One Year	<u>(43,104)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 499,239</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, 2010, were \$45,131 and \$8,542, 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 (\$200,000) and Solid Waste/Sanitation funds (\$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, 2010, was as follows:

	Balance 7-1-09	Issued	Paid	Balance 6-30-10
Tax Anticipation Notes	\$ 0	\$ 400,000	\$ (400,000)	\$ 0

V. OTHER INFORMATION

A. Risk Management

Cannon County, Cannon County School Department, and 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

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 51, Accounting and Financial Reporting for Intangible Assets; and Statement No. 53, Accounting and Financial Reporting for Derivative Instruments became effective for the year ended June 30, 2010.

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets. Intangible assets have three characteristics: lack of physical substance; nonfinancial in nature; and a useful life that extends beyond a single reporting period. Assets that have these characteristics and are identifiable to the government should be reported as capital assets and amortized over their useful lives. Easements, water rights, patents, and computer software are examples of intangible assets that should be recognized under GASB Statement No. 51. Cannon County and the Cannon County School Department have no assets that met the definition of intangible assets at June 30, 2010. However, it is reasonably expected that Cannon County and the School Department may acquire intangible assets in subsequent years.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by county governments. Derivative instruments are financial arrangements used by governments as investments; hedges against identified financial risks; or to lower the cost of borrowings. Interest rate swaps and locks, options, swaptions, forward contracts, and futures contracts are among the commonly used types of derivatives mentioned in GASB Statement No. 53. Derivative instruments associated with fluctuating financial and commodity prices result in changing cash flows and fair values that can be used as effective risk management or investment tools. For the same reasons, derivative instruments can expose governments to significant risks and

liabilities. The requirements of GASB Statement No. 53 are intended to help users of financial information evaluate the effectiveness and associated risks involved with Cannon County's derivative transactions. GASB Statement No. 53 requires most derivatives to be reported at fair value in the Statement of Net Assets. Changes in fair value for derivative instruments that are intended for investment purposes or that are reported like investment derivative instruments because of ineffectiveness are reported as investment revenues in the Statement of Activities. Alternatively, the changes in fair value of derivative instruments that are classified as hedging (i.e. effective) derivative instruments are reported in the Statement of Net Assets as deferrals. Cannon County had not participated in derivative transactions as of June 30, 2010. However, it is reasonably expected that Cannon County may enter into derivative transactions in subsequent years.

C. Subsequent Events

On July 13, 2010, Harold Patrick retired from the Office of Clerk and Master and was succeeded by William Bryson.

On July 15, 2010, the General Debt Service Fund issued a \$100,000 tax anticipation note to the Solid/Waste Sanitation Fund for temporary operating funds.

On August 31, 2010, James Maxwell left the Office of Trustee and was succeeded by Wayne Prater, and Billy Nichols left the Office of Sheriff and was succeeded by Darrell Young.

On September 23, 2010, the General Debt Service Fund issued a \$200,000 tax anticipation note to the General Fund for temporary operating funds.

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. Changes in Administration

On August 1, 2009, Barbara Parker succeeded interim director Elam Carlton as the director of schools.

On January 15, 2010, Robert Davenport retired from the Office of Circuit and General Sessions Courts Clerk and Lynne Foster was appointed by the County Commission to fulfill his unexpired term. Ms. Foster was subsequently elected to the position in August 2010.

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, 2010, 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

Plan Description

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

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/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, 2010, was 8.07 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Cannon County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2010, Cannon County's annual pension cost of \$320,881 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2007, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. 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, 2007, was eight years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-10	\$320,881	100%	\$0
6-30-09	314,477	100	0
6-30-08	281,825	100	0

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 81.19 percent funded. The actuarial accrued liability for benefits was \$8.83 million, and the actuarial value of assets was \$7.17 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.66 million. The covered payroll (annual payroll of active employees covered by the plan) was \$3.76 million, and the ratio of the UAAL to the covered payroll was 44.23 percent.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year 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 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. Cost of living adjustments (COLA) are provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is

granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

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

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2010, was 6.42 percent of annual covered payroll. The employer contribution requirement for the 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, 2010, 2009, and 2008, were \$503,338, \$508,490, and \$491,041, respectively, equal to the required contributions for each year.

H. Other Postemployment Benefits (OPEB)

Primary Government

In addition to the retirement commitments described above, Cannon County general government provides postemployment healthcare benefits through a commercial carrier that allows pre-65 age retirees to remain in the plan at the active employee rates. Although Cannon County makes no contributions to the premiums paid by these retirees, expenses/expenditures are implicitly incurred by the county in the form of higher premium costs due to the inclusion of these retirees. Generally accepted accounting principles (GAAP) require the county to calculate and report the impact of these implicit expenses/expenditures on the county's financial statements. The county did not obtain an actuarial valuation to determine the data necessary for the measurement, recognition, and display of other postemployment benefits (OPEB) necessary to prepare government-wide financial statements and note disclosures, as required by GASB Statement No. 45. This departure from GAAP results in an incomplete presentation of the government-wide financial statements. We believe this omission of data is not material to the government-wide financial statements at June 30, 2010; however, in the future, this omission will become material and will lead to a qualification in the auditor's report.

Discretely Presented Cannon County School Department

Plan Description

The Cannon County 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://tn.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, 2010, the discretely presented School Department contributed \$108,575 for postemployment health care.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan
	<hr/>
ARC	\$ 164,000
Interest on the NPO	6,646
Adjustment to the ARC	(6,295)
Annual OPEB cost	<hr/> \$ 164,351
Amount of contribution	(108,575)
Increase/decrease in NPO	<hr/> \$ 55,776
Net OPEB obligation, 7-1-09	<hr/> 147,678
Net OPEB obligation, 6-30-10	<hr/> <hr/> \$ 203,454

Fiscal Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
<hr/>		<hr/>	<hr/>	<hr/>
6-30-08	Local Education Group	\$ 139,526	57	% \$ 60,279
6-30-09	"	153,370	43	147,678
6-30-10	"	164,351	66	203,454

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2010, was as follows:

	Local Education Group Plan
	<hr/>
Actuarial valuation date	7-1-09
Actuarial accrued liability (AAL)	\$ 1,487,000
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 1,487,000
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 9,501,761
UAAL as a % of covered payroll	16%

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 required supplementary information 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 July 1, 2009, actuarial valuation the projected unit credit actuarial cost method was used and the actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses). The Local Education Plan had an annual healthcare cost trend rate of four percent for fiscal year 2010. The trend will rise to ten percent in fiscal year 2011 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. This rate includes 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.

**REQUIRED SUPPLEMENTARY
INFORMATION**

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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,975,597	\$ 2,982,400	\$ 2,982,400	\$ (6,803)
Licenses and Permits	8,409	650	650	7,759
Fines, Forfeitures, and Penalties	86,849	85,020	86,945	(96)
Charges for Current Services	570,705	402,350	447,695	123,010
Other Local Revenues	328,619	255,307	384,278	(55,659)
Fees Received from County Officials	289,631	292,900	292,900	(3,269)
State of Tennessee	329,939	521,017	432,757	(102,818)
Federal Government	858,262	240,865	1,125,476	(267,214)
Other Governments and Citizens Groups	213,411	237,679	244,130	(30,719)
Total Revenues	\$ 5,661,422	\$ 5,018,188	\$ 5,997,231	\$ (335,809)
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 3,899	\$ 4,306	\$ 4,306	\$ 407
County Mayor/Executive	168,854	168,233	168,433	(421)
Election Commission	106,982	135,095	135,095	28,113
Register of Deeds	105,118	110,475	110,475	5,357
County Buildings	221,239	199,871	229,871	8,632
Preservation of Records	0	2,000	2,000	2,000
<u>Finance</u>				
Property Assessor's Office	114,019	117,444	117,444	3,425
County Trustee's Office	24,795	29,457	29,457	4,662
County Clerk's Office	39,866	40,149	43,932	4,066
<u>Administration of Justice</u>				
Circuit Court	188,989	203,105	203,105	14,116
General Sessions Court	95,201	95,966	95,966	765
Chancery Court	101,131	104,503	104,503	3,372
Juvenile Court	23,093	26,777	28,702	5,609
Judicial Commissioners	22,741	23,007	23,007	266
Other Administration of Justice	8,981	50,000	46,700	37,719
<u>Public Safety</u>				
Sheriff's Department	919,981	942,351	950,794	30,813
Administration of the Sexual Offender Registry	906	0	906	0
Jail	676,871	584,673	601,380	(75,491)
Fire Prevention and Control	69,242	57,600	69,134	(108)
Rural Fire Protection	80,796	0	76,741	(4,055)
Rescue Squad	2,835	2,835	2,835	0
Other Emergency Management	12,749	12,750	12,750	1
Public Safety Grant Programs	291,615	285,165	291,616	1
Other Public Safety	75,659	0	75,660	1
<u>Public Health and Welfare</u>				
Local Health Center	30,698	32,788	32,788	2,090
Rabies and Animal Control	650	650	650	0

(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>				
Ambulance/Emergency Medical Services	\$ 782,739	\$ 782,737	\$ 782,361	\$ (378)
Nursing Home	6,021	10,884	37,700	31,679
Maternal and Child Health Services	99,999	100,000	100,000	1
Dental Health Program	5,991	85,000	5,992	1
Regional Mental Health Center	23,449	112,400	112,400	88,951
General Welfare Assistance	11,631	11,508	11,508	(123)
Aid to Dependent Children	0	50,000	50,000	50,000
Child Support	1,000	1,000	1,000	0
Other Local Welfare Services	44,646	20,000	44,578	(68)
Sanitation Management	29,236	29,237	29,237	1
Postclosure Care Costs	0	25,000	0	0
Other Public Health and Welfare	16,053	17,679	17,679	1,626
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	138,197	109,395	138,425	228
Libraries	102,428	106,702	107,602	5,174
Parks and Fair Boards	51,163	52,485	52,485	1,322
Other Social, Cultural, and Recreational	84,432	0	83,022	(1,410)
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	68,604	66,810	72,824	4,220
<u>Other Operations</u>				
Other Economic and Community Development	803,997	0	611,592	(192,405)
Veterans' Services	13,532	13,610	13,610	78
Other Charges	214,645	279,000	242,179	27,534
Contributions to Other Agencies	34,189	25,569	32,190	(1,999)
Employee Benefits	41,498	20,000	41,550	52
ARRA Grant No. 1	10,884	0	10,884	0
ARRA Grant No. 2	85,000	0	85,000	0
ARRA Grant No. 3	49,993	0	50,000	7
ARRA Grant No. 4	20,489	0	20,489	0
ARRA Grant No. 5	10,860	0	10,860	0
Miscellaneous	57,177	63,500	63,500	6,323
<u>Capital Outlay</u>				
Regular Capital Outlay	59,000	59,000	59,000	0
Total Expenditures	\$ 6,253,763	\$ 5,270,716	\$ 6,345,917	\$ 92,154
Excess (Deficiency) of Revenues				
Over Expenditures	\$ (592,341)	\$ (252,528)	\$ (348,686)	\$ (243,655)
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 59,000	\$ 0	\$ 59,000	\$ 0
Other Loans Issued	0	59,000	0	0
Insurance Recovery	0	0	5,102	(5,102)

(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>Other Financing Sources (Uses) (Cont.)</u>				
Transfers In	\$ 0	\$ 200,000	\$ 0	\$ 0
Transfers Out	(110,000)	(200,000)	(110,000)	0
Total Other Financing Sources (Uses)	<u>\$ (51,000)</u>	<u>\$ 59,000</u>	<u>\$ (45,898)</u>	<u>\$ (5,102)</u>
Net Change in Fund Balance	\$ (643,341)	\$ (193,528)	\$ (394,584)	\$ (248,757)
Fund Balance, July 1, 2009	<u>1,344,146</u>	<u>1,429,802</u>	<u>1,429,802</u>	<u>(85,656)</u>
Fund Balance, June 30, 2010	<u>\$ 700,805</u>	<u>\$ 1,236,274</u>	<u>\$ 1,035,218</u>	<u>\$ (334,413)</u>

Exhibit E-2

Cannon County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 11,206	\$ 29,700	\$ 29,700	\$ (18,494)
Other Local Revenues	61,023	74,000	74,000	(12,977)
State of Tennessee	1,401,644	2,858,017	2,858,017	(1,456,373)
Federal Government	0	50,000	50,000	(50,000)
Total Revenues	<u>\$ 1,473,873</u>	<u>\$ 3,011,717</u>	<u>\$ 3,011,717</u>	<u>\$ (1,537,844)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 134,367	\$ 138,940	\$ 138,940	\$ 4,573
Highway and Bridge Maintenance	554,691	1,080,938	1,080,938	526,247
Operation and Maintenance of Equipment	205,705	259,390	259,390	53,685
Other Charges	74,722	75,191	75,191	469
Employee Benefits	89,121	88,200	94,523	5,402
Capital Outlay	60,838	1,397,882	1,357,000	1,296,162
<u>Principal on Debt</u>				
Highways and Streets	39,000	0	39,000	0
<u>Interest on Debt</u>				
Highways and Streets	1,881	0	1,882	1
Total Expenditures	<u>\$ 1,160,325</u>	<u>\$ 3,040,541</u>	<u>\$ 3,046,864</u>	<u>\$ 1,886,539</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 313,548</u>	<u>\$ (28,824)</u>	<u>\$ (35,147)</u>	<u>\$ 348,695</u>
Net Change in Fund Balance	\$ 313,548	\$ (28,824)	\$ (35,147)	\$ 348,695
Fund Balance, July 1, 2009	804,561	133,443	133,443	671,118
Fund Balance, June 30, 2010	<u>\$ 1,118,109</u>	<u>\$ 104,619</u>	<u>\$ 98,296</u>	<u>\$ 1,019,813</u>

Exhibit E-3

Cannon County, Tennessee
Schedule of Funding Progress – Pension Plan
Primary Government and Discretely Presented Cannon County School Department
June 30, 2010

(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)
			Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)			
7-1-09	\$ 7,172	\$ 8,833	\$ 1,661	81.19 %	\$ 3,756	44.23 %	
7-1-07	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 went into effect during the 2007 year; therefore, only the two most recent valuations were presented.

Exhibit E-4

Cannon County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plan
Discretely Presented Cannon County School Department
June 30, 2010

(Dollar amounts in thousands)

Plan	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	7-1-07	\$ 0	\$ 1,076	\$ 1,076	0 %	\$ 9,376	11 %
"	7-1-09	0	1,487	1,487	0	9,502	16

*Data for three actuarial valuations will be presented when available.

CANNON COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2010

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 County 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. EXPENDITURES EXCEEDED APPROPRIATIONS

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

Fund/Major Category	Amount Overspent
General:	
County Mayor/Executive	\$ 421
Jail	75,491
Fire Prevention and Control	108
Rural Fire Protection	4,055
Ambulance/Emergency Medical Services	378
General Welfare Assistance	123
Other Local Welfare Services	68
Other Social, Cultural, and Recreational	1,410
Other Economic and Community Development	192,405
Contributions to Other Agencies	1,999

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

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

Nonmajor Governmental Funds

Special Revenue Funds

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.

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

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

Constitutional Officers - Fees Fund – The Constitutional Officers - Fees Fund is used to account for operating expenses paid directly from the fee and commission accounts of the trustee, clerks, register, and sheriff.

