



**ANNUAL FINANCIAL REPORT
CANNON COUNTY, TENNESSEE**



FOR THE YEAR ENDED JUNE 30, 2011



**ANNUAL FINANCIAL REPORT
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FOR THE YEAR ENDED JUNE 30, 2011**

***COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON***

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Auditor 4***

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State Auditors***

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, 2011

Scope

We have audited the basic financial statements of Cannon County as of and for the year ended June 30, 2011.

Results

Our report on Cannon County's financial statements is unqualified.

Our audit resulted in 12 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 Practices

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

OFFICE OF COUNTY EXECUTIVE

- ◆ Cannon County does not require all eligible employees to participate in the Tennessee Consolidated Retirement System.
- ◆ The office had deficiencies in budget operations.
- ◆ The office had deficiencies in administering the REACH program.
- ◆ The office had deficiencies in purchasing procedures.
- ◆ Government-wide financial statements did not include other postemployment benefits as required by generally accepted accounting principles.
- ◆ Employees of the Solid Waste Department sold scrap metal for personal gain, resulting in an undetermined cash shortage.

OFFICES OF COUNTY EXECUTIVE AND ROAD SUPERVISOR

- ◆ Material audit adjustments were required in the Highway/Public Works Fund and capital asset records for proper financial statement presentation.

OFFICE OF ROAD SUPERVISOR

- ◆ The office had deficiencies in budget operations.
-

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

- ◆ The office did not issue prenumbered receipts in compliance with state statute.
-

OFFICE OF CLERK AND MASTER

- ◆ The office had deficiencies in computer system backup procedures.
-

OFFICES OF COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, AND REGISTER

- ◆ Multiple employees operated from the same cash drawer.
-

OFFICES OF ROAD SUPERVISOR, SHERIFF, AND THE AMBULANCE SERVICE DEPARTMENT

- ◆ Duties were not segregated adequately.
-

BEST PRACTICES

The Division of County Audit strongly believes that the items noted below are best practices 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.

- Cannon County should adopt a central system of accounting, budgeting, and purchasing.
- Cannon County should establish an Audit Committee.

INTRODUCTORY SECTION

Cannon County Officials

June 30, 2011

Officials

Mike Gannon, County Executive
Wayne Hancock, Road Supervisor
Barbara Parker, Director of Schools
Wayne Prater, Trustee
Donald Preston, Assessor of Property
Bobby Smith, County Clerk
Lynne Foster, Circuit and General Sessions Courts Clerk
William Bryson, Clerk and Master
Deborah Morris, Register
Darrell Young, Sheriff

Board of County Commissioners

Mike Gannon, County Executive, Chairman
Mark Barker
Jim Bush
Kevin George
Clint Higgins
Todd Hollandsworth

Jimmy Mingle
Kevin Mooneyham
Tony Neal
James Russell Reed
Robert Stoetzel

Highway Commission

Jerry Pelham, Chairman
Doyle Duke
James Hancock

Board of Education

Randy Gannon, Chairman
Chris Blackburn
Shannon Davenport

Cathy Hyatt
Michael Mayfield

Industrial Development Board

Jackie Francis, Chairman
Mark Barker
Ricky Cope
Buddy Davenport
John Higgins

Bill Jennings
Gary Nichols
Harold Patrick
Randall Reid
Greg Rogers

FINANCIAL SECTION



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
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JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
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INDEPENDENT AUDITOR'S REPORT

February 8, 2012

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, 2011, 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 did not audit the financial statements of the Cannon County Emergency Communications District, which represent 3.9 percent and 2.6 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Cannon County Emergency Communications District, is based on the report of other auditors.

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 and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position 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 June 30, 2011, 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 February 8, 2012, 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 the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which became effective for the year ended June 30, 2011.

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 64 through 73 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 financial statements as a whole. 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 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements 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 do not express an opinion or provide any assurance 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 long vertical stroke extending downwards from 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, 2011

	Primary Governmental Activities	Component Units		
		Cannon County School Department	Cannon County Industrial Development Board	Cannon County Emergency Communications District
<u>ASSETS</u>				
Cash	\$ 21,492	\$ 100	\$ 0	\$ 303,105
Equity in Pooled Cash and Investments	4,626,592	2,265,223	16,946	0
Accounts Receivable	582,548	44	0	12,437
Allowance for Uncollectibles	(126,612)	0	0	0
Due from Other Governments	416,282	640,011	0	0
Property Taxes Receivable	3,296,190	1,950,585	0	0
Allowance for Uncollectible Property Taxes	(67,336)	(40,989)	0	0
Capital Assets:				
Assets Not Depreciated:				
Land	271,349	140,635	574,512	20,000
Construction in Progress	734,723	22,283	0	0
Assets Net of Accumulated Depreciation:				
Buildings and Improvements	2,437,067	10,460,284	2,031,284	245,186
Other Capital Assets	619,635	371,167	0	169,913
Infrastructure	11,979,000	0	0	0
Total Assets	<u>\$ 24,790,930</u>	<u>\$ 15,809,343</u>	<u>\$ 2,622,742</u>	<u>\$ 750,641</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 40,984	\$ 0	\$ 0	\$ 12,117
Payroll Deductions Payable	2,683	0	0	0
Accrued Interest Payable	12,760	0	0	0
Due to State of Tennessee	961	244	0	0
Deferred Revenue - Current Property Taxes	3,074,579	1,812,699	0	0
Noncurrent Liabilities:				
Due Within One Year	748,164	42,112	44,278	1,137
Due in More Than One Year	10,143,726	299,521	454,958	96,734
Total Liabilities	<u>\$ 14,023,857</u>	<u>\$ 2,154,576</u>	<u>\$ 499,236</u>	<u>\$ 109,988</u>
<u>NET ASSETS</u>				
Invested in Capital Assets, Net of Related Debt	\$ 14,594,510	\$ 0	\$ 2,106,560	\$ 337,228
Invested in Capital Assets	0	10,994,369	0	0
Restricted for:				
Solid Waste/Sanitation	17,530	0	0	0
Drug Control	116,471	0	0	0
Highway/Public Works	1,306,940	0	0	0
Debt Service	2,729,698	0	0	0
School Federal Projects	0	64,359	0	0
Central Cafeteria	0	256,407	0	0
Other Purposes	493,901	2,025,795	0	0
Unrestricted	<u>(8,491,977)</u>	<u>313,837</u>	<u>16,946</u>	<u>303,425</u>
Total Net Assets	<u>\$ 10,767,073</u>	<u>\$ 13,654,767</u>	<u>\$ 2,123,506</u>	<u>\$ 640,653</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, 2011

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 Governmental Activities	Cannon County School Department	Cannon County Industrial Development Board	Cannon County Emergency Communications District		
Primary Government:										
Governmental Activities:										
General Government	\$ 721,105	\$ 50,124	\$ 15,947	\$ 0	\$ (655,034)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Finance	432,813	293,518	0	0	(139,295)	0	0	0	0	0
Administration of Justice	440,688	237,807	9,000	0	(193,881)	0	0	0	0	0
Public Safety	2,517,320	323,807	89,384	189,082	(1,915,047)	0	0	0	0	0
Public Health and Welfare	1,768,461	551,060	560,383	75,148	(581,870)	0	0	0	0	0
Social, Cultural, and Recreational Services	367,408	72,009	254,952	0	(40,447)	0	0	0	0	0
Agriculture and Natural Resources	69,890	29,375	2,474	0	(38,041)	0	0	0	0	0
Other Operations	192,980	4,419	0	189,086	525	0	0	0	0	0
Highways/Public Works	1,914,909	61,755	1,542,958	503,701	193,505	0	0	0	0	0
Interest on Long-term Debt	72,977	0	0	0	(72,977)	0	0	0	0	0
Other Debt Service	57,556	0	0	0	(57,556)	0	0	0	0	0
Total Governmental Activities	\$ 8,556,107	\$ 1,623,874	\$ 2,475,098	\$ 957,017	\$ (3,500,118)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Primary Government	\$ 8,556,107	\$ 1,623,874	\$ 2,475,098	\$ 957,017	\$ (3,500,118)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Component Units:										
School Department	\$ 17,332,341	\$ 392,780	\$ 1,818,852	\$ 0	\$ 0	\$ (15,120,709)	\$ 0	\$ 0	\$ 0	\$ 0
Industrial Development Board	139,636	38,909	0	0	0	0	(100,727)	0	0	0
Emergency Communications District	454,076	259,484	182,753	0	0	0	0	0	(11,839)	0
Total Component Units	\$ 17,926,053	\$ 691,173	\$ 2,001,605	\$ 0	\$ 0	\$ (15,120,709)	\$ (100,727)	\$ (11,839)	\$ 0	\$ 0