Cannon County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees		
\$	0	0	89,181	\$	89,181
	32,556	72,989	0		105,545
	1,038	0	0		1,038
	8,728	0	0		8,728
	0	38,926	0		38,926
	366,087	0	0		366,087
	(5,278)	0	0		(5,278)
\$	403,131	111,915	89,181	\$	604,227

ASSETS

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

LIABILITIES AND FUND BALANCES

<u>Liabilities</u>					
Accounts Payable	25,068	0	0	0	25,068
Due to Other Funds	0	0	39,012	0	39,012
Deferred Revenue - Current Property Taxes	340,860	0	0	0	340,860
Deferred Revenue - Delinquent Property Taxes	19,113	0	0	0	19,113
Other Deferred Revenues	4,530	0	0	0	4,530
Total Liabilities	389,571	0	39,012	0	428,583
<u>Fund Balances</u>					
Reserved for Purchase of Electronic Fingerprint Imaging System	0	14,007	0	0	14,007
Unreserved	13,560	97,908	50,169	0	161,637
Total Fund Balances	13,560	111,915	50,169	0	175,644
Total Liabilities and Fund Balances	403,131	111,915	89,181	0	604,227

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, 2010

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	
<u>Revenues</u>				
Local Taxes	\$ 355,536	\$ 0	\$ 0	\$ 355,536
Fines, Forfeitures, and Penalties	0	81,175	0	81,175
Charges for Current Services	11,139	0	255,256	266,395
Other Local Revenues	0	220	0	220
Other Governments and Citizens Groups	40,000	0	0	40,000
Total Revenues	<u>\$ 406,675</u>	<u>\$ 81,395</u>	<u>\$ 255,256</u>	<u>\$ 743,326</u>
<u>Expenditures</u>				
Current:				
General Government	\$ 0	\$ 0	\$ 29,598	\$ 29,598
Finance	0	0	220,427	220,427
Public Safety	0	10,111	0	10,111
Public Health and Welfare	491,024	0	0	491,024
Total Expenditures	<u>\$ 491,024</u>	<u>\$ 10,111</u>	<u>\$ 250,025</u>	<u>\$ 751,160</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (84,349)</u>	<u>\$ 71,284</u>	<u>\$ 5,231</u>	<u>\$ (7,834)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 110,000	\$ 0	\$ 0	\$ 110,000
Total Other Financing Sources (Uses)	<u>\$ 110,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 110,000</u>
Net Change in Fund Balances	\$ 25,651	\$ 71,284	\$ 5,231	\$ 102,166
Fund Balance, July 1, 2009	(12,091)	40,631	44,938	73,478
Fund Balance, June 30, 2010	<u>\$ 13,560</u>	<u>\$ 111,915</u>	<u>\$ 50,169</u>	<u>\$ 175,644</u>

Exhibit F-3

Cannon County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 355,536	\$ 365,200	\$ 365,200	\$ (9,664)
Charges for Current Services	11,139	10,000	10,000	1,139
State of Tennessee	0	2,900	2,900	(2,900)
Other Governments and Citizens Groups	40,000	40,000	40,000	0
Total Revenues	<u>\$ 406,675</u>	<u>\$ 418,100</u>	<u>\$ 418,100</u>	<u>\$ (11,425)</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Management	\$ 491,024	\$ 407,140	\$ 487,140	\$ (3,884)
Total Expenditures	<u>\$ 491,024</u>	<u>\$ 407,140</u>	<u>\$ 487,140</u>	<u>\$ (3,884)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (84,349)</u>	<u>\$ 10,960</u>	<u>\$ (69,040)</u>	<u>\$ (15,309)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 110,000	\$ 200,000	\$ 110,000	\$ 0
Transfers Out	0	(200,000)	0	0
Total Other Financing Sources (Uses)	<u>\$ 110,000</u>	<u>\$ 0</u>	<u>\$ 110,000</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 25,651	\$ 10,960	\$ 40,960	\$ (15,309)
Fund Balance, July 1, 2009	<u>(12,091)</u>	<u>2,758</u>	<u>2,758</u>	<u>(14,849)</u>
Fund Balance, June 30, 2010	<u>\$ 13,560</u>	<u>\$ 13,718</u>	<u>\$ 43,718</u>	<u>\$ (30,158)</u>

Exhibit F-4

Cannon County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 81,175	\$ 32,200	\$ 33,925	\$ 47,250
Other Local Revenues	220	0	150	70
Total Revenues	<u>\$ 81,395</u>	<u>\$ 32,200</u>	<u>\$ 34,075</u>	<u>\$ 47,320</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Sheriff's Department	\$ 10,111	\$ 32,200	\$ 34,075	\$ 23,964
Total Expenditures	<u>\$ 10,111</u>	<u>\$ 32,200</u>	<u>\$ 34,075</u>	<u>\$ 23,964</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 71,284</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 71,284</u>
Net Change in Fund Balance	\$ 71,284	\$ 0	\$ 0	\$ 71,284
Fund Balance, July 1, 2009	40,631	34,358	34,358	6,273
Fund Balance, June 30, 2010	<u>\$ 111,915</u>	<u>\$ 34,358</u>	<u>\$ 34,358</u>	<u>\$ 77,557</u>

Major Governmental Fund

General Debt Service Fund

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.

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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 709,020	\$ 661,400	\$ 661,400	\$ 47,620
Other Governments and Citizens Groups	255,541	250,000	250,000	5,541
Total Revenues	<u>\$ 964,561</u>	<u>\$ 911,400</u>	<u>\$ 911,400</u>	<u>\$ 53,161</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 191,620	\$ 192,384	\$ 192,384	\$ 764
Education	440,000	440,000	440,000	0
<u>Interest on Debt</u>				
General Government	30,807	38,263	38,263	7,456
Education	44,443	170,000	170,000	125,557
<u>Other Debt Service</u>				
General Government	8,025	8,200	8,200	175
Education	47,381	44,000	44,000	(3,381)
Total Expenditures	<u>\$ 762,276</u>	<u>\$ 892,847</u>	<u>\$ 892,847</u>	<u>\$ 130,571</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 202,285</u>	<u>\$ 18,553</u>	<u>\$ 18,553</u>	<u>\$ 183,732</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 400,000	\$ 0	\$ 0
Transfers Out	0	(400,000)	0	0
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 202,285	\$ 18,553	\$ 18,553	\$ 183,732
Fund Balance, July 1, 2009	<u>2,313,638</u>	<u>2,256,409</u>	<u>2,256,409</u>	<u>57,229</u>
Fund Balance, June 30, 2010	<u>\$ 2,515,923</u>	<u>\$ 2,274,962</u>	<u>\$ 2,274,962</u>	<u>\$ 240,961</u>

Fiduciary Funds

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.

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

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

Exhibit H-1

Cannon County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2010

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 841,716	\$ 841,716
Due from Other Governments	60,556	0	60,556
Total Assets	<u>\$ 60,556</u>	<u>\$ 841,716</u>	<u>\$ 902,272</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 60,556	\$ 0	\$ 60,556
Due to Litigants, Heirs, and Others	0	841,716	841,716
Total Liabilities	<u>\$ 60,556</u>	<u>\$ 841,716</u>	<u>\$ 902,272</u>

Exhibit H-2

Cannon County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2010

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 365,767	\$ 365,767	\$ 0
Due from Other Governments	60,068	60,556	60,068	60,556
Total Assets	\$ 60,068	\$ 426,323	\$ 425,835	\$ 60,556
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 60,068	\$ 426,323	\$ 425,835	\$ 60,556
Total Liabilities	\$ 60,068	\$ 426,323	\$ 425,835	\$ 60,556
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 627,964	\$ 9,378,608	\$ 9,164,856	\$ 841,716
Total Assets	\$ 627,964	\$ 9,378,608	\$ 9,164,856	\$ 841,716
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 627,964	\$ 9,378,608	\$ 9,164,856	\$ 841,716
Total Liabilities	\$ 627,964	\$ 9,378,608	\$ 9,164,856	\$ 841,716
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 627,964	\$ 9,378,608	\$ 9,164,856	\$ 841,716
Equity in Pooled Cash and Investments	0	365,767	365,767	0
Due from Other Governments	60,068	60,556	60,068	60,556
Total Assets	\$ 688,032	\$ 9,804,931	\$ 9,590,691	\$ 902,272
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 60,068	\$ 426,323	\$ 425,835	\$ 60,556
Due to Litigants, Heirs, and Others	627,964	9,378,608	9,164,856	841,716
Total Liabilities	\$ 688,032	\$ 9,804,931	\$ 9,590,691	\$ 902,272

Cannon County School Department

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.

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.

Exhibit I-1

Cannon County, Tennessee
Statement of Activities
Discretely Presented Cannon County School Department
For the Year Ended June 30, 2010

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Total
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 10,481,368	\$ 9,000	\$ 1,461,109	\$ 0
Support Services	5,168,477	23,348	82,632	0
Operation of Non-Instructional Services	1,809,932	373,768	1,057,211	11,309
Other Debt Service	250,000	0	0	0
Total Governmental Activities	\$ 17,709,777	\$ 406,116	\$ 2,600,952	\$ 11,309
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 1,870,715
Local Option Sales Taxes				468,396
Other Local Taxes				1,113
Grants and Contributions Not Restricted to Specific Programs				11,839,676
Miscellaneous				42,780
Total General Revenues				\$ 14,222,680
Change in Net Assets				\$ (468,720)
Net Assets, July 1, 2009				14,575,568
Net Assets, June 30, 2010				\$ 14,106,848

Exhibit I-2

Cannon County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Cannon County School Department
June 30, 2010

	Major Funds			Total Govern- mental Funds
	General Purpose School	School Federal Projects	Central Cafeteria	
<u>ASSETS</u>				
Cash	\$ 287	\$ 0	\$ 100	\$ 387
Equity in Pooled Cash and Investments	2,308,296	3,259	282,183	2,593,738
Due from Other Governments	212,609	63,041	0	275,650
Due from Other Funds	17,195	0	939	18,134
Property Taxes Receivable	2,019,844	0	0	2,019,844
Allowance for Uncollectible Property Taxes	(31,083)	0	0	(31,083)
Total Assets	\$ 4,527,148	\$ 66,300	\$ 283,222	\$ 4,876,670
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Payroll Deductions Payable	\$ 0	\$ 253	\$ 0	\$ 253
Due to Other Funds	9	17,195	0	17,204
Due to State of Tennessee	0	302	246	548
Deferred Revenue - Current Property Taxes	1,864,081	0	0	1,864,081
Deferred Revenue - Delinquent Property Taxes	119,456	0	0	119,456
Other Deferred Revenues	39,600	0	0	39,600
Total Liabilities	\$ 2,023,146	\$ 17,750	\$ 246	\$ 2,041,142
<u>Fund Balances</u>				
Reserved for Encumbrances	\$ 456,133	\$ 60,321	\$ 0	\$ 516,454
Reserved for Career Ladder - Extended Contract	3,723	0	0	3,723
Reserved for Career Ladder Program	6,350	0	0	6,350
Reserved for Basic Education Program	1,805,215	0	0	1,805,215
Reserved for Title I Grants to Local Education Agencies	0	11,864	0	11,864
Other Federal Reserves	0	10,678	0	10,678
Unreserved, Reported In:				
General Fund	232,581	0	0	232,581
Special Revenue Funds (Deficit)	0	(34,313)	282,976	248,663
Total Fund Balances	\$ 2,504,002	\$ 48,550	\$ 282,976	\$ 2,835,528
Total Liabilities and Fund Balances	\$ 4,527,148	\$ 66,300	\$ 283,222	\$ 4,876,670

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, 2010

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)		\$ 2,835,528
(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: construction in progress	22,283	
Add: buildings and improvements net of accumulated depreciation	10,889,700	
Add: other capital assets net of accumulated depreciation	<u>340,232</u>	11,392,850
(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	\$ (77,132)	
Less: other postemployment benefits liability	<u>(203,454)</u>	(280,586)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>159,056</u>
Net assets of governmental activities (Exhibit A)		<u><u>\$ 14,106,848</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, 2010

	Major Funds			Total Governmental Funds
	General Purpose School	School Federal Projects	Central Cafeteria	
<u>Revenues</u>				
Local Taxes	\$ 2,352,696	\$ 0	\$ 0	\$ 2,352,696
Licenses and Permits	406	0	0	406
Charges for Current Services	32,348	0	373,633	405,981
Other Local Revenues	68,702	0	135	68,837
State of Tennessee	11,782,779	0	11,279	11,794,058
Federal Government	17,740	1,857,619	663,466	2,538,825
Total Revenues	<u>\$ 14,254,671</u>	<u>\$ 1,857,619</u>	<u>\$ 1,048,513</u>	<u>\$ 17,160,803</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 8,697,259	\$ 1,266,509	\$ 0	\$ 9,963,768
Support Services	4,623,159	605,694	0	5,228,853
Operation of Non-Instructional Services	433,633	0	1,011,606	1,445,239
Capital Outlay	280,880	0	0	280,880
Debt Service:				
Other Debt Service	250,000	0	0	250,000
Total Expenditures	<u>\$ 14,284,931</u>	<u>\$ 1,872,203</u>	<u>\$ 1,011,606</u>	<u>\$ 17,168,740</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (30,260)</u>	<u>\$ (14,584)</u>	<u>\$ 36,907</u>	<u>\$ (7,937)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 17,195	\$ 0	\$ 0	\$ 17,195
Transfers Out	0	(17,195)	0	(17,195)
Total Other Financing Sources (Uses)	<u>\$ 17,195</u>	<u>\$ (17,195)</u>	<u>\$ 0</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ (13,065)	\$ (31,779)	\$ 36,907	\$ (7,937)
Fund Balance, July 1, 2009	<u>2,517,067</u>	<u>80,329</u>	<u>246,069</u>	<u>2,843,465</u>
Fund Balance, June 30, 2010	<u>\$ 2,504,002</u>	<u>\$ 48,550</u>	<u>\$ 282,976</u>	<u>\$ 2,835,528</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, 2010

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)		\$	(7,937)
(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	\$	78,803	
Less: current year depreciation expense		<u>(470,117)</u>	(391,314)
(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, 2009	\$	(161,434)	
Add: deferred delinquent property taxes and other deferred June 30, 2010		<u>159,056</u>	(2,378)
(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 the governmental funds.			
Change in compensated absences payable	\$	(11,315)	
Change in other postemployment benefits liability		<u>(55,776)</u>	<u>(67,091)</u>
Change in net assets of governmental activities (Exhibit B)			<u>\$ (468,720)</u>

Exhibit I-6

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, 2010

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2009	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 2,352,696	\$ 0	\$ 0	\$ 2,352,696	\$ 2,389,240	\$ 2,389,240	\$ (36,544)
Licenses and Permits	406	0	0	406	400	400	6
Charges for Current Services	32,348	0	0	32,348	17,500	17,500	14,848
Other Local Revenues	68,702	0	0	68,702	55,500	77,500	(8,798)
State of Tennessee	11,782,779	0	0	11,782,779	11,585,790	11,653,748	129,031
Federal Government	17,740	0	0	17,740	17,000	17,000	740
Total Revenues	\$ 14,254,671	\$ 0	\$ 0	\$ 14,254,671	\$ 14,065,430	\$ 14,155,388	\$ 99,283
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 7,180,440	\$ (314,452)	\$ 100,890	\$ 6,966,878	\$ 7,235,130	\$ 7,260,930	\$ 294,052
Alternative Instruction Program	53,598	0	0	53,598	54,440	54,440	842
Special Education Program	985,272	0	3,874	989,146	1,018,260	1,018,260	29,114
Vocational Education Program	477,949	(2,678)	2,328	477,599	505,350	505,350	27,751
<u>Support Services</u>							
Attendance	106,736	(200)	0	106,536	107,670	107,670	1,134
Health Services	167,830	(3,051)	670	165,449	208,950	208,950	43,501
Other Student Support	256,881	0	185	257,066	245,040	245,040	(12,026)
Regular Instruction Program	541,894	(1,686)	111	540,319	565,940	565,940	25,621
Special Education Program	48,637	0	0	48,637	55,570	55,570	6,933
Vocational Education Program	16,503	0	0	16,503	17,130	17,130	627
Other Programs	53,673	0	0	53,673	0	53,673	0
Board of Education	263,200	(1,732)	244	261,712	269,450	269,450	7,738
Director of Schools	129,548	0	28	129,576	147,620	147,620	18,044

(Continued)