(Continued)

Exhibit B

Cannon County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets					
	Program Revenues		Charges for Services	Component Units		
	Operating Grants and Contributions	Capital Grants and Contributions		Cannon County School Department	Cannon County Industrial Development Board	Cannon County Emergency Communications District
Expenses	Primary Governmental Total	Governmental Activities	Cannon County School Department	Cannon County Industrial Development Board	Cannon County Emergency Communications District	
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes		\$ 3,003,505	\$ 1,936,153	\$ 0	\$ 0	0
Property Taxes Levied for Debt Service		86,635	0	0	0	0
Local Option Sales Taxes		107,952	490,278	0	0	0
Litigation Tax - General		35,462	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse		37,653	0	0	0	0
Wheel Tax		631,870	0	0	0	0
Wholesale Beer Tax		62,812	0	0	0	0
Business Tax		44,314	0	0	0	0
Other Local Taxes		23,992	734	0	0	0
Grants and Contributions Not Restricted to Specific Programs		166,723	12,179,344	0	0	0
Unrestricted Investment Earnings		62,685	148	0	0	1,202
Miscellaneous		23,050	61,971	0	0	0
Sale of Equipment		1,165	0	0	0	0
Total General Revenues		\$ 4,287,818	\$ 14,668,628	\$ 0	\$ 0	1,202
Change in Net Assets		\$ 787,700	\$ (452,081)	\$ (100,727)	\$ (10,637)	(10,637)
Net Assets, July 1, 2010		9,979,373	14,106,848	2,224,233	651,290	651,290
Net Assets, June 30, 2011		\$ 10,767,073	\$ 13,654,767	\$ 2,123,506	\$ 640,653	640,653

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, 2011

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Governmental Funds	Governmental Funds	
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 21,492	\$ 21,492
Equity in Pooled Cash and Investments	678,540	24,229	1,064,100	2,726,247	133,476	4,626,592	4,626,592
Accounts Receivable	581,641	907	0	0	0	582,548	582,548
Allowance for Uncollectibles	(126,612)	0	0	0	0	(126,612)	(126,612)
Due from Other Governments	160,675	9,189	246,418	0	0	416,282	416,282
Due from Other Funds	17,005	0	0	0	0	17,005	17,005
Property Taxes Receivable	2,864,830	385,588	0	45,772	0	3,296,190	3,296,190
Allowance for Uncollectible Property Taxes	(58,225)	(7,729)	0	(1,382)	0	(67,336)	(67,336)
Total Assets	\$ 4,117,854	\$ 412,184	\$ 1,310,518	\$ 2,770,637	\$ 154,968	\$ 8,766,161	\$ 8,766,161

ASSETS

LIABILITIES AND FUND BALANCES

Liabilities	\$ 18,748	\$ 22,236	\$ 0	\$ 0	\$ 0	\$ 40,984
Accounts Payable	66	0	2,617	0	0	2,683
Payroll Deductions Payable	0	0	0	0	17,005	17,005
Due to Other Funds	0	0	961	0	0	961
Due to State of Tennessee	2,673,982	360,537	0	40,060	0	3,074,579
Deferred Revenue - Current Property Taxes	121,284	15,841	0	3,960	0	141,085
Deferred Revenue - Delinquent Property Taxes	431,741	4,866	119,471	0	0	556,078
Other Deferred Revenues	\$ 3,245,821	\$ 403,480	\$ 123,049	\$ 44,020	\$ 17,005	\$ 3,833,375
Total Liabilities						

(Continued)

Exhibit C-1

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

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other	Governmental Funds	
<u>Fund Balances</u>							
<u>Restricted:</u>							
Restricted for General Government	\$ 15,745	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	15,745
Restricted for Administration of Justice	31,095	0	0	0	0	0	31,095
Restricted for Public Safety	350,269	0	0	0	116,471	0	466,740
Restricted for Public Health and Welfare	66,502	8,704	0	0	0	0	75,206
Restricted for Social, Cultural, and Recreational Services	11,327	0	0	0	0	0	11,327
Restricted for Highways/Public Works	0	0	1,187,469	0	0	0	1,187,469
Restricted for Debt Service	0	0	0	2,726,617	0	0	2,726,617
<u>Committed:</u>							
Committed for Finance	0	0	0	0	21,492	0	21,492
<u>Assigned:</u>							
Assigned for Capital Projects	18,963	0	0	0	0	0	18,963
Unassigned	378,132	0	0	0	0	0	378,132
<u>Total Fund Balances</u>	<u>\$ 872,033</u>	<u>\$ 8,704</u>	<u>\$ 1,187,469</u>	<u>\$ 2,726,617</u>	<u>\$ 137,963</u>	<u>\$ 4,932,786</u>	
<u>Total Liabilities and Fund Balances</u>	<u>\$ 4,117,854</u>	<u>\$ 412,184</u>	<u>\$ 1,310,518</u>	<u>\$ 2,770,637</u>	<u>\$ 154,968</u>	<u>\$ 8,766,161</u>	

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, 2011

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)		\$	4,932,786
(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		734,723	
Add: infrastructure net of accumulated depreciation		11,979,000	
Add: buildings and improvements net of accumulated depreciation		2,437,067	
Add: other capital assets net of accumulated depreciation		<u>619,635</u>	16,041,774
(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	\$	(328,100)	
Less: other loans payable		(10,498,164)	
Less: compensated absences payable		(65,626)	
Less: accrued interest on notes and other loans		<u>(12,760)</u>	(10,904,650)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>697,163</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>10,767,073</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, 2011

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other	Governmental Funds	
<u>Revenues</u>							
Local Taxes	\$ 2,946,068	\$ 403,691	\$ 7,382	\$ 746,307	\$ 0	\$ 0	\$ 4,103,448
Licenses and Permits	664	0	0	0	0	0	664
Fines, Forfeitures, and Penalties	85,356	0	0	0	72,593	0	157,949
Charges for Current Services	577,961	25,066	0	0	113,387	0	716,414
Other Local Revenues	253,333	219	78,478	0	610	0	332,640
Fees Received from County Officials	386,053	0	0	0	0	0	386,053
State of Tennessee	374,230	2,900	1,642,099	0	49	0	2,019,278
Federal Government	889,754	0	142,808	0	0	0	1,032,562
Other Governments and Citizens Groups	306,680	40,000	0	255,541	0	0	602,221
Total Revenues	\$ 5,820,099	\$ 471,876	\$ 1,870,767	\$ 1,001,848	\$ 186,639	\$ 0	\$ 9,351,229
<u>Expenditures</u>							
Current:							
General Government	\$ 655,055	\$ 0	\$ 0	\$ 0	\$ 45	\$ 0	\$ 655,100
Finance	290,227	0	0	0	142,019	0	432,246
Administration of Justice	441,422	0	0	0	0	0	441,422
Public Safety	2,272,031	0	0	0	68,696	0	2,340,727
Public Health and Welfare	1,128,999	516,732	0	0	0	0	1,645,731
Social, Cultural, and Recreational Services	343,976	0	0	0	0	0	343,976
Agriculture and Natural Resources	69,890	0	0	0	0	0	69,890
Other Operations	500,496	0	0	0	0	0	500,496
Highways	0	0	1,757,760	0	0	0	1,757,760
Capital Outlay	77,500	0	0	0	0	0	77,500
Debt Service:							
Principal on Debt	0	0	43,000	660,444	0	0	703,444
Interest on Debt	0	0	647	73,154	0	0	73,801
Other Debt Service	0	0	0	57,556	0	0	57,556
Total Expenditures	\$ 5,779,596	\$ 516,732	\$ 1,801,407	\$ 791,154	\$ 210,760	\$ 0	\$ 9,099,649