Exhibit I-6

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: Encumbrances 7/1/2009	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Office of the Principal	\$ 1,043,651	\$ (30,060)	\$ 3,870	\$ 1,017,461	\$ 1,081,690	\$ 1,081,690	\$ 64,229
Fiscal Services	182,498	(9,011)	10,556	184,043	206,210	206,210	22,167
Operation of Plant	1,008,365	(3,514)	2,205	1,007,056	1,099,300	1,099,300	92,244
Maintenance of Plant	230,539	(8,231)	2,616	224,924	237,500	237,500	12,576
Transportation	573,204	(5,333)	91,286	659,157	719,180	719,180	60,023
<u>Operation of Non-Instructional Services</u>							
Early Childhood Education	433,633	(80,171)	38,760	392,222	379,490	393,775	1,553
Capital Outlay							
Regular Capital Outlay	280,880	(140,592)	198,510	338,798	380,000	380,000	41,202
Other Debt Service							
Education	250,000	0	0	250,000	250,000	250,000	0
Total Expenditures	\$ 14,284,931	\$ (600,711)	\$ 456,133	\$ 14,140,353	\$ 14,783,920	\$ 14,877,678	\$ 737,325
<u>Excess (Deficiency) of Revenues</u>							
Over Expenditures	\$ (30,260)	\$ 600,711	\$ (456,133)	\$ 114,318	\$ (718,490)	\$ (722,290)	\$ 836,608
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 17,195	\$ 0	\$ 0	\$ 17,195	\$ 8,000	\$ 8,000	\$ 9,195
Total Other Financing Sources (Uses)	\$ 17,195	\$ 0	\$ 0	\$ 17,195	\$ 8,000	\$ 8,000	\$ 9,195
Net Change in Fund Balance	\$ (13,065)	\$ 600,711	\$ (456,133)	\$ 131,513	\$ (710,490)	\$ (714,290)	\$ 845,803
Fund Balance, July 1, 2009	2,517,067	(600,711)	0	1,916,356	1,624,269	1,624,269	292,087
Fund Balance, June 30, 2010	\$ 2,504,002	\$ 0	\$ (456,133)	\$ 2,047,869	\$ 913,779	\$ 909,979	\$ 1,137,890

Exhibit I-7

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, 2010

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2009	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Revenues							
Federal Government	\$ 1,857,619	\$ 0	\$ 0	\$ 1,857,619	\$ 2,320,117	\$ 2,305,017	\$ (447,398)
Total Revenues	\$ 1,857,619	\$ 0	\$ 0	\$ 1,857,619	\$ 2,320,117	\$ 2,305,017	\$ (447,398)
Expenditures							
Instruction							
Regular Instruction Program	\$ 542,453	(147)	1,672	\$ 543,978	\$ 667,583	\$ 624,070	\$ 80,092
Special Education Program	697,858	(1,958)	3,719	699,619	802,293	825,636	126,017
Vocational Education Program	26,198	(5,572)	6,560	27,186	32,857	31,057	3,871
Support Services							
Other Student Support	16,734	0	0	16,734	142,887	141,687	124,953
Regular Instruction Program	424,550	(48,883)	47,893	423,560	456,221	497,320	73,760
Special Education Program	137,947	(80)	477	138,344	171,688	171,688	33,344
Vocational Education Program	1,735	0	0	1,735	1,827	1,827	92
Transportation	24,728	0	0	24,728	32,920	32,920	8,192
Total Expenditures	\$ 1,872,203	\$ (56,640)	\$ 60,321	\$ 1,875,884	\$ 2,308,276	\$ 2,326,205	\$ 450,321
Excess (Deficiency) of Revenues Over Expenditures	\$ (14,584)	\$ 56,640	\$ (60,321)	\$ (18,265)	\$ 11,841	\$ (21,188)	\$ 2,923
Other Financing Sources (Uses)							
Transfers In	\$ 0	\$ 0	\$ 0	\$ 0	\$ 107,000	\$ 107,000	\$ (107,000)
Transfers Out	(17,195)	0	0	(17,195)	(123,477)	(123,108)	105,913
Total Other Financing Sources (Uses)	\$ (17,195)	\$ 0	\$ 0	\$ (17,195)	\$ (16,477)	\$ (16,108)	\$ (1,087)
Net Change in Fund Balance Fund Balance, July 1, 2009	\$ (31,779)	\$ 56,640	\$ (60,321)	\$ (35,460)	\$ (4,636)	\$ (37,296)	\$ 1,836
	80,329	(56,640)	0	23,689	4,636	37,296	(13,607)
Fund Balance, June 30, 2010	\$ 48,550	\$ 0	\$ (60,321)	\$ (11,771)	\$ 0	\$ 0	\$ (11,771)

Exhibit I-8

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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 373,633	\$ 441,000	\$ 441,000	\$ (67,367)
Other Local Revenues	135	900	900	(765)
State of Tennessee	11,279	10,500	10,500	779
Federal Government	663,466	632,000	632,000	31,466
Total Revenues	\$ 1,048,513	\$ 1,084,400	\$ 1,084,400	\$ (35,887)
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 1,011,606	\$ 1,098,110	\$ 1,098,110	\$ 86,504
Total Expenditures	\$ 1,011,606	\$ 1,098,110	\$ 1,098,110	\$ 86,504
Excess (Deficiency) of Revenues Over Expenditures	\$ 36,907	\$ (13,710)	\$ (13,710)	\$ 50,617
Net Change in Fund Balance	\$ 36,907	\$ (13,710)	\$ (13,710)	\$ 50,617
Fund Balance, July 1, 2009	246,069	196,600	196,600	49,469
Fund Balance, June 30, 2010	\$ 282,976	\$ 182,890	\$ 182,890	\$ 100,086

Cannon County Industrial Development Board

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.

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

Exhibit J-1

Cannon County, Tennessee
Statement of Activities
Discretely Presented Cannon County Industrial Development Board
For the Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Changes in Net Assets Total Governmental Activities
Governmental Activities:			
Other Operations	\$ 91,037	\$ 43,200	\$ (47,837)
Interest on Long-term Debt	16,293	0	(16,293)
Total Governmental Activities	\$ 107,330	\$ 43,200	\$ (64,130)
General Revenues:			
Total General Revenues			\$ 0
Change in Net Assets			\$ (64,130)
Net Assets, July 1, 2009			2,288,363
Net Assets, June 30, 2010			\$ 2,224,233

Exhibit J-2

Cannon County, Tennessee
Balance Sheet - Governmental Fund
Discretely Presented Cannon County Industrial Development Board
June 30, 2010

	<u>General Fund</u>
<u>ASSETS</u>	
Equity in Pooled Cash and Investments	<u>\$ 91,645</u>
Total Assets	<u><u>\$ 91,645</u></u>
<u>FUND BALANCE</u>	
<u>Fund Balance</u> Unreserved	<u>\$ 91,645</u>
Total Fund Balance	<u><u>\$ 91,645</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, 2010

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)		\$ 91,645
(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>2,100,419</u>	2,674,931
(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>(542,343)</u>
Net assets of governmental activities (Exhibit A)		<u><u>\$ 2,224,233</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, 2010

	General Fund
<hr/>	
<u>Revenues</u>	
Other Local Revenues	\$ 43,200
Total Revenues	<u>\$ 43,200</u>
 <u>Expenditures</u>	
Current:	
Other Operations	\$ 1,718
Debt Service:	
Principal on Debt	78,536
Interest on Debt	<u>16,293</u>
Total Expenditures	<u>\$ 96,547</u>
 Excess (Deficiency) of Revenues Over Expenditures	 <u>\$ (53,347)</u>
 Net Change in Fund Balances	 \$ (53,347)
Fund Balance, July 1, 2009	<u>144,992</u>
 Fund Balance, June 30, 2010	 <u><u>\$ 91,645</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, 2010

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)	\$ (53,347)
<p>(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:</p>	
Less: current year depreciation expense	(89,319)
<p>(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.</p>	
Add: principal payments on other loans	<u>78,536</u>
Change in net assets of governmental activities (Exhibit B)	<u>\$ (64,130)</u>

Exhibit J-6

Cannon County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Cannon County Industrial Development Board
General Fund
For the Year Ended June 30, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 43,200	\$ 79,200	\$ 79,200	\$ (36,000)
Total Revenues	\$ 43,200	\$ 79,200	\$ 79,200	\$ (36,000)
<u>Expenditures</u>				
<u>Other Operations</u>				
Industrial Development	\$ 1,718	\$ 6,520	\$ 6,520	\$ 4,802
<u>Principal on Debt</u>				
General Government	78,536	97,008	97,008	18,472
<u>Interest on Debt</u>				
General Government	16,293	16,295	16,295	2
Total Expenditures	\$ 96,547	\$ 119,823	\$ 119,823	\$ 23,276
Excess (Deficiency) of Revenues Over Expenditures	\$ (53,347)	\$ (40,623)	\$ (40,623)	\$ (12,724)
Net Change in Fund Balance	\$ (53,347)	\$ (40,623)	\$ (40,623)	\$ (12,724)
Fund Balance, July 1, 2009	144,992	144,993	144,993	(1)
Fund Balance, June 30, 2010	\$ 91,645	\$ 104,370	\$ 104,370	\$ (12,725)

MISCELLANEOUS SCHEDULES

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, 2010

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-09	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-10
<u>PRIMARY GOVERNMENT</u>								
<u>NOTES PAYABLE</u>								
Payable through General Debt Service Fund								
Ambulance	\$ 55,225	3.94 %	11-21-06	11-21-09	\$ 19,124	\$ 0	\$ 19,124	\$ 0
Water Line Extension Project	140,000	3.8	3-17-08	3-17-13	114,039	0	26,936	87,103
Ambulance	105,000	2.96	1-23-09	1-23-12	105,000	0	33,984	71,016
Fire Truck	65,000	2.96	4-3-09	4-3-12	65,000	0	21,038	43,962
Air Packs	59,000	2.96	12-7-09	12-7-12	0	59,000	0	59,000
Total Payable through General Debt Service Fund					\$ 303,163	\$ 59,000	\$ 101,082	\$ 261,081
Payable through Highway/Public Works Fund								
Loader	82,000	3.01	10-15-08	9-1-10	\$ 82,000	\$ 0	\$ 39,000	\$ 43,000
Total Notes Payable					\$ 385,163	\$ 59,000	\$ 140,082	\$ 304,081
<u>OTHER LOANS PAYABLE</u>								
Payable through General Debt Service Fund								
School Construction/Improvements - High School	1,642,000	Variable	9-17-1999	5-25-19	\$ 1,025,000	\$ 0	\$ 82,000	\$ 943,000
School Construction/Improvements - Elementary	11,400,000	Variable	5-25-02	5-25-26	9,256,000	0	358,000	8,898,000
Jail Construction Bond Refunding	1,420,000	Variable	7-18-02	5-25-18	911,000	0	86,000	825,000
Expo Center Construction	300,000	4.375	10-23-06	10-23-44	293,440	0	3,497	289,943
E-911 Building Renovation	100,000	4.5	12-19-08	12-19-46	100,000	0	1,041	98,959
Total Other Loans Payable					\$ 11,585,440	\$ 0	\$ 530,538	\$ 11,054,902
<u>DISCRETELY PRESENTED CANNON COUNTY INDUSTRIAL DEVELOPMENT BOARD</u>								
<u>OTHER LOANS PAYABLE</u>								
Payable through General Fund								
Industrial Development	300,000	4.5	12-10-03	12-10-23	\$ 242,301	\$ 0	\$ 12,119	\$ 230,182
Industrial Development	482,500	1 to 3	7-5-04	11-30-19	342,667	0	30,506	312,161
Industrial Development	250,000	3.5	1-21-05	2-28-10	35,911	0	35,911	0
Total Other Loans Payable					\$ 620,879	\$ 0	\$ 78,536	\$ 542,343

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	Notes		
	Principal	Interest	Total
2011	\$ 146,706	\$ 9,106	\$ 155,812
2012	107,006	5,161	112,167
2013	50,369	1,743	52,112
Total	\$ 304,081	\$ 16,010	\$ 320,091

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2011	\$ 556,738	\$ 67,492	\$ 50,161	\$ 674,391
2012	582,947	64,673	47,653	695,273
2013	611,164	61,722	45,028	717,914
2014	640,391	58,629	42,277	741,297
2015	671,629	55,387	39,395	766,411
2016	704,877	51,989	36,373	793,239
2017	738,136	48,423	33,203	819,762
2018	771,406	44,689	29,885	845,980
2019	688,688	40,786	25,402	754,876
2020	590,983	37,223	21,449	649,655
2021	620,290	34,171	18,938	673,399
2022	650,611	30,969	16,302	697,882
2023	682,947	27,611	13,537	724,095
2024	717,297	24,088	10,635	752,020
2025	753,662	20,391	7,586	781,639
2026	791,043	16,508	4,383	811,934
2027	9,442	12,434	0	21,876
2028	9,857	12,019	0	21,876
2029	10,291	11,585	0	21,876
2030	10,745	11,131	0	21,876
2031	11,218	10,658	0	21,876
2032	11,712	10,164	0	21,876
2033	12,228	9,648	0	21,876
2034	12,767	9,109	0	21,876
2035	13,329	8,547	0	21,876

(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 Loans (Cont.)			Total
	Principal	Interest	Other Fees	
2036	\$ 13,916	\$ 7,960	\$ 0	\$ 21,876
2037	14,529	7,347	0	21,876
2038	15,168	6,709	0	21,877
2039	15,837	6,039	0	21,876
2040	16,534	5,342	0	21,876
2041	17,262	4,614	0	21,876
2042	18,021	3,853	0	21,874
2043	18,816	3,060	0	21,876
2044	19,646	2,230	0	21,876
2045	20,472	1,365	0	21,837
2046	5,077	464	0	5,541
2047	5,226	234	0	5,460
Total	\$ 11,054,902	\$ 829,263	\$ 442,207	\$ 12,326,372

DISCRETELY PRESENTED CANNON COUNTY
INDUSTRIAL DEVELOPMENT BOARD

Year Ending June 30	Other Loans		Total
	Principal	Interest	
2011	\$ 43,108	\$ 16,065	\$ 59,173
2012	44,278	14,894	59,172
2013	45,538	13,634	59,172
2014	46,815	12,357	59,172
2015	47,702	12,003	59,705
2016	48,988	11,100	60,088
2017	50,743	9,345	60,088
2018	52,543	7,544	60,087
2019	54,412	5,677	60,089
2020	34,409	3,914	38,323
2021	19,860	2,916	22,776
2022	20,772	2,004	22,776
2023	21,725	1,049	22,774
2024	11,450	153	11,603
Total	\$ 542,343	\$ 112,655	\$ 654,998

Exhibit K-3

Cannon County, Tennessee
Schedule of Transfers
Primary Government and Discretely Presented Cannon County School Department
For the Year Ended June 30, 2010

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
General	Solid Waste/Sanitation	Operations	\$ 110,000
Total Transfers Primary Government			\$ 110,000
<u>DISCRETELY PRESENTED CANNON COUNTY SCHOOL DEPARTMENT</u>			
School Federal Projects	General Purpose School	Indirect costs	\$ 17,195
Total Transfers Discretely Presented Cannon County School Department			\$ 17,195

Exhibit K-4

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, 2010

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Executive	Section 8-24-102, <u>TCA</u>	\$ 66,702	\$ 25,000	Auto Owners Insurance Company
Road Supervisor	Section 8-24-102, <u>TCA</u>	63,527	100,000	Western Surety Company
Director of Schools:				
Elam Carlton (7-1-09 through 7-31-09)	Cannon County Board of Education	1,200	(3)	
Barbara Parker (8-1-09 through 6-30-10)	State Board of Education and Cannon County Board of Education	82,667	(3)	
Trustee	Section 8-24-102, <u>TCA</u>	57,751	519,000	RLI Insurance Company
Assessor of Property	Section 8-24-102, <u>TCA</u>	57,751	10,000	Nationwide Mutual Insurance Company
County Clerk	Section 8-24-102, <u>TCA</u>	57,751	25,000	Auto Owners Insurance Company
Circuit Court Clerk:				
Robert Davenport (7-1-09 through 1-15-10)	Section 8-24-102, <u>TCA</u>	33,318	25,000	"
Lynne Foster (1-16-10 through 6-30-10)	Section 8-24-102, <u>TCA</u>	24,433	25,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u> , and Chancery Court Judge	57,751	45,000	"
Register	Section 8-24-102, <u>TCA</u>	57,751	15,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	63,527	25,000	"
Employee Blanket Bonds:				
Public Employee Dishonesty - County Employees			150,000	Tennessee Risk Management Trust
Public Employee Dishonesty - School Employees			150,000	"

- (1) Mr. Carlton was appointed by the Board of Education to serve as acting director of schools for a stipend.
- (2) Includes chief executive officer training supplement of \$2,000.
- (3) The director of schools is covered under the school employee dishonesty bond.
- (4) Does not include special commissioner fees of \$29,598.
- (5) Does not include a law enforcement training supplement of \$600.

Exhibit K-5

Cannon County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2010

	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	\$ 2,507,868	\$ 277,551	\$ 0	\$ 0	\$ 0	\$ 78,323	\$ 2,863,742	
Trustee's Collections - Prior Year	140,933	15,208	0	0	0	5,368	161,509	
Circuit/Clerk & Master Collections - Prior Years	34,918	3,795	0	0	0	1,082	39,795	
Interest and Penalty	26,529	2,887	0	0	0	825	30,241	
Payments in-Lieu-of Taxes - Other	2,454	0	0	0	0	0	2,454	
<u>County Local Option Taxes</u>								
Local Option Sales Tax	55,658	54,085	0	0	0	0	109,743	
Wheel Tax	0	0	0	0	0	622,961	622,961	
Litigation Tax - General	41,209	0	0	0	0	0	41,209	
Litigation Tax - Special Purpose	17,373	0	0	0	0	0	17,373	
Litigation Tax - Jail, Workhouse, or Courthouse	13,880	0	0	0	0	0	13,880	
Business Tax	44,472	0	0	0	1,500	0	45,972	
Mineral Severance Tax	0	0	0	0	9,706	0	9,706	
<u>Statutory Local Taxes</u>								
Bank Excise Tax	14,593	1,615	0	0	0	461	16,669	
Wholesale Beer Tax	75,270	0	0	0	0	0	75,270	
Interstate Telecommunications Tax	440	395	0	0	0	0	835	
Total Local Taxes	\$ 2,975,597	\$ 355,536	\$ 0	\$ 0	\$ 11,206	\$ 709,020	\$ 4,051,359	
<u>Licenses and Permits</u>								
<u>Licenses</u>								
Marriage Licenses	\$ 413	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 413	
Cable TV Franchise	7,746	0	0	0	0	0	7,746	
<u>Permits</u>								
Beer Permits	250	0	0	0	0	0	250	
Total Licenses and Permits	\$ 8,409	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,409	
<u>Fines, Forfeitures, and Penalties</u>								
Circuit Court	\$ 7,827	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,827	
Fines								

(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>Fines, Forfeitures, and Penalties (Cont.)</u>							
<u>Circuit Court (Cont.)</u>							
Drug Control Fines	\$ 0	\$ 0	24,802	0	0	0	24,802
DUI Treatment Fines	394	0	0	0	0	0	394
Data Entry Fee - Circuit Court	227	0	0	0	0	0	227
Courtroom Security Fee	4	0	0	0	0	0	4
<u>General Sessions Court</u>							
Fines	50,249	0	0	0	0	0	50,249
Officers Costs	13,176	0	0	0	0	0	13,176
Drug Control Fines	0	0	6,015	0	0	0	6,015
DUI Treatment Fines	2,975	0	0	0	0	0	2,975
Data Entry Fee - General Sessions Court	3,195	0	0	0	0	0	3,195
Courtroom Security Fee	555	0	0	0	0	0	555
<u>Juvenile Court</u>							
Jail Fees	2,475	0	0	0	0	0	2,475
<u>Chancery Court</u>							
Officers Costs	1,128	0	0	0	0	0	1,128
Data Entry Fee - Chancery Court	424	0	0	0	0	0	424
<u>Other Courts - In-county</u>							
Fines	4,220	0	0	0	0	0	4,220
<u>Other Fines, Forfeitures, and Penalties</u>							
Proceeds from Confiscated Property	0	0	50,358	0	0	0	50,358
Total Fines, Forfeitures, and Penalties	\$ 86,849	\$ 0	\$ 81,175	\$ 0	\$ 0	\$ 0	\$ 168,024
<u>Charges for Current Services</u>							
<u>General Service Charges</u>							
Sale of Steam	\$ 5,991	\$ 0	0	0	0	0	5,991
Commercial and Industrial Waste Collection Charge	0	11,139	0	0	0	0	11,139
Patient Charges	495,072	0	0	0	0	0	495,072
Other General Service Charges	6,733	0	0	0	0	0	6,733
Service Charges	2,200	0	0	0	0	0	2,200

(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>Charges for Current Services (Cont.)</u>							
<u>Fees</u>							
Copy Fees	\$ 380	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	380
Telephone Commissions	7,942	0	0	0	0	0	7,942
Constitutional Officers' Fees and Commissions	0	0	0	255,256	0	0	255,256
Data Processing Fee - Register	4,784	0	0	0	0	0	4,784
Data Processing Fee - Sheriff	1,376	0	0	0	0	0	1,376
Sexual Offender Registration Fees - Sheriff	1,650	0	0	0	0	0	1,650
Education Charges							
Community Service Fees - Children	44,577	0	0	0	0	0	44,577
Total Charges for Current Services	\$ 570,705	\$ 11,139	\$ 0	\$ 255,256	\$ 0	\$ 0	\$ 837,100
<u>Other Local Revenues</u>							
<u>Recurring Items</u>							
Investment Income	\$ 97,764	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	97,764
Lease/Rentals	29,400	0	0	0	0	0	29,400
Sale of Materials and Supplies	1,231	0	0	0	0	0	1,231
Commissary Sales	5,500	0	0	0	0	0	5,500
Sale of Gasoline	37,566	0	0	0	48,027	0	85,593
Miscellaneous Refunds	6,610	0	0	0	12,996	0	19,606
<u>Nonrecurring Items</u>							
Damages Recovered from Individuals	3,306	0	220	0	0	0	3,526
Contributions and Gifts	12,697	0	0	0	0	0	12,697
<u>Other Local Revenues</u>							
Other Local Revenues	134,545	0	0	0	0	0	134,545
Total Other Local Revenues	\$ 328,619	\$ 0	\$ 220	\$ 0	\$ 61,023	\$ 0	\$ 389,862
<u>Fees Received from County Officials</u>							
<u>Excess Fees</u>							
Trustee	\$ 50,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	50,000
Fees in-Lieu-of Salary							
Circuit Court Clerk	34,695	0	0	0	0	0	34,695

(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>Fees Received from County Officials (Cont.)</u>							
<u>Fees in-Lieu-of Salary (Cont.)</u>							
General Sessions Court Clerk	\$ 104,353	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 104,353
Clerk and Master	47,144	0	0	0	0	0	47,144
Register	49,387	0	0	0	0	0	49,387
Sheriff	4,052	0	0	0	0	0	4,052
Total Fees Received from County Officials	\$ 289,631	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 289,631
<u>State of Tennessee</u>							
<u>General Government Grants</u>							
Juvenile Services Program	\$ 9,405	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,405
State Reappraisal Grant	3,743	0	0	0	0	0	3,743
Health and Welfare Grants	23,416	0	0	0	0	0	23,416
Public Works Grants	0	0	0	0	42,677	0	42,677
State Aid Program	31,965	0	0	0	0	0	31,965
Litter Program	21,351	0	0	0	0	0	21,351
Income Tax	17,778	0	0	0	0	0	17,778
Beer Tax	25,076	0	0	0	0	0	25,076
Alcoholic Beverage Tax	170,905	0	0	0	0	0	170,905
Contracted Prisoner Boarding	0	0	0	0	1,348,667	0	1,348,667
Gasoline and Motor Fuel Tax	0	0	0	0	10,300	0	10,300
Petroleum Special Tax	16,380	0	0	0	0	0	16,380
Registrar's Salary Supplement	9,920	0	0	0	0	0	9,920
Other State Revenues	\$ 329,939	\$ 0	\$ 0	\$ 0	\$ 1,401,644	\$ 0	\$ 1,731,583
Total State of Tennessee	\$ 329,939	\$ 0	\$ 0	\$ 0	\$ 1,401,644	\$ 0	\$ 1,731,583
<u>Federal Government</u>							
<u>Federal Through State</u>							
Homeland Security Grants	\$ 26,693	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 26,693
Medicaid	2,600	0	0	0	0	0	2,600

(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>Federal Government (Cont.)</u>							
<u>Federal Through State (Cont.)</u>							
Law Enforcement Grants	\$ 5,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	5,000
ARRA Grant No. 2	67,232	0	0	0	0	0	67,232
ARRA Grant No. 4	20,489	0	0	0	0	0	20,489
ARRA Grant No. 5	10,860	0	0	0	0	0	10,860
Other Federal through State	579,242	0	0	0	0	0	579,242
<u>Direct Federal Revenue</u>							
Public Safety Partnership and Community Policing - COPS	50,000	0	0	0	0	0	50,000
Other Direct Federal Revenue	96,146	0	0	0	0	0	96,146
Total Federal Government	\$ 858,262	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	858,262
<u>Other Governments and Citizens Groups</u>							
<u>Other Governments</u>							
Contributions	\$ 0	\$ 40,000	\$ 0	\$ 0	\$ 0	\$ 255,541	295,541
Contracted Services	176,142	0	0	0	0	0	176,142
<u>Citizens Groups</u>							
Donations	37,269	0	0	0	0	0	37,269
Total Other Governments and Citizens Groups	\$ 213,411	\$ 40,000	\$ 0	\$ 0	\$ 0	\$ 255,541	508,952
Total	\$ 5,661,422	\$ 406,675	\$ 81,395	\$ 255,256	\$ 1,473,873	\$ 964,561	8,843,182

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, 2010

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 1,734,697	\$ 0	\$ 0	\$ 1,734,697
Trustee's Collections - Prior Year	92,017	0	0	92,017
Circuit/Clerk & Master Collections - Prior Years	23,049	0	0	23,049
Interest and Penalty	17,603	0	0	17,603
<u>County Local Option Taxes</u>				
Local Option Sales Tax	474,123	0	0	474,123
<u>Statutory Local Taxes</u>				
Bank Excise Tax	10,094	0	0	10,094
Interstate Telecommunications Tax	1,113	0	0	1,113
Total Local Taxes	\$ 2,352,696	\$ 0	\$ 0	\$ 2,352,696
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 406	\$ 0	\$ 0	\$ 406
Total Licenses and Permits	\$ 406	\$ 0	\$ 0	\$ 406
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Tuition - Other	\$ 9,000	\$ 0	\$ 0	\$ 9,000
Lunch Payments - Children	0	0	171,648	171,648
Lunch Payments - Adults	0	0	36,191	36,191
Income from Breakfast	0	0	88,479	88,479
A la carte Sales	0	0	77,315	77,315
<u>Other Charges for Services</u>				
Other Charges for Services	23,348	0	0	23,348
Total Charges for Current Services	\$ 32,348	\$ 0	\$ 373,633	\$ 405,981
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	\$ 135	\$ 135
Refund of Telecommunication and Internet Fees (E-Rate)	25,922	0	0	25,922
Miscellaneous Refunds	42,721	0	0	42,721
<u>Other Local Revenues</u>				
Other Local Revenues	59	0	0	59
Total Other Local Revenues	\$ 68,702	\$ 0	\$ 135	\$ 68,837
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-Behalf Contributions for OPEB	\$ 53,673	\$ 0	\$ 0	\$ 53,673
<u>State Education Funds</u>				
Basic Education Program	10,370,763	0	0	10,370,763
Basic Education Program - ARRA	404,900	0	0	404,900
Early Childhood Education	393,775	0	0	393,775
School Food Service	0	0	11,279	11,279
Other State Education Funds	2,035	0	0	2,035
Coordinated School Health - ARRA	89,999	0	0	89,999
Internet Connectivity - ARRA	6,322	0	0	6,322
Statewide Student Management System (SSMS) - ARRA	5,511	0	0	5,511

(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>State Education Funds (Cont.)</u>				
Career Ladder Program	\$ 93,559	\$ 0	\$ 0	\$ 93,559
Career Ladder - Extended Contract - ARRA	1,141	0	0	1,141
<u>Other State Revenues</u>				
State Revenue Sharing - T.V.A.	348,001	0	0	348,001
Safe Schools - ARRA	13,100	0	0	13,100
Total State of Tennessee	<u>\$ 11,782,779</u>	<u>\$ 0</u>	<u>\$ 11,279</u>	<u>\$ 11,794,058</u>
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 467,934	\$ 467,934
Breakfast	0	0	184,223	184,223
USDA Food Service Equipment Grant - ARRA	0	0	11,309	11,309
Vocational Education - Basic Grants to States	0	36,530	0	36,530
Title I Grants to Local Education Agencies	0	508,950	0	508,950
Special Education - Grants to States	0	818,705	0	818,705
Special Education Preschool Grants	0	15,484	0	15,484
Safe and Drug-free Schools - State Grants	0	10,196	0	10,196
Eisenhower Professional Development State Grants	0	124,776	0	124,776
Job Training Partnership Act	17,740	0	0	17,740
Other Federal through State	0	342,978	0	342,978
Total Federal Government	<u>\$ 17,740</u>	<u>\$ 1,857,619</u>	<u>\$ 663,466</u>	<u>\$ 2,538,825</u>
Total	<u>\$ 14,254,671</u>	<u>\$ 1,857,619</u>	<u>\$ 1,048,513</u>	<u>\$ 17,160,803</u>

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, 2010

	Industrial / Economic Development
<hr/>	
<u>Other Local Revenues</u>	
<u>Recurring Items</u>	
Lease/Rentals	\$ 43,200
Total Other Local Revenues	<u>\$ 43,200</u>
 Total	 <u><u>\$ 43,200</u></u>

Exhibit K-8

Cannon County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2010

General Fund

General Government

County Commission

Other Per Diem and Fees	\$	3,650	
Social Security		249	
Total County Commission			\$ 3,899

County Mayor/Executive

County Official/Administrative Officer	\$	66,702	
Accountants/Bookkeepers		18,041	
Secretary(ies)		28,860	
Social Security		9,268	
State Retirement		9,854	
Audit Services		3,848	
Communication		5,653	
Contracts with Government Agencies		9,250	
Contracts with Other Public Agencies		5,847	
Legal Services		2,238	
Legal Notices, Recording, and Court Costs		2,399	
Maintenance and Repair Services - Office Equipment		1,652	
Postal Charges		1,518	
Travel		225	
Office Supplies		3,176	
Other Charges		323	
Total County Mayor/Executive			168,854

Election Commission

County Official/Administrative Officer	\$	51,976
Clerical Personnel		17,715
Overtime Pay		19
Election Commission		2,695
Election Workers		320
In-Service Training		343
Social Security		5,333
Employee and Dependent Insurance		3,902
Communication		1,863
Legal Notices, Recording, and Court Costs		4,190
Maintenance Agreements		10,661
Maintenance and Repair Services - Office Equipment		892
Postal Charges		831
Printing, Stationery, and Forms		149
Travel		2,697
Custodial Supplies		250

(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 Supplies	\$	2,400	
Office Equipment		500	
Voting Machines		246	
Total Election Commission			\$ 106,982

Register of Deeds

County Official/Administrative Officer	\$	57,751	
Secretary(ies)		21,115	
Social Security		5,579	
State Retirement		6,365	
Employee and Dependent Insurance		4,021	
Communication		1,629	
Data Processing Services		5,279	
Dues and Memberships		398	
Postal Charges		352	
Printing, Stationery, and Forms		2,216	
Office Supplies		413	
Total Register of Deeds			105,118

County Buildings

Maintenance Personnel	\$	22,000	
Social Security		2,904	
State Retirement		1,161	
Communication		603	
Contracts with Private Agencies		200	
Janitorial Services		15,966	
Maintenance Agreements		840	
Maintenance and Repair Services - Buildings		52,782	
Maintenance and Repair Services - Vehicles		273	
Other Contracted Services		950	
Custodial Supplies		2,454	
Utilities		121,106	
Total County Buildings			221,239

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	57,751	
Secretary(ies)		21,630	
Other Salaries and Wages		2,557	
Board and Committee Members Fees		1,550	

(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.)