(Continued)

Exhibit C-3

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

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other	Governmental Funds	
Excess (Deficiency) of Revenues Over Expenditures	\$ 40,503	\$ (44,856)	\$ 69,360	\$ 210,694	\$ (24,121)	\$	\$ 251,580
Other Financing Sources (Uses)							
Notes Issued	\$ 170,725	\$ 0	\$ 0	\$ 0	\$ 0	\$	\$ 170,725
Transfers In	0	40,000	0	0	0	0	40,000
Transfers Out	(40,000)	0	0	0	0	0	(40,000)
Total Other Financing Sources (Uses)	\$ 130,725	\$ 40,000	\$ 0	\$ 0	\$ 0	\$	\$ 170,725
Net Change in Fund Balances	\$ 171,228	\$ (4,856)	\$ 69,360	\$ 210,694	\$ (24,121)	\$	\$ 422,305
Fund Balance, July 1, 2010	700,805	13,560	1,118,109	2,515,923	162,084		4,510,481
Fund Balance, June 30, 2011	\$ 872,033	\$ 8,704	\$ 1,187,469	\$ 2,726,617	\$ 137,963	\$	\$ 4,932,786

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, 2011

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)		\$ 422,305
<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>		
Add: capital assets purchased in the current period	\$ 612,447	
Less: current-year depreciation expense	<u>(791,925)</u>	(179,478)
<p>(2) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.</p>		
Add: deferred delinquent property taxes and other deferred June 30, 2011	\$ 697,163	
Less: deferred delinquent property taxes and other deferred June 30, 2010	<u>(704,585)</u>	(7,422)
<p>(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:</p>		
Less: note proceeds	\$ (170,725)	
Add: principal payments on notes	146,706	
Add: principal payments on other loans	<u>556,738</u>	532,719
<p>(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.</p>		
Change in accrued interest payable	\$ 824	
Change in compensated absences payable	<u>18,752</u>	<u>19,576</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 787,700</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, 2011

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 861,706
Due from Other Governments	<u>67,794</u>
Total Assets	<u>\$ 929,500</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 67,794
Due to Litigants, Heirs, and Others	<u>861,706</u>
Total Liabilities	<u>\$ 929,500</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, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

Cannon County is a public municipal corporation governed by an elected ten-member board. As required by GAAP, these financial statements present Cannon County (the primary government) and its component units. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

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 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. 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; however, the county issued no debt for the School Department during the year examined.

Separate financial statements are provided for governmental funds and fiduciary funds. The fiduciary funds are excluded from the government-wide financial statements. 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 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.

Solid Waste/Sanitation Fund – This special revenue fund accounts for transactions related to the disposal of the county’s solid waste. Local taxes are the foundational revenues of this fund.

Highway/Public Works Fund – This special revenue fund accounts for transactions of the county’s Highway Department. Local and state gasoline/fuel taxes are the foundational revenues of this fund.

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

Additionally, Cannon County reports the following fund type:

Agency Funds – These funds account for amounts collected in an agency capacity by the constitutional officers and local sales taxes received by the state to be forwarded to the various cities in Cannon County. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They do, however, use the accrual basis of accounting to recognize receivables and payables.

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

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

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

Special Revenue Funds – These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

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.

It is the county’s policy that restricted amounts would be reduced first followed by unrestricted amounts when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available. Also, it is the county’s policy that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used.

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, 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, the School Department, and the Industrial Development Board have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit 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 1.09 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.

Most payables are disaggregated on the face of the financial statements.

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 \$493,901, with the primary restrictions being for: (1) alcohol and drug treatment (\$66,502); (2) a fire truck (\$201,200); and (3) litigation taxes used for courthouse and jail maintenance (\$142,420). For the discretely presented School Department, the account Restricted for Other Purposes (\$2,025,795)

consists primarily of restrictions for the Basic Education Program (\$1,607,926) and textbooks (\$183,170).

As of June 30, 2011, Cannon County had \$9,379,000 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 fund balance in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in these funds can be spent. These classifications may consist of the following:

Nonspendable Fund Balance – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – includes amounts that have constraints placed on the use of the resources that are either (a) externally imposed by creditors, grantors, contributors or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the County Commission, the county's highest level of decision-making authority and the Board of Education, the School Department's highest level of decision-making authority.

Assigned Fund Balance – includes amounts that are constrained by the county's intent to be used for specific purposes, but are neither restricted nor committed (excluding stabilization arrangements). The county's Budget/Finance Committee and the Board of Education are authorized bodies to make assignments.

Unassigned Fund Balance – the residual classification of the General and General Purpose School funds. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General and General Purpose School funds.

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.

At June 30, 2011, Cannon County and the Cannon County School Department reported the following significant encumbrances:

<u>Funds</u>	<u>Description</u>	<u>Amount</u>
Primary Government:		
Major Fund:		
General	Fire truck	\$ 201,200
	Courthouse revitalization	18,963
School Department:		
Major Fund:		
General Purpose School	Textbooks	183,170
"	Building improvements	116,170
"	Transportation equipment	78,113

B. Ongoing Investigation

It should be noted that as of the date of this report, our office is conducting certain investigative work related to the REACH program, and other findings and recommendations will be released in a subsequent special report.

C. Appropriations Exceeded Estimated Available Funding

The budget and subsequent amendments approved by the County Commission for the Solid Waste/Sanitation Fund resulted in appropriations exceeding estimated available funding by \$8,862. Sound budgetary principles dictate that appropriations be held within estimated available funding.

D. Expenditures Exceeded Appropriations

Expenditures exceeded total appropriations approved by the County Commission in the Solid Waste/Sanitation Fund by \$1,012.

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

<u>Funds/Major Category</u>	<u>Amount Overspent</u>
General:	
Jail	\$ 1,498
Other Public Safety	21,896
Dental Health Program - REACH	996
Other Public Health and Welfare - REACH	40
Highway/Public Works:	
Operation and Maintenance of Equipment	2,907
General Debt Service:	
Other Debt Service - General Government	4,687

Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by available fund balances.

E. The Actual Fund Balance Exceeded the Estimated Beginning Fund Balance by a Material Amount

The Highway/Public Works Fund's actual fund balance at July 1, 2010, exceeded the estimated fund balance presented to the County Commission during the budget approval process by \$1,011,608.

F. Employees of the Solid Waste Department Removed Scrap Metal for Personal Gain, Resulting in an Undetermined Cash Shortage

Employees of the Solid Waste Department removed scrap metal from the county's convenience center and sold the metal for personal gain. We could not determine the amount and the value of the scrap metal sold. This unauthorized removal of scrap metal resulted in a loss of revenue for the county. See the Schedule of Findings and Questioned Costs for details related to this finding.

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.

Cannon County had no pooled or nonpooled investments as of June 30, 2011.

B. Capital Assets

Capital assets activity for the year ended June 30, 2011, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-10	Increases	Balance 6-30-11
Capital Assets Not Depreciated:			
Land	\$ 271,349	\$ 0	\$ 271,349
Construction in Progress	626,871	107,852	734,723
Total Capital Assets Not Depreciated	\$ 898,220	\$ 107,852	\$ 1,006,072
Capital Assets Depreciated:			
Buildings and Improvements	\$ 5,873,580	\$ 0	\$ 5,873,580
Roads and Bridges	21,917,523	341,347	22,258,870
Other Capital Assets	1,409,201	163,248	1,572,449
Total Capital Assets Depreciated	\$ 29,200,304	\$ 504,595	\$ 29,704,899

Governmental Activities (Cont.):

	Balance 7-1-10	Increases	Balance 6-30-11
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 3,294,091	\$ 142,422	\$ 3,436,513
Roads and Bridges	9,760,713	519,157	10,279,870
Other Capital Assets	822,468	130,346	952,814
Total Accumulated Depreciation	<u>\$ 13,877,272</u>	<u>\$ 791,925</u>	<u>\$ 14,669,197</u>
Total Capital Assets Depreciated, Net	<u>\$ 15,323,032</u>	<u>\$ (287,330)</u>	<u>\$ 15,035,702</u>
Governmental Activities Capital Assets, Net	<u>\$ 16,221,252</u>	<u>\$ (179,478)</u>	<u>\$ 16,041,774</u>