Social Security	\$	5,965	
State Retirement		6,613	
Employee and Dependent Insurance		7,960	
Audit Services		2,705	
Communication		724	
Data Processing Services		3,371	
Dues and Memberships		918	
Legal Notices, Recording, and Court Costs		248	
Postal Charges		648	
Travel		538	
Office Supplies		841	
Total Property Assessor's Office			\$ 114,019

County Trustee's Office

Social Security	\$	7,227	
State Retirement		7,620	
Communication		978	
Data Processing Services		2,068	
Dues and Memberships		383	
Legal Notices, Recording, and Court Costs		359	
Postal Charges		342	
Printing, Stationery, and Forms		1,853	
Office Supplies		272	
Office Equipment		3,693	
Total County Trustee's Office			24,795

County Clerk's Office

Secretary(ies)	\$	8,502	
Board and Committee Members Fees		262	
Social Security		10,292	
State Retirement		10,046	
Employee and Dependent Insurance		3,783	
Communication		1,197	
Dues and Memberships		383	
Postal Charges		988	
Printing, Stationery, and Forms		2,926	
Office Supplies		1,487	
Total County Clerk's Office			39,866

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	57,751	
Clerical Personnel		76,631	
Jury and Witness Fees		1,934	
Social Security		10,147	
State Retirement		9,714	
Employee and Dependent Insurance		9,794	
Communication		2,472	
Contracts with Other Public Agencies		5,527	
Dues and Memberships		443	
Legal Notices, Recording, and Court Costs		409	
Maintenance and Repair Services - Office Equipment		1,679	
Postal Charges		1,656	
Printing, Stationery, and Forms		3,438	
Other Contracted Services		4,011	
Office Supplies		3,383	
Total Circuit Court			\$ 188,989

General Sessions Court

Judge(s)	\$	79,385	
Social Security		6,073	
State Retirement		6,406	
Communication		804	
Travel		761	
Other Contracted Services		1,200	
Office Supplies		572	
Total General Sessions Court			95,201

Chancery Court

County Official/Administrative Officer	\$	57,751	
Deputy(ies)		21,115	
Social Security		5,374	
State Retirement		6,365	
Employee and Dependent Insurance		3,901	
Communication		1,586	
Dues and Memberships		443	
Postal Charges		952	
Printing, Stationery, and Forms		2,173	
Office Supplies		1,471	
Total Chancery Court			101,131

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Administration of Justice (Cont.)

Juvenile Court

Other Salaries and Wages	\$	18,818	
Social Security		1,440	
State Retirement		1,530	
Contracts with Other Public Agencies		1,275	
Other Supplies and Materials		30	
Total Juvenile Court			\$ 23,093

Judicial Commissioners

Other Salaries and Wages	\$	19,563	
In-Service Training		180	
Social Security		1,489	
Communication		1,062	
Dues and Memberships		70	
Travel		377	
Total Judicial Commissioners			22,741

Other Administration of Justice

Educational Assistants	\$	6,365	
Social Security		487	
Employee and Dependent Insurance		717	
Other Contracted Services		35	
Other Supplies and Materials		1,377	
Total Other Administration of Justice			8,981

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	64,127	
Assistant(s)		25,449	
Supervisor/Director		24,413	
Deputy(ies)		243,239	
Investigator(s)		41,184	
Captain(s)		29,495	
Lieutenant(s)		30,741	
Sergeant(s)		20,519	
Accountants/Bookkeepers		24,638	
Dispatchers/Radio Operators		21,488	
Clerical Personnel		19,572	
Overtime Pay		20,670	
Other Salaries and Wages		16,048	
In-Service Training		9,001	

(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.)

Social Security	\$	71,555	
State Retirement		28,732	
Employee and Dependent Insurance		44,190	
Advertising		528	
Communication		16,450	
Legal Services		338	
Maintenance and Repair Services - Equipment		18,873	
Maintenance and Repair Services - Vehicles		29,244	
Postal Charges		347	
Gasoline		51,725	
Office Supplies		5,627	
Uniforms		11,249	
Vehicle and Equipment Insurance		16,526	
Law Enforcement Equipment		8,694	
Motor Vehicles		25,319	
Total Sheriff's Department			\$ 919,981

Administration of the Sexual Offender Registry

Uniforms	\$	144	
Other Supplies and Materials		312	
Fines, Assessments, and Penalties		450	
Total Administration of the Sexual Offender Registry			906

Jail

Medical Personnel	\$	47,735	
Truck Drivers		48,607	
Guards		205,341	
Cafeteria Personnel		42,649	
Maintenance Personnel		24,413	
Maintenance and Repair Services - Buildings		16,665	
Travel		2,065	
Other Contracted Services		1,584	
Custodial Supplies		13,826	
Food Supplies		69,143	
Utilities		50,677	
Other Supplies and Materials		8,252	
Medical Claims		143,648	
Food Service Equipment		1,078	
Office Equipment		1,188	
Total Jail			676,871

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Safety (Cont.)

Fire Prevention and Control

In-Service Training	\$	1,447	
Communication		5,191	
Consultants		900	
Maintenance and Repair Services - Equipment		8,141	
Maintenance and Repair Services - Vehicles		11,348	
Postal Charges		96	
Data Processing Supplies		1,209	
Gasoline		5,491	
Office Supplies		569	
Uniforms		16,047	
Other Supplies and Materials		6,639	
Vehicle and Equipment Insurance		752	
Communication Equipment		7,378	
Motor Vehicles		4,034	
Total Fire Prevention and Control			\$ 69,242

Rural Fire Protection

In-Service Training	\$	4,055	
Other Supplies and Materials		76,741	
Total Rural Fire Protection			80,796

Rescue Squad

In-Service Training	\$	320	
Uniforms		1,515	
Communication Equipment		1,000	
Total Rescue Squad			2,835

Other Emergency Management

In-Service Training	\$	439	
Communication		5,240	
Maintenance and Repair Services - Equipment		402	
Maintenance and Repair Services - Vehicles		2,196	
Postal Charges		50	
Gasoline		3,168	
Office Supplies		241	
Other Supplies and Materials		1,013	
Total Other Emergency Management			12,749

Public Safety Grant Programs

Supervisor/Director	\$	36,750	
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(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Safety (Cont.)

Public Safety Grant Programs (Cont.)

Dispatchers/Radio Operators	\$	192,795	
Overtime Pay		29,585	
Social Security		19,746	
State Retirement		5,243	
Employee and Dependent Insurance		7,496	
Total Public Safety Grant Programs			\$ 291,615

Other Public Safety

Uniforms	\$	31,778	
Law Enforcement Equipment		43,881	
Total Other Public Safety			75,659

Public Health and Welfare

Local Health Center

Communication	\$	2,189	
Contracts with Government Agencies		16,414	
Dues and Memberships		200	
Janitorial Services		6,120	
Maintenance and Repair Services - Buildings		1,252	
Custodial Supplies		607	
Office Supplies		982	
Utilities		2,934	
Total Local Health Center			30,698

Rabies and Animal Control

Other Supplies and Materials	\$	650	
Total Rabies and Animal Control			650

Ambulance/Emergency Medical Services

Supervisor/Director	\$	42,436	
Medical Personnel		498,560	
Overtime Pay		6,522	
In-Service Training		2,843	
Social Security		41,091	
State Retirement		41,682	
Employee and Dependent Insurance		68,039	
Communication		6,812	
Dues and Memberships		230	
Legal Services		50	
Maintenance Agreements		3,337	

(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 and Repair Services - Equipment	\$	1,471	
Maintenance and Repair Services - Vehicles		10,499	
Postal Charges		1,327	
Custodial Supplies		2,349	
Drugs and Medical Supplies		14,660	
Gasoline		15,190	
Office Supplies		4,551	
Tires and Tubes		1,078	
Uniforms		4,722	
Utilities		3,211	
Other Supplies and Materials		2,314	
Vehicle and Equipment Insurance		9,765	
Total Ambulance/Emergency Medical Services			\$ 782,739

Nursing Home

Other Contracted Services	\$	1,026	
Other Supplies and Materials		4,995	
Total Nursing Home			6,021

Maternal and Child Health Services

Supervisor/Director	\$	17,920	
Accountants/Bookkeepers		5,498	
Educational Assistants		29,527	
Other Salaries and Wages		1,938	
Social Security		3,931	
State Retirement		2,812	
Employee and Dependent Insurance		7,984	
Communication		4,554	
Travel		2,670	
Other Contracted Services		17,580	
Other Supplies and Materials		5,585	
Total Maternal and Child Health Services			99,999

Dental Health Program

Postal Charges	\$	308	
Other Supplies and Materials		5,683	
Total Dental Health Program			5,991

Regional Mental Health Center

Other Salaries and Wages	\$	21,700	
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(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Regional Mental Health Center (Cont.)

Social Security	\$	1,691	
Travel		58	
Total Regional Mental Health Center			\$ 23,449

General Welfare Assistance

Contributions	\$	10,665	
Other Contracted Services		966	
Total General Welfare Assistance			11,631

Child Support

Educational Assistants	\$	250	
Social Security		19	
State Retirement		20	
Other Supplies and Materials		711	
Total Child Support			1,000

Other Local Welfare Services

Supervisor/Director	\$	552	
Accountants/Bookkeepers		3,857	
Educational Assistants		15,629	
Other Salaries and Wages		3,580	
Social Security		1,816	
State Retirement		1,431	
Employee and Dependent Insurance		264	
Communication		2,448	
Travel		755	
Other Contracted Services		10,436	
Other Supplies and Materials		3,878	
Total Other Local Welfare Services			44,646

Sanitation Management

Laborers	\$	20,000	
Social Security		1,530	
Employee and Dependent Insurance		4,067	
Maintenance and Repair Services - Vehicles		544	
Gasoline		1,084	
Instructional Supplies and Materials		1,772	
Other Supplies and Materials		239	
Total Sanitation Management			29,236

(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 Public Health and Welfare

Educational Assistants	\$	7,448	
Other Salaries and Wages		6,185	
Social Security		1,031	
State Retirement		539	
Other Supplies and Materials		850	
Total Other Public Health and Welfare			\$ 16,053

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Supervisor/Director	\$	26,224	
Clerical Personnel		6,000	
Part-time Personnel		14,851	
Other Salaries and Wages		14,344	
Social Security		4,699	
Audit Services		620	
Communication		3,378	
Maintenance and Repair Services - Buildings		4,326	
Maintenance and Repair Services - Equipment		2,901	
Maintenance and Repair Services - Office Equipment		8,838	
Postal Charges		2,031	
Printing, Stationery, and Forms		3,292	
Travel		18,861	
Electricity		5,340	
Food Preparation Supplies		3,393	
Food Supplies		1,303	
Office Supplies		2,280	
Utilities		6,950	
Other Supplies and Materials		5,302	
Premiums on Corporate Surety Bonds		623	
Other Charges		910	
Furniture and Fixtures		1,731	
Total Senior Citizens Assistance			138,197

Libraries

County Official/Administrative Officer	\$	26,822	
Assistant(s)		40,539	
Social Security		5,147	
State Retirement		1,620	
Contributions		24,800	
Other Charges		3,500	
Total Libraries			102,428

(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.)

Parks and Fair Boards

Assistant(s)	\$	5,840	
Supervisor/Director		20,026	
Other Salaries and Wages		8,527	
In-Service Training		30	
Social Security		2,550	
State Retirement		1,616	
Employee and Dependent Insurance		1,927	
Communication		604	
Dues and Memberships		380	
Maintenance and Repair Services - Buildings		5,018	
Maintenance and Repair Services - Equipment		631	
Travel		285	
Custodial Supplies		288	
Gasoline		432	
Office Supplies		188	
Other Supplies and Materials		2,821	
Total Parks and Fair Boards			\$ 51,163

Other Social, Cultural, and Recreational

Accountants/Bookkeepers	\$	1,143	
Educational Assistants		8,685	
Other Salaries and Wages		33,576	
Social Security		3,498	
State Retirement		2,671	
Employee and Dependent Insurance		13,970	
Communication		614	
Other Contracted Services		2,062	
Other Supplies and Materials		17,888	
Other Charges		325	
Total Other Social, Cultural, and Recreational			84,432

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$	45,498	
Other Salaries and Wages		5,000	
Social Security		382	
Other Fringe Benefits		8,908	
Communication		2,972	
Maintenance and Repair Services - Buildings		425	
Other Supplies and Materials		3,625	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Agriculture and Natural Resources (Cont.)

Agriculture Extension Service (Cont.)

Other Charges	\$ 1,794	
Total Agriculture Extension Service		\$ 68,604

Other Operations

Other Economic and Community Development

Architects	\$ 97,252	
Excess Risk Insurance	1,000	
Other Charges	1,181	
Building Construction	<u>704,564</u>	
Total Other Economic and Community Development		803,997

Veterans' Services

Other Salaries and Wages	\$ 10,500	
Social Security	803	
Communication	1,263	
Postal Charges	102	
Travel	608	
Office Supplies	<u>256</u>	
Total Veterans' Services		13,532

Other Charges

Building and Contents Insurance	\$ 40,099	
Judgments	7,500	
Premiums on Corporate Surety Bonds	2,040	
Trustee's Commission	60,369	
Workers' Compensation Insurance	103,166	
Other Charges	<u>1,471</u>	
Total Other Charges		214,645

Contributions to Other Agencies

Contributions	\$ 34,189	
Total Contributions to Other Agencies		34,189

Employee Benefits

Employee and Dependent Insurance	\$ 285	
Unemployment Compensation	<u>41,213</u>	
Total Employee Benefits		41,498

ARRA Grant No. 1

Supervisor/Director	\$ 545	
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(Continued)

Exhibit K-8

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

General Fund (Cont.)

Other Operations (Cont.)

ARRA Grant No. 1 (Cont.)