The primary government had no decreases in capital assets during the year. Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 75,974
Public Safety	107,143
Public Health and Welfare	31,871
Social, Cultural, and Recreational Services	21,472
Highways/Public Works	<u>555,465</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 791,925</u>

Discretely Presented Cannon County School Department

Governmental Activities:

	Balance 7-1-10	Increases	Balance 6-30-11
Capital Assets Not Depreciated:			
Land	\$ 140,635	\$ 0	\$ 140,635
Construction in Progress	22,283	0	22,283
Total Capital Assets Not Depreciated	<u>\$ 162,918</u>	<u>\$ 0</u>	<u>\$ 162,918</u>

Governmental Activities (Cont.):

	Balance 7-1-10	Increases	Balance 6-30-11
Capital Assets			
Depreciated:			
Buildings and			
Improvements	\$ 18,860,841	\$ 0	\$ 18,860,841
Other Capital Assets	574,760	76,802	651,562
Total Capital Assets			
Depreciated	<u>\$ 19,435,601</u>	<u>\$ 76,802</u>	<u>\$ 19,512,403</u>
Less Accumulated			
Depreciated For:			
Buildings and			
Improvements	\$ 7,971,141	\$ 429,416	\$ 8,400,557
Other Capital Assets	234,528	45,867	280,395
Total Accumulated			
Depreciation	<u>\$ 8,205,669</u>	<u>\$ 475,283</u>	<u>\$ 8,680,952</u>
Total Capital Assets			
Depreciated, Net	<u>\$ 11,229,932</u>	<u>\$ (398,481)</u>	<u>\$ 10,831,451</u>
Governmental Activities			
Capital Assets, Net	<u>\$ 11,392,850</u>	<u>\$ (398,481)</u>	<u>\$ 10,994,369</u>

The School Department had no decreases in capital assets during the year. Depreciation expense was charged to functions of the School Department as follows:

Governmental Activities:

Instruction	\$ 439,246
Support Services	<u>36,037</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 475,283</u></u>

Discretely Presented Cannon County Industrial Development Board

Governmental Activities:

	Balance 7-1-10	Increases	Balance 6-30-11
	<u> </u>		<u> </u>
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	\$ 21,000	\$ 3,593,752
Total Capital Assets Depreciated	<u>\$ 3,572,752</u>	<u>\$ 21,000</u>	<u>\$ 3,593,752</u>
Less Accumulated Depreciated For:			
Buildings and Improvements	\$ 1,472,333	\$ 90,135	\$ 1,562,468
Total Accumulated Depreciation	<u>\$ 1,472,333</u>	<u>\$ 90,135</u>	<u>\$ 1,562,468</u>
Total Capital Assets Depreciated, Net	<u>\$ 2,100,419</u>	<u>\$ (69,135)</u>	<u>\$ 2,031,284</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,674,931</u>	<u>\$ (69,135)</u>	<u>\$ 2,605,796</u>

The Cannon County Industrial Development Board had no decreases in capital assets during the year. Depreciation expense was charged to functions of the Industrial Development Board as follows:

Governmental Activities:

Other Operations	<u>\$ 90,135</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 90,135</u></u>

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2011, was as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General	Nonmajor governmental	\$ 17,005
Discretely Presented School Department:		
General Purpose School	Nonmajor governmental	8,721

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

Interfund Transfers:

Interfund transfers for the year ended June 30, 2011, consisted of the following amounts:

Primary Government

<u>Transfer Out</u>	<u>Transfer In</u> Nonmajor Govern- mental Fund
General Fund	\$ 40,000

Discretely Presented Cannon County School Department

<u>Transfer Out</u>	<u>Transfer In</u> General Purpose School Fund
Nonmajor governmental fund	\$ 7,010

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, 2011, will be retired from the General Debt Service Fund.

Capital outlay notes and other loans outstanding, as of June 30, 2011, for governmental activities are as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Original Amount of issue</u>	<u>Balance 6-30-11</u>
Capital Outlay Notes	2.96 to 3.8%	\$ 529,735	\$ 328,100
Other Loans	Variable	14,462,000	10,114,000
Other Loans	4.375 to 4.5	400,000	384,164

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, 2011:

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-11	Interest Type	Interest Rate as of		Fee Rate as of	
				6-30-11	6-30-11	6-30-11	6-30-11
Series 1997	\$ 1,642,000	\$ 857,000	Variable	.37	%	.43	%
Series 1999	11,400,000	8,522,000	Variable	.37		.43	
Series 2002	1,420,000	735,000	Variable	.27		.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, 2011, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Notes		
	Principal	Interest	Total
2012	\$ 161,957	\$ 11,153	\$ 173,110
2013	107,261	5,795	113,056
2014	58,882	2,061	60,943
Total	\$ 328,100	\$ 19,009	\$ 347,109

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2012	\$ 582,947	\$ 53,616	\$ 47,653	\$ 684,216
2013	611,164	51,353	45,028	707,545
2014	640,391	48,981	42,277	731,649
2015	671,629	46,495	39,395	757,519
2016	704,877	43,887	36,373	785,137
2017-2021	3,409,503	177,204	128,877	3,715,584
2022-2026	3,595,560	108,557	52,442	3,756,559
2027-2031	51,553	57,827	0	109,380
2032-2036	63,952	45,428	0	109,380
2037-2041	79,330	30,051	0	109,381
2042-2046	82,032	10,972	0	93,004
2047	5,226	235	0	5,461
Total	\$ 10,498,164	\$ 674,606	\$ 392,045	\$ 11,564,815

There is \$2,726,617 available in the General Debt Service Fund to service long-term debt. Debt per capita, including notes and other loans totaled \$784, based on the 2010 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2011, was as follows:

Governmental Activities:

	Notes	Other Loans	Compensated Absences
Balance, July 1, 2010	\$ 304,081	\$ 11,054,902	\$ 84,378
Additions	170,725	0	75,378
Deductions	(146,706)	(556,738)	(94,130)
Balance, June 30, 2011	<u>\$ 328,100</u>	<u>\$ 10,498,164</u>	<u>\$ 65,626</u>
Balance Due Within One Year	<u>\$ 161,957</u>	<u>\$ 582,947</u>	<u>\$ 3,260</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2011	\$ 10,891,890
Less: Balance Due Within One Year	<u>(748,164)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 10,143,726</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, 2011, was as follows:

Governmental Activities:

	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2010	\$ 77,132	\$ 203,454
Additions	58,274	171,483
Deductions	(53,083)	(115,627)
Balance, June 30, 2011	<u>\$ 82,323</u>	<u>\$ 259,310</u>
Balance Due Within One Year	<u>\$ 42,112</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2011	\$ 341,633
Less: Balance Due Within One Year	<u>(42,112)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 299,521</u>

Compensated absences and other postemployment benefits 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, 2011, will be retired from the General Fund.

Other loans outstanding as of June 30, 2011, for governmental activities are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-11
Other Loans	1 to 4.5%	\$ 782,500	\$ 499,236

In prior years, the Cannon County Industrial Development Board entered into a loan agreement with Cumberland Area Investment Corporation. Under this loan agreement, Cumberland Area Investment Corporation loaned \$300,000 at an interest rate of 4.5 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, 2011, including interest payments, are presented in the following table:

Year Ending June 30	Other Loans		
	Principal	Interest	Total
2012	\$ 44,278	\$ 14,894	\$ 59,172
2013	45,538	13,634	59,172
2014	46,815	12,357	59,172
2015	47,703	12,003	59,706
2016	48,988	11,100	60,088
2017-2021	211,967	29,396	241,363
2022-2024	53,947	3,206	57,153
Total	\$ 499,236	\$ 96,590	\$ 595,826

Changes in Long-term Liabilities

Long-term liability activity for the discretely presented Cannon County Industrial Development Board for the year ended June 30, 2011, was as follows:

Governmental Activities:

	<u>Other Loans</u>
Balance, July 1, 2010	\$ 542,343
Deductions	<u>(43,107)</u>
Balance, June 30, 2011	<u>\$ 499,236</u>
Balance Due Within One Year	<u>\$ 44,278</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2011	\$ 499,236
Less: Balance Due Within One Year	<u>(44,278)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 454,958</u>

E. On-Behalf Payments

Primary Government

The State of Tennessee pays health insurance premiums for retired employees on-behalf of Cannon County. These payments are made by the state to the Medicare Supplement Plan, which is administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Medicare Supplement Plan for the year ended June 30, 2011, were \$783. The county has recognized these on-behalf payments as revenues and expenditures in the General Fund.

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, 2011, were \$26,859 and \$9,558, 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 (\$400,000) and Solid Waste/Sanitation funds (\$100,000). These notes were necessary because funds were not available to meet obligations coming due before current tax collections. Short-term debt activity for the year ended June 30, 2011, was as follows:

	Balance 7-1-10	Issued	Paid	Balance 6-30-11
Tax Anticipation Notes	\$ 0	\$ 500,000	\$ (500,000)	\$ 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 Change

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* became effective for the year ended June 30, 2011.

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. These classifications include nonspendable, restricted, committed, assigned, and unassigned and are based on the relative strength of the constraints that control how specific amounts can be spent. Also, Statement No. 54 clarified the definitions of the General Fund and the special revenue, capital projects, debt service, and permanent fund types. Cannon County and the Cannon County School Department have implemented provisions of this statement in the financial statements of this report for their governmental funds.

C. Subsequent Event

On August 2, 2011, Cannon County issued capital outlay notes totaling \$225,000 for jail repairs.

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

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, 2011, 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 to the plan. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2011, was 9.55 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the county is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2011, the county's annual pension cost of \$370,757 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2009, actuarial valuation using the entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected postretirement increases of 2.5 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 ten-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, 2009, was six 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
6-30-11	\$370,757	100%	\$0
6-30-10	320,881	100	0
6-30-09	314,477	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 \$9 million, and the actuarial value of assets was \$7 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$2 million. The covered payroll (annual payroll of active employees covered by the plan) was \$4 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 SETHEPP. 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, 2011, was 9.05 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, 2011, 2010, and 2009, were \$694,668, \$503,338, and \$508,490, 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, 2011; 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. In previous fiscal years, prior to reaching the age of 65, all members had the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. However, as of January 1, 2010, the insurance plan structure was changed, and as a result all members now have the option of choosing between the standard or partnership preferred provider organization (PPO) 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, 2011, the discretely presented School Department contributed \$115,627 for postemployment health care.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan
	<hr/>
ARC	\$ 171,000
Interest on the NPO	9,155
Adjustment to the ARC	(8,672)
	<hr/>
Annual OPEB cost	\$ 171,483
Amount of contribution	(115,627)
	<hr/>
Increase/decrease in NPO	\$ 55,856
Net OPEB obligation, 7-1-10	<hr/> 203,454 <hr/>
 Net OPEB obligation, 6-30-11	 \$ 259,310 <hr/> <hr/>

Fiscal Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
		<hr/>		
6-30-09	Local Education Group	\$ 153,370	43	% \$ 147,678
6-30-10	"	164,351	66	203,454
6-30-11	"	171,483	67	259,310

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2010, was as follows:

	Local Education Group Plan
	<hr/>
Actuarial valuation date	7-1-10
Actuarial accrued liability (AAL)	\$ 1,546,000
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 1,546,000
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, 2010, actuarial valuation for the Local Education Group Plan, 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) and an annual healthcare cost trend rate of ten percent for fiscal year 2011. The trend will decrease to 9.5 percent in fiscal year 2012 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. Both rates include a three percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with June 30, 2008.

I. Purchasing Laws

Office of County Executive

Purchasing procedures for the Office of County Executive are governed by the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, *Tennessee Code Annotated (TCA)*, which provide for all purchases exceeding \$10,000 to be made after public advertisement and solicitation of competitive bids.

Office of Road Supervisor

Purchasing procedures for the Highway Department are governed by Chapter 788, Private Acts of 1933, and provisions of the Uniform Road Law, Section 54-7-113, *TCA*. Provisions of the Private Act provide for the Highway Commission to make all purchases and to rent or lease equipment as necessary. Provisions of the County Uniform Road Law require that

competitive bids be solicited through public advertisement on all purchases exceeding \$10,000.

Office of Director of Schools

Purchasing procedures for the discretely presented Cannon County School Department are governed by purchasing laws applicable to the schools as set forth in Section 49-2-203, *TCA*, which provides for the county Board of Education, through its executive committee (director of schools and the chairman of the Board of Education), to make all purchases. This statute also requires that competitive bids be solicited through newspaper advertisement on all purchases exceeding \$10,000.

Cannon County Industrial Development Board

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

VI. OTHER NOTES – DISCRETELY PRESENTED CANNON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

A. Summary of Significant Accounting Policies

1. Reporting Entity

Cannon County Emergency Communications District is a political subdivision established pursuant to Sections 7-87-101 through 7-86-117 of *Tennessee Code Annotated*, and the provisions of Chapter 867 of the Public Acts of 1984 of the State of Tennessee. The powers of the district are vested in and exercised by a majority of the members of the board of directors, who are appointed by the county. The district is considered a political subdivision and is exempt from federal and state income taxes. The district is considered a component unit of Cannon County. The county appoints the board of directors and the County Commission may adjust service fees and must approve bonded debt. As a result, the Cannon County Commission indirectly imposes its will on the district.

2. Basis of Accounting

The accompanying financial statements of the district have been prepared on the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when incurred. Expenditures are recognized in the accounting period in which the liability is incurred and is measurable.

The district applies all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) Opinions; issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The district has elected not to apply FASB Statements and interpretations issued after November 30, 1989.

3. Cash and Cash Equivalents

The district considers all highly liquid debt instruments with maturities of 60 days or less to be cash equivalents.

4. Supply Inventory

Supply inventory is valued at the lower of cost (first-in, first-out) or market. Inventory items are considered expenditures when used (consumption method).

5. Property, Plant, and Equipment

Property, plant, and equipment of the district are recorded at cost. Depreciation is computed over the estimated life of the assets using the straight-line method. The estimated life for property, plant, and equipment in service is from three to ten years. The district capitalizes interest incurred on construction projects.

6. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

7. Budgets and Budgetary Accounting

Formal budgets are adopted and approved by the board on an annual basis. These budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). The board has the ability to change line item amounts without a formal vote if the change does not increase the amounts budgeted.

B. Cash and Certificates of Deposit

The district is authorized to invest funds in financial institutions and direct obligations of the federal government. During the year, the district invested funds that were not immediately needed in deposit accounts. The district has

deposit policies to minimize custodial credit risks. Deposits in financial institutions are required by state statute to be collateralized by the institutions. The collateral must meet certain requirements and be deposited in an escrow account of a second bank for the benefit of the district and must total a minimum of 105 percent of the value of the deposits placed in the institutions less the amount protected by federal depository insurance. The district's deposits with financial institutions are fully insured or collateralized by securities held in the government's name.

C. Capital Assets

A summary of changes in capital assets in service is as follows:

	Balance 7-1-10	Increases	Balance 6-30-11
Capital Assets Not Depreciated:			
Land	\$ 20,000	\$ 0	\$ 20,000
Total Capital Assets Not Depreciated	<u>\$ 20,000</u>	<u>\$ 0</u>	<u>\$ 20,000</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 266,740	\$ 0	\$ 266,740
Other Capital Assets	307,271	10,300	317,571
Total Capital Assets Depreciated	<u>\$ 574,011</u>	<u>\$ 10,300</u>	<u>\$ 584,311</u>
Less Accumulated Depreciation	<u>\$ 127,992</u>	<u>\$ 41,220</u>	<u>\$ 169,212</u>
Total Capital Assets Depreciated, Net	<u>\$ 446,019</u>	<u>\$ (30,920)</u>	<u>\$ 415,099</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 466,019</u></u>	<u><u>\$ (30,920)</u></u>	<u><u>\$ 435,099</u></u>

There were no decreases in capital assets during the period.