Educational Assistants	\$	3,613	
Social Security		318	
State Retirement		44	
Other Contracted Services		5,074	
Other Supplies and Materials		1,290	
Total ARRA Grant No. 1			\$ 10,884

ARRA Grant No. 2

Supervisor/Director	\$	23,282	
Educational Assistants		47,048	
Social Security		4,796	
State Retirement		2,470	
Employee and Dependent Insurance		7,285	
Postal Charges		44	
Other Supplies and Materials		75	
Total ARRA Grant No. 2			85,000

ARRA Grant No. 3

Other Salaries and Wages	\$	8,610	
Other Supplies and Materials		3,553	
Office Equipment		37,830	
Total ARRA Grant No. 3			49,993

ARRA Grant No. 4

Other Equipment	\$	20,489	
Total ARRA Grant No. 4			20,489

ARRA Grant No. 5

Maintenance and Repair Services - Buildings	\$	6,332	
Other Supplies and Materials		4,528	
Total ARRA Grant No. 5			10,860

Miscellaneous

Contracts with Private Agencies	\$	9,245	
Gasoline		46,260	
Other Charges		1,672	
Total Miscellaneous			57,177

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Capital Outlay

Regular Capital Outlay

Other Capital Outlay	\$ 59,000	
Total Regular Capital Outlay		\$ 59,000

Total General Fund \$ 6,253,763

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Laborers	\$ 39,482	
Overtime Pay	507	
In-Service Training	294	
Social Security	3,059	
Communication	483	
Contracts with Other Public Agencies	400,406	
Maintenance Agreements	1,000	
Maintenance and Repair Services - Equipment	19,434	
Maintenance and Repair Services - Vehicles	7,869	
Other Contracted Services	3,164	
Gasoline	2,041	
Utilities	3,232	
Other Supplies and Materials	3,551	
Trustee's Commission	6,502	
Total Sanitation Management		\$ 491,024

Total Solid Waste/Sanitation Fund 491,024

Drug Control Fund

Public Safety

Sheriff's Department

Overtime Pay	\$ 1,374	
In-Service Training	1,403	
Social Security	104	
State Retirement	95	
Confidential Drug Enforcement Payments	4,000	
Maintenance and Repair Services - Vehicles	841	
Other Charges	1,208	
Law Enforcement Equipment	747	
Other Equipment	339	
Total Sheriff's Department		\$ 10,111

Total Drug Control Fund 10,111

(Continued)

Exhibit K-8

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

Constitutional Officers - Fees Fund

General Government

Other General Administration

Constitutional Officers' Operating Expenses	\$ 29,598	
Total Other General Administration		\$ 29,598

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$ 94,537	
Total County Trustee's Office		94,537

County Clerk's Office

Constitutional Officers' Operating Expenses	\$ 125,890	
Total County Clerk's Office		<u>125,890</u>

Total Constitutional Officers - Fees Fund		\$ 250,025
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Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 63,527	
Accountants/Bookkeepers	33,592	
Board and Committee Members Fees	1,200	
Social Security	5,997	
State Retirement	7,837	
Employer Medicare	1,403	
Communication	6,012	
Data Processing Services	3,610	
Dues and Memberships	2,198	
Legal Notices, Recording, and Court Costs	1,010	
Licenses	18	
Postal Charges	660	
Printing, Stationery, and Forms	1,223	
Electricity	2,725	
Natural Gas	1,904	
Water and Sewer	370	
Other Supplies and Materials	1,081	
Total Administration		\$ 134,367

Highway and Bridge Maintenance

Equipment Operators	\$ 119,579
Truck Drivers	61,681
Laborers	65,887

(Continued)

Exhibit K-8

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Social Security	\$	13,133	
State Retirement		10,364	
Employer Medicare		3,072	
Other Contracted Services		3,927	
Asphalt		1,107	
Asphalt - Cold Mix		31,252	
Asphalt - Liquid		43,141	
Concrete		944	
Crushed Stone		177,278	
Pipe - Metal		9,095	
Road Signs		4,270	
Structural Steel		7,606	
Other Supplies and Materials		2,355	
Total Highway and Bridge Maintenance			\$ 554,691

Operation and Maintenance of Equipment

Mechanic(s)	\$	47,520	
Social Security		2,540	
State Retirement		1,911	
Employer Medicare		594	
Maintenance and Repair Services - Equipment		1,678	
Diesel Fuel		85,970	
Equipment and Machinery Parts		28,032	
Garage Supplies		7,221	
Gasoline		17,094	
Lubricants		4,023	
Tires and Tubes		9,122	
Total Operation and Maintenance of Equipment			205,705

Other Charges

Liability Insurance	\$	2,981	
Trustee's Commission		13,531	
Vehicle and Equipment Insurance		26,828	
Workers' Compensation Insurance		31,382	
Total Other Charges			74,722

Employee Benefits

Medical Insurance	\$	85,816	
Unemployment Compensation		3,305	
Total Employee Benefits			89,121

(Continued)

Exhibit K-8

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Capital Outlay

Highway Equipment	\$ 3,000	
State Aid Projects	57,838	
Total Capital Outlay		\$ 60,838

Principal on Debt

Highways and Streets

Principal on Notes	\$ 39,000	
Total Highways and Streets		39,000

Interest on Debt

Highways and Streets

Interest on Notes	\$ 1,881	
Total Highways and Streets		1,881

Total Highway/Public Works Fund \$ 1,160,325

General Debt Service Fund

Principal on Debt

General Government

Principal on Notes	\$ 101,082	
Principal on Other Loans	90,538	
Total General Government		\$ 191,620

Education

Principal on Other Loans	\$ 440,000	
Total Education		440,000

Interest on Debt

General Government

Interest on Notes	\$ 10,131	
Interest on Other Loans	20,676	
Total General Government		30,807

Education

Interest on Other Loans	\$ 44,443	
Total Education		44,443

Other Debt Service

General Government

Trustee's Commission	\$ 1,700	
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(Continued)

Exhibit K-8

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

<u>General Debt Service Fund (Cont.)</u>			
<u>Other Debt Service (Cont.)</u>			
<u>General Government (Cont.)</u>			
Other Debt Service	<u>\$ 6,325</u>		
Total General Government		\$ 8,025	
 <u>Education</u>			
Other Debt Service	<u>\$ 47,381</u>		
Total Education			<u>47,381</u>
 Total General Debt Service Fund			 <u>\$ 762,276</u>
Total Governmental Funds - Primary Government			<u>\$ 8,927,524</u>

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, 2010

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	4,760,169	
Career Ladder Program		57,145	
Career Ladder Extended Contracts		27,774	
Homebound Teachers		22,377	
Educational Assistants		140,597	
Other Salaries and Wages		2,425	
Certified Substitute Teachers		5,912	
Non-certified Substitute Teachers		89,705	
Social Security		302,489	
State Retirement		321,327	
Medical Insurance		542,844	
Unemployment Compensation		38,625	
Employer Medicare		70,758	
Other Contracted Services		7,000	
Instructional Supplies and Materials		105,551	
Textbooks		329,743	
Other Supplies and Materials		320	
Other Charges		46	
Regular Instruction Equipment		355,633	
Total Regular Instruction Program			\$ 7,180,440

Alternative Instruction Program

Teachers	\$	42,435	
Social Security		2,603	
State Retirement		2,724	
Medical Insurance		5,227	
Employer Medicare		609	
Total Alternative Instruction Program			53,598

Special Education Program

Teachers	\$	661,880
Career Ladder Program		4,038
Career Ladder Extended Contracts		995
Educational Assistants		19,286
Speech Pathologist		79,795
Social Security		45,298
State Retirement		48,471
Medical Insurance		73,778
Employer Medicare		10,708

(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.)

Special Education Program (Cont.)

Other Contracted Services	\$ 41,023	
Total Special Education Program		\$ 985,272

Vocational Education Program

Teachers	\$ 334,176	
Career Ladder Program	3,995	
Educational Assistants	12,258	
Other Salaries and Wages	22,377	
Social Security	23,689	
State Retirement	25,669	
Medical Insurance	31,928	
Employer Medicare	5,540	
Instructional Supplies and Materials	18,317	
Total Vocational Education Program		477,949

Support Services

Attendance

Supervisor/Director	\$ 56,371	
Other Salaries and Wages	24,700	
Social Security	4,944	
State Retirement	5,612	
Medical Insurance	4,790	
Employer Medicare	1,156	
Travel	3,385	
Other Supplies and Materials	5,778	
Total Attendance		106,736

Health Services

Supervisor/Director	\$ 48,928
Career Ladder Extended Contracts	600
Medical Personnel	52,966
Educational Assistants	14,011
Non-certified Substitute Teachers	220
Social Security	6,834
State Retirement	8,304
Medical Insurance	21,129
Employer Medicare	1,598
Travel	5,595
Other Contracted Services	755

(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.)

Health Services (Cont.)

Drugs and Medical Supplies	\$	794	
Other Supplies and Materials		<u>6,096</u>	
Total Health Services	\$		167,830

Other Student Support

Career Ladder Program	\$	1,000	
Guidance Personnel		163,908	
Career Ladder Extended Contracts		5,000	
Social Security		10,182	
State Retirement		10,908	
Medical Insurance		18,170	
Employer Medicare		2,381	
Evaluation and Testing		28,849	
Other Contracted Services		<u>16,483</u>	
Total Other Student Support			256,881

Regular Instruction Program

Supervisor/Director	\$	68,040	
Career Ladder Program		3,000	
Librarians		161,723	
Instructional Computer Personnel		152,700	
Educational Assistants		20,085	
Social Security		24,008	
State Retirement		27,266	
Medical Insurance		40,425	
Employer Medicare		5,615	
Travel		11,097	
Other Contracted Services		150	
Library Books/Media		21,085	
In Service/Staff Development		<u>6,700</u>	
Total Regular Instruction Program			541,894

Special Education Program

Supervisor/Director	\$	27,014	
Career Ladder Program		1,000	
Career Ladder Extended Contracts		600	
Social Security		1,800	
State Retirement		2,030	
Medical Insurance		3,218	

(Continued)

Exhibit K-9

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

<u>General Purpose School Fund (Cont.)</u>		
<u>Support Services (Cont.)</u>		
<u>Special Education Program (Cont.)</u>		
Employer Medicare	\$	421
Travel		3,240
Other Contracted Services		9,314
Total Special Education Program		<u>48,637</u>
	\$	48,637
<u>Vocational Education Program</u>		
Supervisor/Director	\$	15,360
Employer Medicare		198
Travel		945
Total Vocational Education Program		<u>16,503</u>
		16,503
<u>Other Programs</u>		
On-Behalf Payments to OPEB	\$	53,673
Total Other Programs		<u>53,673</u>
		53,673
<u>Board of Education</u>		
Board and Committee Members Fees	\$	7,200
Social Security		446
Employer Medicare		104
Audit Services		6,350
Legal Services		5,192
Travel		4,658
Building and Contents Insurance		85,500
Liability Insurance		32,088
Trustee's Commission		66,213
Workers' Compensation Insurance		44,930
Criminal Investigation of Applicants - TBI		83
Other Charges		10,436
Total Board of Education		<u>263,200</u>
		263,200
<u>Director of Schools</u>		
County Official/Administrative Officer	\$	81,867
Career Ladder Program		2,000
Social Security		4,774
State Retirement		5,307
Medical Insurance		9,657
Employer Medicare		1,134
Communication		11,116
Dues and Memberships		2,321

(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.)

Director of Schools (Cont.)

Postal Charges	\$	7,138	
Travel		3,406	
Office Supplies		828	
Total Director of Schools			\$ 129,548

Office of the Principal

Principals	\$	429,524	
Career Ladder Program		6,000	
Career Ladder Extended Contracts		1,200	
Assistant Principals		55,730	
Secretary(ies)		226,422	
Social Security		40,546	
State Retirement		49,613	
Medical Insurance		112,173	
Employer Medicare		9,483	
Communication		74,959	
Travel		4,296	
Other Contracted Services		120	
Office Supplies		3,525	
Administration Equipment		30,060	
Total Office of the Principal			1,043,651

Fiscal Services

Accountants/Bookkeepers	\$	49,387	
Secretary(ies)		34,336	
Clerical Personnel		39,028	
Social Security		6,193	
State Retirement		8,355	
Medical Insurance		18,951	
Employer Medicare		1,680	
Maintenance and Repair Services - Equipment		410	
Travel		414	
Other Contracted Services		15,941	
Data Processing Supplies		329	
Office Supplies		5,639	
Administration Equipment		1,835	
Total Fiscal Services			182,498

(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

Custodial Personnel	\$	228,329	
Social Security		13,445	
State Retirement		16,836	
Medical Insurance		55,121	
Employer Medicare		3,144	
Other Contracted Services		49,528	
Electricity		442,326	
Natural Gas		81,946	
Water and Sewer		47,694	
Other Supplies and Materials		65,428	
Boiler Insurance		2,584	
Plant Operation Equipment		1,984	
Total Operation of Plant			\$ 1,008,365

Maintenance of Plant

Maintenance Personnel	\$	110,518	
Social Security		6,448	
State Retirement		8,919	
Medical Insurance		18,514	
Employer Medicare		1,508	
Communication		756	
Travel		77	
Other Contracted Services		39,948	
Other Supplies and Materials		43,460	
Maintenance Equipment		391	
Total Maintenance of Plant			230,539

Transportation

Supervisor/Director	\$	19,105	
Bus Drivers		122,635	
Other Salaries and Wages		18,644	
Social Security		9,944	
State Retirement		9,099	
Employer Medicare		2,326	
Communication		980	
Contracts with Parents		2,131	
Contracts with Vehicle Owners		255,010	
Travel		1,704	
Other Contracted Services		650	

(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.)

Transportation (Cont.)

Gasoline	\$	61,702	
Tires and Tubes		1,556	
Vehicle Parts		56,832	
Vehicle and Equipment Insurance		10,034	
Other Charges		852	
Total Transportation			\$ 573,204

Operation of Non-Instructional Services

Early Childhood Education

Teachers	\$	178,564	
Educational Assistants		46,625	
Other Salaries and Wages		6,029	
Certified Substitute Teachers		165	
Non-certified Substitute Teachers		3,245	
Social Security		14,161	
State Retirement		14,824	
Medical Insurance		22,958	
Employer Medicare		3,314	
Travel		5,831	
Other Supplies and Materials		136,667	
In Service/Staff Development		1,250	
Total Early Childhood Education			433,633

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	280,880	
Total Regular Capital Outlay			280,880

Other Debt Service

Education

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

Total General Purpose School Fund \$ 14,284,931

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	294,695	
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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.)

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Regular Instruction Program (Cont.)

Educational Assistants	\$	33,834	
Non-certified Substitute Teachers		5,390	
Social Security		19,467	
State Retirement		20,704	
Medical Insurance		46,729	
Unemployment Compensation		1,498	
Employer Medicare		4,552	
Instructional Supplies and Materials		21,435	
Regular Instruction Equipment		94,149	
Total Regular Instruction Program			\$ 542,453

Special Education Program

Teachers	\$	48,746	
Homebound Teachers		9,846	
Educational Assistants		250,354	
Speech Pathologist		48,877	
Non-certified Substitute Teachers		1,785	
Social Security		19,486	
State Retirement		23,169	
Medical Insurance		69,324	
Unemployment Compensation		2,542	
Employer Medicare		4,557	
Other Contracted Services		161,559	
Instructional Supplies and Materials		26,191	
Other Supplies and Materials		11,128	
Special Education Equipment		20,294	
Total Special Education Program			697,858

Vocational Education Program

Teachers	\$	11,000	
Other Salaries and Wages		600	
Non-certified Substitute Teachers		138	
Social Security		728	
State Retirement		744	
Unemployment Compensation		9	
Employer Medicare		169	
T&I Construction Materials		2,981	
Other Charges		283	
Vocational Instruction Equipment		9,546	
Total Vocational Education Program			26,198

(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

Other Student Support

Travel	\$	6,572	
In Service/Staff Development		2,892	
Other Charges		7,270	
Total Other Student Support			\$ 16,734

Regular Instruction Program

Supervisor/Director	\$	72,880	
Social Security		4,519	
State Retirement		4,679	
Unemployment Compensation		108	
Employer Medicare		1,057	
Travel		2,147	
Other Contracted Services		5,220	
Instructional Supplies and Materials		17,568	
Other Supplies and Materials		35,466	
In Service/Staff Development		56,755	
Other Charges		225	
Regular Instruction Equipment		216,276	
Other Equipment		7,650	
Total Regular Instruction Program			424,550

Special Education Program

Supervisor/Director	\$	30,016	
Psychological Personnel		50,919	
Social Security		4,401	
State Retirement		5,196	
Medical Insurance		13,873	
Unemployment Compensation		291	
Employer Medicare		1,029	
Maintenance and Repair Services - Equipment		577	
Travel		10,569	
Other Contracted Services		125	
Other Supplies and Materials		4,468	
In Service/Staff Development		16,483	
Total Special Education Program			137,947

Vocational Education Program

Teachers	\$	1,697	
Social Security		31	

(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.)

Vocational Education Program (Cont.)

Employer Medicare	\$ 7	
Total Vocational Education Program		\$ 1,735

Transportation

Educational Assistants	\$ 1,397	
Other Salaries and Wages	9,627	
Social Security	683	
Unemployment Compensation	132	
Employer Medicare	160	
Contracts with Parents	1,008	
Maintenance and Repair Services - Vehicles	11,721	
Total Transportation		<u>24,728</u>

Total School Federal Projects Fund \$ 1,872,203

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$ 42,195	
Accountants/Bookkeepers	24,955	
Cafeteria Personnel	336,597	
Social Security	24,417	
State Retirement	30,541	
Medical Insurance	48,709	
Unemployment Compensation	746	
Employer Medicare	5,711	
Communication	2,812	
Data Processing Services	2,406	
Maintenance and Repair Services - Equipment	12,918	
Travel	823	
Other Contracted Services	1,982	
Food Supplies	401,564	
Office Supplies	1,586	
Other Supplies and Materials	51,730	
Other Charges	1,776	
Food Service Equipment	20,138	
Total Food Service		<u>\$ 1,011,606</u>

Total Central Cafeteria Fund 1,011,606

Total Governmental Funds - Cannon County School Department \$ 17,168,740

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, 2010

General Fund

Other Operations

Industrial Development

Audit Services	\$ 766	
Maintenance and Repair Services - Buildings	375	
Travel	145	
Trustee's Commission	432	
Total Industrial Development	<u> </u>	\$ 1,718

Principal on Debt

General Government

Principal on Other Loans	\$ 78,536	
Total General Government	<u> </u>	78,536

Interest on Debt

General Government

Interest on Other Loans	\$ 16,293	
Total General Government	<u> </u>	16,293

Total General Fund \$ 96,547

Total Governmental Funds - Cannon County Industrial Development Board \$ 96,547

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, 2010

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	<u>\$ 365,767</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 362,109
Trustee's Commission	3,658
Total Cash Disbursements	<u>\$ 365,767</u>
 Excess of Cash Receipts Over (Under) Cash Disbursements	 \$ 0
Cash Balance, July 1, 2009	<u>0</u>
 Cash Balance, June 30, 2010	 <u><u>\$ 0</u></u>

SINGLE AUDIT SECTION



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
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

November 5, 2010

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, 2010, which collectively comprise Cannon County's basic financial statements and have issued our report thereon dated November 5, 2010. 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. Also, our report on the aggregate remaining fund information was qualified due to not including the financial statements of the Cannon County Library System, 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses: 10.01, 10.02, 10.03(A,C,D,E,F), 10.05(A,B,C,D), and 10.13.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies: 10.03(B), 10.06, 10.07, 10.09, and 10.14.