D. Long-term Debt

The district constructed a new facility for its operations using an advance from Cannon County totaling \$100,000.

The following is a summary of changes in long-term debt:

	<u>Notes</u>
Balance, July 1, 2010	\$ 98,959
Additions	0
Deductions	<u>(1,088)</u>
Balance, June 30, 2011	<u>\$ 97,871</u>
Balance Due Within One Year	<u>\$ 1,137</u>

Future maturities of note principal and interest are as follows:

Year Ending June 30	Notes		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 1,137	\$ 4,404	\$ 5,541
2013	1,188	4,353	5,541
2014	1,242	4,299	5,541
2015	1,298	4,243	5,541
2016	1,356	4,185	5,541
2017-2021	7,751	19,954	27,705
2022-2026	9,660	18,045	27,705
2027-2031	12,038	15,667	27,705
2032-2036	15,001	12,704	27,705
2037-2041	18,694	9,011	27,705
2042-2046	23,296	4,409	27,705
2047	<u>5,210</u>	<u>331</u>	<u>5,541</u>
Total	<u>\$ 97,871</u>	<u>\$ 101,605</u>	<u>\$ 199,476</u>

The building of the district is pledged as collateral on the indebtedness until the existing principal and interest are paid in full.

E. Risk Management

The district is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The district purchases commercial insurance for its treasurer and chairman. For all other risks, the district has decided to self-insure. There have been no claims during the last three years.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit E-1

Cannon County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Fund
For the Year Ended June 30, 2011

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 2,946,068	\$ 0	\$ 2,946,068	\$ 2,899,280	\$ 2,899,280	\$ 46,788
Licenses and Permits	664	0	664	650	650	14
Fines, Forfeitures, and Penalties	85,356	0	85,356	80,500	80,500	4,856
Charges for Current Services	577,961	0	577,961	561,500	586,133	(8,172)
Other Local Revenues	253,333	0	253,333	203,341	334,221	(80,888)
Fees Received from County Officials	386,053	0	386,053	287,400	386,293	(240)
State of Tennessee	374,230	0	374,230	367,917	486,010	(111,780)
Federal Government	889,754	0	889,754	489,870	672,712	217,042
Other Governments and Citizens Groups	306,680	0	306,680	197,882	211,057	95,623
<u>Total Revenues</u>	<u>\$ 5,820,099</u>	<u>\$ 0</u>	<u>\$ 5,820,099</u>	<u>\$ 5,088,340</u>	<u>\$ 5,656,856</u>	<u>\$ 163,243</u>
<u>Expenditures</u>						
<u>General Government</u>						
County Commission	\$ 4,274	\$ 0	\$ 4,274	\$ 4,306	\$ 4,306	\$ 32
County Mayor/Executive	171,648	0	171,648	172,260	172,260	612
Election Commission	149,430	0	149,430	155,574	155,574	6,144
Register of Deeds	115,972	0	115,972	108,492	118,092	2,120
County Buildings	212,848	0	212,848	202,412	216,412	3,564
Other General Administration	783	0	783	0	783	0
Preservation of Records	100	0	100	100	100	0
<u>Finance</u>						
Property Assessor's Office	114,952	0	114,952	117,143	117,143	2,191
County Trustee's Office	130,008	0	130,008	33,622	132,515	2,507
County Clerk's Office	45,267	0	45,267	45,649	45,649	382

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Administration of Justice</u>						
Circuit Court	\$ 193,528	\$ 0	\$ 193,528	\$ 201,774	\$ 201,774	\$ 8,246
General Sessions Court	96,621	0	96,621	97,141	97,141	520
Chancery Court	103,147	0	103,147	110,226	110,226	7,079
Juvenile Court	25,160	0	25,160	27,056	27,056	1,896
Judicial Commissioners	22,966	0	22,966	23,007	23,007	41
<u>Public Safety</u>						
Sheriff's Department	957,616	0	957,616	953,761	978,506	20,890
Administration of the Sexual Offender Registry	1,110	0	1,110	0	1,110	0
Jail	644,810	0	644,810	588,673	643,312	(1,498)
Fire Prevention and Control	54,528	0	54,528	66,095	66,095	11,567
Rescue Squad	3,085	0	3,085	3,085	3,085	0
Other Emergency Management	13,713	0	13,713	13,760	15,983	2,270
Public Safety Grant Programs	302,786	0	302,786	328,635	328,635	25,849
Other Public Safety	294,383	201,200	495,583	143,200	473,687	(21,896)
<u>Public Health and Welfare</u>						
Local Health Center	31,540	0	31,540	33,318	33,318	1,778
Ambulance/Emergency Medical Services	859,496	0	859,496	832,689	878,127	18,631
Maternal and Child Health Services	100,001	0	100,001	100,000	100,001	0
Dental Health Program	6,661	0	6,661	0	5,665	(996)
Alcohol and Drug Programs	13,175	0	13,175	0	13,175	0
Regional Mental Health Center	26,181	0	26,181	121,800	121,800	95,619
General Welfare Assistance	13,201	0	13,201	13,641	13,641	440
Other Local Welfare Services	31,467	0	31,467	25,000	32,598	1,131
Sanitation Management	29,237	0	29,237	29,237	29,237	0

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Public Health and Welfare (Cont.)</u>						
Other Public Health and Welfare	\$ 18,040	\$ 0	\$ 18,040	\$ 18,000	\$ 18,000	\$ (40)
<u>Social, Cultural, and Recreational Services</u>						
Senior Citizens Assistance	132,943	0	132,943	139,830	147,428	14,485
Libraries	153,553	0	153,553	160,299	162,799	9,246
Parks and Fair Boards	48,301	0	48,301	49,055	49,055	754
Other Social, Cultural, and Recreational Agriculture and Natural Resources	9,179	0	9,179	40,000	40,000	30,821
<u>Agriculture Extension Service</u>						
Agriculture Extension and Natural Resources	67,416	0	67,416	66,884	67,615	199
<u>Other Operations</u>						
Other Economic and Community Development	2,474	0	2,474	0	2,500	26
Veterans' Services	50,320	18,963	69,283	0	85,548	16,265
Other Charges	14,514	0	14,514	13,958	14,518	4
Contributions to Other Agencies	222,991	0	222,991	218,625	223,055	64
Employee Benefits	36,584	0	36,584	30,604	36,604	20
ARRA Grant No. 2	79,358	0	79,358	32,300	98,960	19,602
Miscellaneous	69,454	0	69,454	85,000	74,101	4,647
<u>Capital Outlay</u>						
Regular Capital Outlay	27,275	0	27,275	63,500	63,500	36,225
<u>Total Expenditures</u>	<u>77,500</u>	<u>0</u>	<u>77,500</u>	<u>77,500</u>	<u>77,500</u>	<u>0</u>
	\$ 5,779,596	\$ 220,163	\$ 5,999,759	\$ 5,547,211	\$ 6,321,196	\$ 321,437
<u>Excess (Deficiency) of Revenues Over Expenditures</u>	\$ 40,503	\$ (220,163)	\$ (179,660)	\$ (458,871)	\$ (664,340)	\$ 484,680

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 170,725	\$ 0	\$ 170,725	\$ 0	\$ 77,500	\$ 93,225
Other Loans Issued	0	0	0	77,500	0	0
Insurance Recovery	0	0	0	0	6,391	(6,391)
Transfers Out	(40,000)	0	(40,000)	0	(40,000)	0
Total Other Financing Sources (Uses)	\$ 130,725	\$ 0	\$ 130,725	\$ 77,500	\$ 43,891	\$ 86,834
Net Change in Fund Balance	\$ 171,228	\$ (220,163)	\$ (48,935)	\$ (381,371)	\$ (620,449)	\$ 571,514
Fund Balance, July 1, 2010	700,805	0	700,805	859,733	859,733	(158,928)
Fund Balance, June 30, 2011	\$ 872,033	\$ (220,163)	\$ 651,870	\$ 478,362	\$ 239,284	\$ 412,586

Exhibit E-2

Cannon County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 403,691	\$ 372,739	\$ 372,739	\$ 30,952
Charges for Current Services	25,066	10,000	10,000	15,066
Other Local Revenues	219	0	0	219
State of Tennessee	2,900	2,900	2,900	0
Other Governments and Citizens Groups	40,000	40,000	40,000	0
Total Revenues	<u>\$ 471,876</u>	<u>\$ 425,639</u>	<u>\$ 425,639</u>	<u>\$ 46,237</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Management	\$ 516,732	\$ 441,190	\$ 515,720	\$ (1,012)
Total Expenditures	<u>\$ 516,732</u>	<u>\$ 441,190</u>	<u>\$ 515,720</u>	<u>\$ (1,012)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (44,856)</u>	<u>\$ (15,551)</u>	<u>\$ (90,081)</u>	<u>\$ 45,225</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 40,000	\$ 0	\$ 65,000	\$ (25,000)
Total Other Financing Sources (Uses)	<u>\$ 40,000</u>	<u>\$ 0</u>	<u>\$ 65,000</u>	<u>\$ (25,000)</u>
Net Change in Fund Balance	\$ (4,856)	\$ (15,551)	\$ (25,081)	\$ 20,225
Fund Balance, July 1, 2010	<u>13,560</u>	<u>16,219</u>	<u>16,219</u>	<u>(2,659)</u>
Fund Balance, June 30, 2011	<u>\$ 8,704</u>	<u>\$ 668</u>	<u>\$ (8,862)</u>	<u>\$ 17,566</u>

Exhibit E-3

Cannon County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 7,382	\$ 29,700	\$ 29,700	\$ (22,318)
Other Local Revenues	78,478	74,000	74,000	4,478
State of Tennessee	1,642,099	3,138,168	3,138,168	(1,496,069)
Federal Government	142,808	80,000	80,000	62,808
Total Revenues	<u>\$ 1,870,767</u>	<u>\$ 3,321,868</u>	<u>\$ 3,321,868</u>	<u>\$ (1,451,101)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 139,002	\$ 138,223	\$ 141,347	\$ 2,345
Highway and Bridge Maintenance	749,297	1,146,271	1,146,271	396,974
Operation and Maintenance of Equipment	276,716	217,234	273,809	(2,907)
Other Charges	70,615	68,068	71,116	501
Employee Benefits	87,103	98,500	98,500	11,397
Capital Outlay	435,027	1,486,882	1,442,000	1,006,973
<u>Principal on Debt</u>				
Highways and Streets	43,000	0	43,000	0
<u>Interest on Debt</u>				
Highways and Streets	647	0	1,882	1,235
Total Expenditures	<u>\$ 1,801,407</u>	<u>\$ 3,155,178</u>	<u>\$ 3,217,925</u>	<u>\$ 1,416,518</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 69,360</u>	<u>\$ 166,690</u>	<u>\$ 103,943</u>	<u>\$ (34,583)</u>
Net Change in Fund Balance	\$ 69,360	\$ 166,690	\$ 103,943	\$ (34,583)
Fund Balance, July 1, 2010	<u>1,118,109</u>	<u>106,501</u>	<u>106,501</u>	<u>1,011,608</u>
Fund Balance, June 30, 2011	<u>\$ 1,187,469</u>	<u>\$ 273,191</u>	<u>\$ 210,444</u>	<u>\$ 977,025</u>

Exhibit E-4

Cannon County, Tennessee
Schedule of Funding Progress – Pension Plan
Primary Government and Discretely Presented Cannon County School Department
June 30, 2011

(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)
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 are presented.

Exhibit F-5

Cannon County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plan
Discretely Presented Cannon County School Department
June 30, 2011

(Dollar amounts in thousands)

Plan	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAAL 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
"	7-1-10	0	1,546	1,546	0	9,502	16

CANNON COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2011

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 executive, county attorney, etc.). Management may make revisions within major categories, but only the Cannon County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

At June 30, 2011, Cannon County reported the following significant encumbrances:

Fund	Description	Amount
General	Fire truck	\$ 201,200
"	Courthouse revitalization	18,963

B. THE ACTUAL FUND BALANCE EXCEEDED THE ESTIMATED BEGINNING FUND BALANCE BY A MATERIAL AMOUNT

The Highway/Public Works Fund's actual fund balance at July 1, 2010, exceeded the estimated fund balance presented to the County Commission during the budget approval process by \$1,011,608.

C. APPROPRIATIONS EXCEEDED ESTIMATED AVAILABLE FUNDING

The budget and subsequent amendments approved by the County Commission for the Solid Waste/Sanitation Fund resulted in appropriations exceeding estimated available funding by \$8,862. Sound budgetary principles dictate that appropriations be held within estimated available funding.

D. EXPENDITURES EXCEEDED APPROPRIATIONS

Expenditures exceeded total appropriations approved by the County Commission in the Solid Waste/Sanitation Fund by \$1,012.

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

<u>Funds/Major Category</u>	<u>Amount Overspent</u>
General:	
Jail	\$ 1,498
Other Public Safety	21,896
Dental Health Program - REACH	996
Other Public Health and Welfare - REACH	40
Highway/Public Works:	
Operation and Maintenance of Equipment	2,907

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

**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 that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

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.

Exhibit F-1

Cannon County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011

	<u>Special Revenue Funds</u>		
	Drug Control	Constitu- tional Officers - Fees	Total Nonmajor Governmental Funds
<u>ASSETS</u>			
Cash	\$ 0	\$ 21,492	\$ 21,492
Equity in Pooled Cash and Investments	133,476	0	133,476
Total Assets	<u>\$ 133,476</u>	<u>\$ 21,492</u>	<u>\$ 154,968</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Due to Other Funds	\$ 17,005	\$ 0	\$ 17,005
Total Liabilities	<u>\$ 17,005</u>	<u>\$ 0</u>	<u>\$ 17,005</u>
<u>Fund Balances</u>			
Restricted:			
Restricted for Public Safety	\$ 116,471	\$ 0	\$ 116,471
Committed:			
Committed for Finance	0	21,492	21,492
Total Fund Balances	<u>\$ 116,471</u>	<u>\$ 21,492</u>	<u>\$ 137,963</u>
Total Liabilities and Fund Balances	<u>\$ 133,476</u>	<u>\$ 21,492</u>	<u>\$ 154,968</u>

Exhibit F-2

Cannon County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2011

	<u>Special Revenue Funds</u>		
	Drug Control	Constitu- tional Officers - Fees	Total Nonmajor Governmental Funds
<u>Revenues</u>			
Fines, Forfeitures, and Penalties	\$ 72,593	\$ 0	\$ 72,593
Charges for Current Services	0	113,387	113,387
Other Local Revenues	610	0	610
State of Tennessee	49	0	49
Total Revenues	<u>\$ 73,252</u>	<u>\$ 113,387</u>	<u>\$ 186,639</u>
<u>Expenditures</u>			
Current:			
General Government	\$ 0	\$ 45	\$ 45
Finance	0	142,019	142,019
Public Safety	68,696	0	68,696
Total Expenditures	<u>\$ 68,696</u>	<u>\$ 142,064</u>	<u>\$ 210,760</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 4,556</u>	<u>\$ (28,677)</u>	<u>\$ (24,121)</u>
Net Change in Fund Balances	\$ 4,556	\$ (28,677)	\$ (24,121)
Fund Balance, July 1, 2010	<u>111,915</u>	<u>50,169</u>	<u>162,084</u>
Fund Balance, June 30, 2011	<u>\$ 116,471</u>	<u>\$ 21,492</u>	<u>\$ 137,963</u>

Exhibit F-3

Cannon County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 72,593	\$ 32,200	\$ 35,793	\$ 36,800
Other Local Revenues	610	0	691	(81)
State of Tennessee	49	0	0	49
Total Revenues	\$ 73,252	\$ 32,200	\$ 36,484	\$ 36,768
<u>Expenditures</u>				
<u>Public Safety</u>				
Sheriff's Department	\$ 68,696	\$ 32,200	\$ 83,340	\$ 14,644
Total Expenditures	\$ 68,696	\$ 32,200	\$ 83,340	\$ 14,644
Excess (Deficiency) of Revenues Over Expenditures	\$ 4,556	\$ 0	\$ (46,856)	\$ 51,412
Net Change in Fund Balance	\$ 4,556	\$ 0	\$ (46,856)	\$ 51,412
Fund Balance, July 1, 2010	111,915	70,853	70,853	41,062
Fund Balance, June 30, 2011	\$ 116,471	\$ 70,853	\$ 23,997	\$ 92,474