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 10.03(G,H), 10.04, 10.05(E,F), 10.08, 10.10, 10.11, and 10.12.

We also noted certain matters that we reported to management of Cannon County in separate communications.

Cannon County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Cannon County's responses and, accordingly, we express no opinion on the responses.

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, appearing to read "Justin P. Wilson". The signature is written in a cursive style with a prominent vertical line extending downwards from the end.

Justin P. Wilson
Comptroller of the Treasury

JPW/sb



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
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

November 5, 2010

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, 2010. 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, 2010. However, the results of our auditing procedures disclosed one instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and is described in the accompanying Schedule of Findings and Questioned Costs as items 10.07 and 10.16.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as items 10.03(B) and 10.15. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

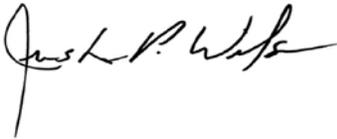
Schedule of Expenditures of Federal Awards

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, 2010, and have issued our report thereon dated November 5, 2010. 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. Also, our report on the aggregate remaining fund information was qualified due to not including the financial statements of the Cannon County Library System, 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.

Cannon County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Cannon County's responses and, accordingly, we express no opinion on the responses.

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, 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,



Justin P. Wilson
Comptroller of the Treasury

JPW/sb

Cannon County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2010

<u>Federal/Pass-through Agency/State Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Expenditures</u>
U.S. Department of Agriculture:			
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	\$ 184,223
National School Lunch Program	10.555	N/A	467,934 (3)
Child Nutrition Discretionary Grants Limited Availability, Recovery Act	10.579	N/A	11,309
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	82,632 (3)
Passed-through State Department of Human Services:			
Child and Adult Care Food Program	10.558	(2)	<u>24,942</u>
Total U.S. Department of Agriculture			<u>\$ 771,040</u>
U.S. Department of Justice:			
Direct Program:			
Public Safety Partnership and Community Policing Grants - ARRA	16.710	N/A	\$ 49,993
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG)			
Program - Grants to States and Territories	16.803	N/A	10,884 (4)
Passed-through State Office of Criminal Justice Programs:			
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG)			
Program - Grants to States and Territories	16.803	N/A	85,000 (4)
Passed-through State Administrative Office of the Courts:			
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG)			
Program - Grants to States and Territories	16.803	N/A	<u>20,489 (4)</u>
Total U.S. Department of Justice			<u>\$ 166,366</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Highway Planning and Construction	20.205	STP-EN-800(30)	\$ 454,300
Passed-through State Governor's Highway Safety Office:			
Alcohol Impaired Driving Countermeasure Incentive Grants	20.601	Z-09-2142770-00	<u>5,000</u>
Total U.S. Department of Transportation			<u>\$ 459,300</u>
U.S. Department of Labor:			
Passed-through Upper Cumberland Human Resource Agency:			
WIA Youth Activities	17.259	(2)	<u>\$ 17,740</u>
U.S. Department of Education:			
Passed-through Wilson County Board of Education:			
Career and Technical Education - Basic Grants to States	84.048	(2)	\$ 2,679 (5)
Passed-through State Department of Education:			
Title I Cluster:			
Title I Grants to Local Educational Agencies	84.010	N/A	404,381
Title I Grants to Local Educational Agencies, Recovery Act	84.389	N/A	115,026
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	465,378
Special Education - Grants to States, Recovery Act	84.391	N/A	385,922
Special Education - Preschool Grants	84.173	N/A	15,748
Special Education - Preschool Grants, Recovery Act	84.392	N/A	1,824
Career and Technical Education - Basic Grants to States	84.048	N/A	34,493 (5)
Safe and Drug-free Schools and Communities - State Grants	84.186	(2)	6,810
Twenty-first Century Community Learning Centers	84.287	(2)	100,000

(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	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Education (Cont.):			
Passed-through State Department of Education (Cont.):			
State Grants for Innovative Programs	84.298	N/A	\$ 1,628
Education Technology Cluster:			
Education Technology State Grants	84.318	(2)	6,614
Education Technology State Grants, Recovery Act	84.386	(2)	10,112
Reading First State Grants	84.357	N/A	100,663
Improving Teacher Quality State Grants	84.367	N/A	108,568
State Fiscal Stabilization Fund Cluster:			
State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	N/A	404,900
State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	N/A	116,073 (6)
Total U.S. Department of Education			\$ 2,280,819
U.S. Department of Health and Human Services			
Passed-through State Department of Health:			
ARRA - Grants to Health Center Program	93.703	GG-10-30683-00	\$ 10,860
U.S. Department of Homeland Security:			
Direct Program:			
Assistance to Firefighters Grant	97.044	N/A	\$ 96,146
Passed-through United Way Emergency Food and Shelter Program:			
Emergency Food and Shelter National Board Program	97.024	(2)	10,714
Passed-through State Department of Military:			
Homeland Security Grant Program	97.067	GG-08-24427-08	26,693
Total U.S. Department of Homeland Security			\$ 133,553
Total Expenditures of Federal Awards			\$ 3,839,678
<u>State Grants</u>			
		Contract Number	
Juvenile Justice - State Commission on Children and Youth	N/A	(7)	\$ 9,405
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	3,743
Litter Grant - State Department of Transportation	N/A	(8)	31,965
Tender Care - State Department of Health	N/A	Z-10-219778-01	23,416
Early Childhood Education Expansion Program - State Department of Education	N/A	(2)	393,775
Internet Connectivity - State Department of Education	N/A	(2)	1,505
Safe Schools Act - State Department of Education	N/A	(2)	530
High Schools That Work Grant - State Department of Education	N/A	(2)	4,276
Rural Technology Assistance Grant - State Department of Economic and Community Development	N/A	Z-09-217765-00	225,276
Total State Grants			\$ 693,891

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 \$550,566.
- (4) Total for CFDA No. 16.803 is \$116,373.
- (5) Total for CFDA No. 84.048 is \$37,172.
- (6) Coordinated School Health (\$89,999), Internet Connectivity (\$6,322), Safe Schools (\$13,100)
Statewide Student Management Systems (\$5,511), Career Ladder - Extended Contract (\$1,141).
- (7) GG-10-30116-00: \$9,000; Z-08-23354-00: \$405.
- (8) Z-09-212726-00: \$5,4962; Z-10-220308-00: \$26,469.

Cannon County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2010

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, 2009, which have not been corrected.

CANNON COUNTY AND CANNON COUNTY SCHOOL DEPARTMENT

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
09.01	174	Cannon County and the Cannon County School Department do not have the resources to produce financial statements and notes to the financial statements

OFFICE OF COUNTY EXECUTIVE

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
09.02	175	Material audit adjustments were required for proper financial statement presentation
09.03(A,B,E,F)	176	Deficiencies were noted in the administration of the REACH program
09.03(C.1.,C.4.)	176	The REACH program did not properly issue purchase orders and did not properly document the distribution of gift cards purchased by the program
09.04	178	Expenditures exceeded appropriations
09.05(B)	180	Payables were not determined and recorded in the accounting records of the Solid Waste/ Sanitation Fund
09.06	181	The office had deficiencies in purchasing procedures
09.08	182	Government-wide financial statements did not include other postemployment benefits as required by generally accepted accounting principles

OFFICE OF SHERIFF

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
09.12(A,B)	180	The office had deficiencies in commissary operations

OTHER FINDING

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
09.15	186	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, and Sheriff

CANNON COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2010

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the aggregate discretely presented component units and the aggregate remaining fund information is qualified. Our report on the governmental activities and each major fund is unqualified.
2. The audit of the financial statements of Cannon County disclosed significant deficiencies in internal control. Five of these conditions were considered to be material weaknesses.
3. The audit disclosed one instance of noncompliance that was 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 two findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555); Title I, Part A Cluster: Title I Grants to Local Educational Agencies and Title I Grants to Local Education Agencies, Recovery Act (CFDA Nos. 84.010 and 84.389); the Highway Planning and Construction Program (CFDA No. 20.205); the Special Education Cluster: Special Education - Grants to States, Special Education - Grants to States, Recovery Act, Special Education – Preschool Grants, and Special Education – Preschool Grants, Recovery Act (CFDA Nos. 84.027, 84.391, 84.173, and 84.392); and the State Fiscal Stabilization Fund Cluster: Education State Grants, Recovery Act and Government Service, Recovery Act (CFDA Nos. 84.394 and 84.397) 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. The written responses of the county executive and the circuit and general sessions courts clerk are paraphrased in this report.

CANNON COUNTY AND CANNON COUNTY SCHOOL DEPARTMENT

FINDING 10.01 **CANNON COUNTY AND THE CANNON COUNTY SCHOOL DEPARTMENT DO NOT HAVE THE RESOURCES TO PRODUCE 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 financial reporting systems that offer reasonable assurance that management is able to produce financial statements and notes to the financial statements 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 and preparing the related notes. It is permissible for us, as the external auditors, to assist the county and the School Department in preparing their financial statements and notes as a matter of convenience as long as the county and the School Department have the skills needed to prepare their financial statements and notes. However, management, including the accounting staff, does not have the technical skills to prepare GAAP financial statements and disclosures. This deficiency is the result of management's failure to correct the finding noted in the prior-year audit report. The inability to prepare financial statements and notes 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 notes to the financial statements 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 10.02 **THE GENERAL FUND REQUIRED MATERIAL AUDIT ADJUSTMENTS FOR PROPER FINANCIAL STATEMENT PRESENTATION**
(Internal Control – Material Weakness Under Government Auditing Standards)

At June 30, 2010, certain general ledger account balances in the General Fund were not materially correct, and audit adjustments were required for the financial statements to be materially correct at year-end. Generally accepted accounting principles require Cannon County to have adequate internal controls over the maintenance of its accounting records. Material audit adjustments were required because the county's financial reporting system did not prevent, detect, or correct potential misstatements in the accounting records. 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. This deficiency is the result of management's failure to correct the finding noted in the prior-year audit report. 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.

FINDING 10.03 **THE OFFICE HAD DEFICIENCIES IN THE ADMINISTRATION OF THE REACH PROGRAM**
(A., C., D., E., and F. – Internal Control – Material Weakness Under Government Auditing Standards; B. – Internal Control – Significant Deficiency Under OMB Circular A-133 and Government Auditing Standards; G. and H. – Noncompliance Under Government Auditing Standards)

The REACH program is an after-school care program that operates sites in several of the county's schools. The program collects donations and childcare fees at the sites; however, its primary source of revenue is grant funds. The program's director serves as the primary grant writer and administrator in addition to overseeing the daily operations of the program. Program revenues are deposited with the county trustee and disbursed through the county's General Fund. Program expenditures totaled \$349,461 during the year examined.

Our examination of the REACH program revealed that county officials failed to exercise proper oversight of the program as evidenced by the following deficiencies:

- A. The REACH director presented budgets for reimbursable grant programs from the State of Tennessee to the county, and the County Commission

included revenues and appropriations from these grants in the General Fund budget. However, some of the grants had never been awarded to the county by the state.

1. In the prior-year, the REACH director presented budgets to the county for a Lottery Education Afterschool Program Grant (\$100,000) and a Tobacco Grant (\$21,000). The county actually spent \$120,999 on these two programs based on the recommendation of the REACH director. During the prior-year audit, we questioned why no request for reimbursement from these grants had been made by June 30, 2009. Our current examination revealed that the state had never awarded either of these grants to Cannon County.
2. In the current year, the REACH director again presented a budget for a Lottery Education Afterschool Program Grant (\$50,000) that was approved as part of the General Fund budget. From July 2009 through November 2009, the county spent \$4,272 from these appropriations before discovering that the grant had not been awarded by the state. The expenditures were then reclassified to another major category in the General Fund budget.

This deficiency resulted from the failure of county officials to require the REACH director to present the grant award documentation prior to appropriating and spending the funds. As a result of spending based on grant funds that had been appropriated by the County Commission but never awarded by the state, Cannon County provided local funds of \$125,271 (\$120,999 plus \$4,272) to the REACH Program for the two-year period ending June 30, 2010.

- B. The REACH Program was awarded a reimbursable grant from the state Office of Criminal Justice Programs (OCJP) totaling \$170,000 to be paid over a two-year period at \$85,000 annually. During the year examined, OCJP monitored this grant and had several findings resulting in questioned costs of \$3,186. REACH officials failed to file an adequate corrective action plan in a timely manner as required by the monitoring report. As a result, the OCJP disallowed reimbursement requests totaling \$10,263 from the original grant award for the year ended June 30, 2010. These disallowed reimbursement requests resulted in Cannon County having to provide local funds of \$10,263 to the REACH Program. Furthermore, the OCJP has notified county officials that the award amount of the grant for the year ending June 30, 2011, has been reduced from \$85,000 to \$58,000.
- C. The REACH program director submitted a budget amendment for the 21st Century Community Learning Centers Grant to the State of Tennessee on January 4, 2010. This \$17,000 amendment was approved by state officials on January 22, 2010, and reduced the appropriations for salaries and increased appropriations for professional fees, supplies, and telephone expenses.

On April 17, 2010, the REACH director presented the following budget amendment for the 21st Century Community Learning Centers Grant to the Cannon County Commission for approval:

Account Number	Account Description	Increase	Decrease
55150-105	Supervisor/Director	\$ 17,920	\$ 0
55150-189	Other Salaries and Wages	1,939	0
55150-204	State Retirement	1,198	0
55150-205	Employee Insurance	1,271	0
55150-307	Communications	1,554	0
55150-399	Other Contracted Services	12,139	0
55150-499	Other Supplies and Materials	3,655	0
55150-163	Educational Assistants	0	38,405
55150-201	Social Security	0	1,271
Total		<u>\$ 39,676</u>	<u>\$ 39,676</u>

The County Commission approved the amendment presented by the REACH director in April. However, the amendment for the 21st Century Community Learning Centers Grant presented by the REACH director did not agree with the amendment previously approved by the state.

- D. Receipts were issued for after-school care fees; however, these receipts were not reconciled with attendance records from each remote site. The failure to reconcile receipts with attendance records increases the risk of fraud and abuse. This deficiency is a result of management's failure to correct the finding noted in the prior-year audit report.
- E. The REACH program does not follow Cannon County's purchasing policies as noted below:
 1. Prior to making any purchase exceeding \$100, the program is required to obtain a purchase order from the County Executive's Office; however, during the year examined, the program did not obtain purchase orders in all applicable instances. Purchase orders are necessary to control who has purchasing authority for the county and to document purchasing commitments. The failure to obtain purchase orders increases the risks of unauthorized purchases.
 2. During the year, the program purchased at least \$1,435 in gift cards in various denominations redeemable at stores and restaurants. The director stated that these cards were used as awards for students and staff; however, adequate documentation of the distribution of these cards was not maintained. Failure to adequately document the

purpose and the distribution of gift cards increases the risk of misappropriation of local and grant funds.

3. During the year, the REACH program instituted a petty cash fund. Our examination revealed the following deficiencies in the maintenance of the petty cash fund:

a. On two occasions that office supplies were purchased, three store receipts were filed as documentation for each purchase. These store receipts were issued minutes apart on the same day and three of the six store receipts were issued for \$99.99. As previously noted in this report, Cannon County's purchasing policies require a purchase order for purchases in excess of \$100. It appears that REACH officials requested receipts to be issued this way in order to avoid issuing purchase orders as required by the county purchasing policy.

b. The program purchased boots, shoes, and clothes from the petty cash fund at various times throughout the year without properly documenting the purpose for these purchases.

c. On several occasions, employees would make purchases using personal funds, and then solicit reimbursement from the petty cash fund. However, the amount of the purchase exceeded the amount of petty cash on hand. Therefore, a reimbursement request would then be filed with the county executive to replenish the petty cash fund plus an amount to refund the employees for the purchase. The warrant would be cashed, the petty cash fund would be replenished, and the employee would be reimbursed. This is an improper use of the petty cash system.

F. As noted in Part A.2., the county supplemented the REACH program \$4,272 during the year because state grants were not awarded. It should be noted that other expenditures of the REACH program during the period under examination exceeded funds collected from all sources (grants, donations, fundraisers, and fees) by \$79,408. This resulted in the county's General Fund subsidizing the REACH program a total of \$83,680 during the period under examination.

G. The REACH program regularly holds fund raising activities such as cookbook sales and an annual horse show and routinely receives donations from businesses and individuals. The program does not issue receipts for these collections as required by Section 9-2-103, Tennessee Code Annotated (TCA). This deficiency is a result of management's failure to correct the finding noted in the prior-year audit report.

- H. REACH officials did not always deposit funds within three days of collection as required by Section 5-8-207, TCA. This statute requires county officials to deposit public funds within three days of collection. This deficiency is a result of management's failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

County officials should verify grant awards prior to appropriating and spending county funds. All grant funds should be spent in accordance with appropriate guidelines and any necessary corrective action should be performed in a timely manner. All budget amendments to grant awards approved by the grantor agencies should be presented to the County Commission for approval. Receipts issued should be reconciled with attendance records from each of the program's remote sites. The program should follow the county's policies for purchasing, documenting all disbursements adequately, and using the petty cash system properly. To strengthen internal controls over cash collections and deposits, receipts should be issued for all collections, and funds should be deposited within three days of collection in accordance with state statutes.

MANAGEMENT'S RESPONSE – COUNTY EXECUTIVE

Finding 10.03 (B) – We concur. The REACH Program of Cannon County was awarded a grant of \$170,000 over two years from the state Office of Criminal Justice Programs, and we were in error in the way certain employees were being paid from this grant. On August 25, 2010, I sent representatives from the County Executive's Office and the REACH Program to meet with administrators of the grant to correct mistakes. The changes that were suggested were made immediately and will stay in effect throughout the entire grant contract.

FINDING 10.04 **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 \$3,384.
- 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>
<u>General Fund</u>	
County Mayor/Executive	\$ 421
Jail	75,491
Fire Prevention and Control	108
Rescue Squad	4,055
Ambulance/Emergency Medical Services	378
General Welfare Assistance	123
Other Local Welfare Services	68
Other Social, Cultural, and Recreational	1,410
Other Economic and Community Development	192,405
Contributions to Other Agencies	1,999
<u>General Debt Service Fund</u>	
Other Debt Service - Education	3,381

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 management failed to stay within the spending limits authorized by the County Commission, which resulted in unauthorized expenditures, and the failure of management to correct the finding noted in the prior-year audit report.

RECOMMENDATION

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

FINDING 10.05 THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES
 (A., B., C., and D. – Internal Control – Material Weakness Under Government Auditing Standards; E. – Noncompliance Under Government Auditing Standards; F. – Material Noncompliance Under Government Auditing Standards)

Our examination revealed the following deficiencies in purchasing procedures. These deficiencies can be attributed in part to the failure of management to correct audit findings noted in prior-year audit 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. In several instances, invoices were paid without documentation that goods had been received or services rendered. The practice of paying invoices without documentation that goods had been received or services rendered increases the risks of paying for goods or services that were not received.
- C. In some instances, the office paid invoices without canceling or marking them paid. This weakness could result in the office paying invoices more than once.
- D. In the course of our examination, we also noted that prior to leaving on vacation in September 2010, the county executive signed numerous blank warrants to be used for disbursements in his absence. This practice increases the risk that funds could be misappropriated.
- E. The county reimburses employees for travel in accordance with the state's travel policy; however, we noted that this policy was not followed on several occasions. Our examination revealed instances where meals were reimbursed at actual cost rather than per diem, meals were reimbursed when no overnight travel was involved, and the standard mileage rate was not always used. All of these instances are violations of the state's travel policy.
- F. Competitive bids were not solicited for the purchases of firefighters' uniforms (\$13,615), air packs for the volunteer fire departments (\$76,741), SWAT equipment (\$40,409), asset/equipment tagging software and equipment (\$25,866), and hauling waste collections (\$122,030) to a landfill. Sections 5-14-201 through 5-14-206, Tennessee Code Annotated, require public advertisement 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. The office should maintain documentation that goods have been received or services have been rendered before invoices are paid. All invoices should be canceled when paid. The county executive should not sign blank warrants. The county should adhere to its policies when reimbursing employees for travel. Competitive bids should be solicited for all purchases exceeding \$10,000 as required by state statute.

FINDING 10.06 PAYABLES WERE NOT DETERMINED AND RECORDED IN THE SOLID WASTE/SANITATION FUND
(Internal Control – Significant Deficiency Under Government Auditing Standards)

Payables were not determined and recorded on the accounting records of the Solid Waste/Sanitation Fund at June 30, 2010, as required by generally accepted accounting principles. We performed additional audit procedures and determined payables of \$25,068 existed at June 30, 2010. We presented audit adjustments to management that they approved and posted to present these payables properly in the financial statements of this report. This deficiency exists because management failed to correct the finding noted in the prior-year audit report.

RECOMMENDATION

Payables should be properly determined and recorded on the accounting records as required by generally accepted accounting principles.

FINDING 10.07 THE OFFICE DID NOT DOCUMENT COMPLIANCE WITH THE DAVIS-BACON ACT
(Internal Control – Significant Deficiency Under Government Auditing Standards and Noncompliance Under OMB Circular A-133)

The office did not document its compliance with the Davis-Bacon Act for an infrastructure capital project totaling \$454,300 that was funded by a federal Highway Planning and Construction Grant. Federal regulations require contractors and subcontractors to pay prevailing wages on any construction contract that exceeds \$2,000 and is financed either wholly or partially by federal funds. As a result of the failure to document its compliance with the Davis-Bacon Act, the county was unable to verify whether contractors and subcontractors paid their employees prevailing wage rates on this construction project. We performed additional audit procedures to assure that prevailing wages were paid to employees in compliance with federal regulations.

RECOMMENDATION

The County Executive's Office should implement procedures to comply with provisions of the Davis-Bacon Act by monitoring and reviewing contractors' and subcontractors' payrolls for compliance with prevailing wage rate requirements.

MANAGEMENT'S RESPONSE – COUNTY EXECUTIVE

We concur. Preston Brothers Construction Company was the contractor and kept records of payroll. Those records were reported to the Tennessee Department of Transportation. The County Executive's Office knew of the law and knew the law was being followed. However, the County Executive's Office was not aware that a record of compliance should be kept in the office. In the future, payroll records concerning the Davis-Bacon Act will be kept in the County Executive's Office.

FINDING 10.08 GOVERNMENT-WIDE FINANCIAL STATEMENTS DID NOT INCLUDE OTHER POSTEMPLOYMENT BENEFITS AS REQUIRED BY GENERALLY ACCEPTED ACCOUNTING PRINCIPLES
(Noncompliance Under Government Auditing Standards)

Cannon County general government provides postemployment healthcare benefits through a commercial carrier that allows pre-65 age retirees to remain in the plan at the active employee rates. Cannon County did not obtain an actuarial valuation to determine the data necessary for the measurement, recognition, and display of other postemployment benefits (OPEB) necessary to prepare government-wide financial statements and note disclosures as required by Governmental Accounting Standards Board (GASB) Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. GASB is the standard-setting body for accounting principles that state and local governments are required to follow. 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 in the county's financial statements. The general government recognized only the current year cost (expense) of these benefits on a pay-as-you go basis. We believe the omission of this data is not material to the government-wide financial statements at June 30, 2010; however, in the future this omission will become material and will lead to a qualification of the auditor's report.

RECOMMENDATION

Cannon County should present government-wide financial statements and note disclosures in conformity with generally accepted accounting principles. The county should contract for a biennial actuarial valuation of the plan and provide the necessary information for the measurement, recognition, and display of OPEB.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 10.09 THE SCHOOL FEDERAL PROJECTS FUND HAD A DEFICIT IN UNRESERVED FUND BALANCE
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The School Federal Projects Fund had a deficit in unreserved fund balance of \$34,313 at June 30, 2010. This deficit resulted from expenditures and encumbrances exceeding available grant funds requested and received. The deficit was liquidated subsequent to June 30, 2010, when additional federal grant revenues were requested and received.

RECOMMENDATION

School officials should monitor the financial activity of the School Federal Projects Fund to ensure that expenditures/encumbrances do not exceed available funds.

**FINDING 10.10 EXPENDITURES AND ENCUMBRANCES EXCEEDED
APPROPRIATIONS**
(Noncompliance Under Government Auditing Standards)

Expenditures and encumbrances exceeded appropriations approved by the County Commission in the Other Student Support major appropriation category (the legal level of control) in the General Purpose School Fund by \$12,026. 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.” This deficiency exists because management failed to hold spending to the limit authorized by the County Commission, which resulted in unauthorized expenditures.

RECOMMENDATION

Expenditures and encumbrances should be held within appropriations approved by the County Commission

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

**FINDING 10.11 THE OFFICE COULD CHANGE COMPUTER GENERATED
RECEIPT NUMBERS**
(Noncompliance Under Government Auditing Standards)

In-lieu-of using prenumbered receipt stock, the office generated receipts on plain paper. Because the court software provided users the ability to change the computer-generated receipt number, a gap in receipt numbers could be created. This is a violation of Section 9-2-104, Tennessee Code Annotated, which provides for receipts to be prenumbered consecutively. In-lieu-of prenumbered receipts, computer-generated receipts may be printed on plain paper only if the receipt number generated by the software cannot be manipulated. Sound business practices dictate that proper application controls be implemented. Since the software did not have the proper controls, inappropriate system activity could occur if prenumbered receipt stock was not used.

RECOMMENDATION

Management should contact the software vendor concerning the removal of the receipt number reset capability. These controls would help to ensure the reliability and integrity of the information maintained by the system.

OFFICE OF SHERIFF

FINDING 10.12 **THE OFFICE HAD DEFICIENCIES IN COMMISSARY OPERATIONS**

(Noncompliance Under Government Auditing Standards)

The following deficiencies were noted in the operation of the commissary. These deficiencies can be attributed to the failure of management to correct the finding noted in the prior-year audit report.

- A. Profits from commissary operations were not remitted to the county trustee monthly. The state attorney general opined in November 1989 that profits earned from commissary operations are local revenues and should be administered as any other local revenue. Section 8-24-103, Tennessee Code Annotated (TCA), provides that all funds earned by the Sheriff's Department should be reported to the county monthly.

- B. During the year examined, the office purchased supplies and equipment totaling \$341 directly from the commissary bank account instead of through the county's General Fund. Section 5-9-401, TCA, 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." Therefore, these purchases bypassed the county's purchasing and budgetary processes.

RECOMMENDATION

Profits generated from the operation of the jail commissary should be remitted to the county monthly, and all operating expenses of the office should be appropriated by the County Commission and paid from the General Fund through the county's budgetary process.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 10.13 **CANNON COUNTY HAS MATERIAL RECURRING AUDIT FINDINGS**

(Internal Control – Material Weakness Under Government Auditing Standards)

Cannon County has material audit findings that have been reported in its annual financial reports for three or more consecutive years. These recurring material findings are listed on the following page:

<u>Finding Numbers</u>	<u>Description</u>
10.01, 09.01, 08.01	Cannon County and the Cannon County School Department do not have the resources to produce financial statements and notes to the financial statements
10.02, 09.02, 08.02	Cannon County has several funds that required material audit adjustments for proper financial statement presentation

The recurring nature of the above-noted findings indicates that management is either unwilling or unable to address the deficiencies. The Local Government Modernization Act of 2005 in Section 9-3-405, Tennessee Code Annotated (TCA), encourages local governments to consider establishing an Audit Committee and further provides that the Comptroller may require that an Audit Committee be established in any local government that (1) is in noncompliance with the accounting and financial reporting standards required by the Governmental Accounting Standards Board, or (2) has recurring findings from the annual audit for three or more consecutive years as determined by the Comptroller to be a material weakness in internal control or material noncompliance under Government Auditing Standards. The responsibilities and duties of an Audit Committee are to address financial and other reporting practices, internal control, compliance with laws and regulations, and ethics.

RECOMMENDATION

Cannon County should establish an Audit Committee to address financial and other reporting practices, internal control, compliance with laws and regulations, and ethics. This Audit Committee should provide management with guidance to correct all reported material weaknesses in internal control and material noncompliance. If these findings continue to recur, Cannon County may be required to establish an Audit Committee under the provisions of Section 9-3-405, TCA.

FINDING 10.14 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, 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, 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 management's decisions based on the availability of financial resources and is a significant deficiency in internal controls that increases the risk of unauthorized transactions. Also, this deficiency is the result of management's failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – CIRCUIT AND GENERAL SESSIONS COURTS CLERK

The circuit and general sessions courts clerk has adopted uniform financial policies and procedures, which directly addresses this finding and will, hopefully, remove this finding in the future. Since September 1, 2010, the office has adequately segregated duties between our employees to ensure proper oversight of financial matters.

BEST PRACTICE

A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAS NOT BEEN ADOPTED

Cannon County does not have a central system of accounting, budgeting, and purchasing. Sound business practices dictate 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. The Division of County Audit strongly believes that the adoption of a central system of accounting, budgeting, and purchasing is a best practice and would significantly improve accountability and the quality of services provided to the citizens of Cannon County. Therefore, we recommend the adoption of the County Financial Management System of 1981 or a private act, which would provide for a central system of accounting, budgeting, and purchasing covering all county departments.

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

<u>Federal/Pass-through Agencies</u>	<u>Finding Number</u>	<u>Federal CFDA Number</u>	<u>Criteria</u>	<u>Explanation</u>	<u>Amount Questioned</u>
U.S. Department of Justice: Passed-through State Office of Criminal Justice Programs: Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program - Grants to States and Territories	10.15	16.803	<u>Circular A-132, Section 500 (c)(3)</u>	Significant Deficiency in Internal Control See Finding 10.03(B). State monitors noted several deficiencies in the administration of the grant.	\$ 3,186
U.S. Department of Transportation: Passed-through State Department of Transportation: Highway Planning and Construction	10.16	20.205	<u>Circular A-133, Section 500 (d)(3)</u>	Noncompliance - See Finding 10.07. County officials did not document compliance with the Davis-Bacon Act.	0

**CANNON COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2010**

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

County Executive – Corrective Action Plan for Current-Year's Findings

FINDINGS 10.03(B) and 10.15

Contact person: Mike Gannon

Corrective action planned: Employees of the County Executive's Office and the REACH Program travelled to Nashville on August 25, 2010, to meet with administrators of the grant to correct mistakes that were noted in the grant's monitoring report. The changes that were suggested were made immediately and will stay in effect throughout the entire grant contract.

Anticipated completion date: 2010-11

FINDINGS 10.07 and 10.16

Contact person: Mike Gannon

Corrective action planned: The County Executive's Office knew of the law and knew the law was being followed. However, the County Executive's Office was not aware that a record of compliance should be kept in the office. In the future, payroll records concerning the Davis-Bacon Act will be kept in the County Executive's Office.

Anticipated completion date: 2010-11