Major Governmental Fund

General Debt Service Fund

The General Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 746,307	\$ 652,100	\$ 652,100	\$ 94,207
Other Governments and Citizens Groups	255,541	250,000	250,000	5,541
Total Revenues	\$ 1,001,848	\$ 902,100	\$ 902,100	\$ 99,748
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 198,444	\$ 197,550	\$ 198,620	\$ 176
Education	462,000	462,000	462,000	0
<u>Interest on Debt</u>				
General Government	28,713	24,500	28,913	200
Education	44,441	50,000	50,000	5,559
<u>Other Debt Service</u>				
General Government	12,887	8,200	8,200	(4,687)
Education	44,669	45,000	45,000	331
Total Expenditures	\$ 791,154	\$ 787,250	\$ 792,733	\$ 1,579
Excess (Deficiency) of Revenues Over Expenditures	\$ 210,694	\$ 114,850	\$ 109,367	\$ 101,327
Net Change in Fund Balance	\$ 210,694	\$ 114,850	\$ 109,367	\$ 101,327
Fund Balance, July 1, 2010	2,515,923	2,459,231	2,459,231	56,692
Fund Balance, June 30, 2011	\$ 2,726,617	\$ 2,574,081	\$ 2,568,598	\$ 158,019

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, 2011

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 861,706	\$ 861,706
Due from Other Governments	67,794	0	67,794
Total Assets	<u>\$ 67,794</u>	<u>\$ 861,706</u>	<u>\$ 929,500</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 67,794	\$ 0	\$ 67,794
Due to Litigants, Heirs, and Others	0	861,706	861,706
Total Liabilities	<u>\$ 67,794</u>	<u>\$ 861,706</u>	<u>\$ 929,500</u>

Exhibit H-2

Cannon County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2011

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 374,163	\$ 374,163	\$ 0
Due from Other Governments	60,556	67,794	60,556	67,794
Total Assets	\$ 60,556	\$ 441,957	\$ 434,719	\$ 67,794
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 60,556	\$ 441,957	\$ 434,719	\$ 67,794
Total Liabilities	\$ 60,556	\$ 441,957	\$ 434,719	\$ 67,794
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 841,716	\$ 7,772,898	\$ 7,752,908	\$ 861,706
Total Assets	\$ 841,716	\$ 7,772,898	\$ 7,752,908	\$ 861,706
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 841,716	\$ 7,772,898	\$ 7,752,908	\$ 861,706
Total Liabilities	\$ 841,716	\$ 7,772,898	\$ 7,752,908	\$ 861,706
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 841,716	\$ 7,772,898	\$ 7,752,908	\$ 861,706
Equity in Pooled Cash and Investments	0	374,163	374,163	0
Due from Other Governments	60,556	67,794	60,556	67,794
Total Assets	\$ 902,272	\$ 8,214,855	\$ 8,187,627	\$ 929,500
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 60,556	\$ 441,957	\$ 434,719	\$ 67,794
Due to Litigants, Heirs, and Others	841,716	7,772,898	7,752,908	861,706
Total Liabilities	\$ 902,272	\$ 8,214,855	\$ 8,187,627	\$ 929,500

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, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Total Governmental Activities
		Charges for Services	Operating Grants and Contributions		
Governmental Activities:					
Instruction	\$ 10,578,070	\$ 13,000	\$ 947,826	\$	(9,617,244)
Support Services	5,077,500	31,768	149,149		(4,896,583)
Operation of Non-Instructional Services	1,426,771	348,012	721,877		(356,882)
Other Debt Service	250,000	0	0		(250,000)
Total Governmental Activities	\$ 17,332,341	\$ 392,780	\$ 1,818,852	\$	(15,120,709)
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes				\$	1,936,153
Local Option Sales Taxes					490,278
Other Local Taxes					734
Grants and Contributions Not Restricted to Specific Programs					12,179,344
Unrestricted Investment Earnings					148
Miscellaneous					61,971
Total General Revenues				\$	14,668,628
Change in Net Assets				\$	(452,081)
Net Assets, July 1, 2010					14,106,848
Net Assets, June 30, 2011				\$	13,654,767

Exhibit I-2

Cannon County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Cannon County School Department
June 30, 2011

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
	General Purpose School	Other Govern- mental Funds	Govern- mental Funds
<u>ASSETS</u>			
Cash	\$ 0	\$ 100	\$ 100
Equity in Pooled Cash and Investments	2,068,302	196,921	2,265,223
Accounts Receivable	44	0	44
Due from Other Governments	507,301	132,710	640,011
Due from Other Funds	8,721	0	8,721
Property Taxes Receivable	1,950,585	0	1,950,585
Allowance for Uncollectible Property Taxes	(40,989)	0	(40,989)
Total Assets	<u>\$ 4,493,964</u>	<u>\$ 329,731</u>	<u>\$ 4,823,695</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Due to Other Funds	\$ 0	\$ 8,721	\$ 8,721
Due to State of Tennessee	0	244	244
Deferred Revenue - Current Property Taxes	1,812,699	0	1,812,699
Deferred Revenue - Delinquent Property Taxes	88,612	0	88,612
Other Deferred Revenues	45,319	0	45,319
Total Liabilities	<u>\$ 1,946,630</u>	<u>\$ 8,965</u>	<u>\$ 1,955,595</u>
<u>Fund Balances</u>			
Restricted:			
Restricted for Education	\$ 5,201	\$ 292,416	\$ 297,617
Committed:			
Committed for Education	1,607,926	0	1,607,926
Assigned:			
Assigned for Education	412,668	28,350	441,018
Unassigned	521,539	0	521,539
Total Fund Balances	<u>\$ 2,547,334</u>	<u>\$ 320,766</u>	<u>\$ 2,868,100</u>
Total Liabilities and Fund Balances	<u>\$ 4,493,964</u>	<u>\$ 329,731</u>	<u>\$ 4,823,695</u>

Exhibit I-3

Cannon County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
Discretely Presented Cannon County School Department
June 30, 2011

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)		\$ 2,868,100	
(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		10,460,284	
Add: other capital assets net of accumulated depreciation		<u>371,167</u>	10,994,369
(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	\$	(82,323)	
Less: other postemployment benefits liability		<u>(259,310)</u>	(341,633)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>133,931</u>
Net assets of governmental activities (Exhibit A)			<u><u>\$ 13,654,767</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, 2011

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 2,459,735	\$ 0	\$ 2,459,735
Licenses and Permits	375	0	375
Charges for Current Services	44,768	348,012	392,780
Other Local Revenues	62,171	148	62,319
State of Tennessee	11,867,644	10,816	11,878,460
Federal Government	33,607	2,078,109	2,111,716
Total Revenues	<u>\$ 14,468,300</u>	<u>\$ 2,437,085</u>	<u>\$ 16,905,385</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 8,763,102	\$ 1,003,660	\$ 9,766,762
Support Services	4,731,364	340,569	5,071,933
Operation of Non-Instructional Services	361,476	1,096,606	1,458,082
Capital Outlay	326,036	0	326,036
Debt Service:			
Other Debt Service	250,000	0	250,000
Total Expenditures	<u>\$ 14,431,978</u>	<u>\$ 2,440,835</u>	<u>\$ 16,872,813</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 36,322</u>	<u>\$ (3,750)</u>	<u>\$ 32,572</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	\$ 7,010	\$ 0	\$ 7,010
Transfers Out	0	(7,010)	(7,010)
Total Other Financing Sources (Uses)	<u>\$ 7,010</u>	<u>\$ (7,010)</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ 43,332	\$ (10,760)	\$ 32,572
Fund Balance, July 1, 2010	<u>2,504,002</u>	<u>331,526</u>	<u>2,835,528</u>
Fund Balance, June 30, 2011	<u>\$ 2,547,334</u>	<u>\$ 320,766</u>	<u>\$ 2,868,100</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, 2011

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)		\$	32,572
(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	\$	76,802	
Less: current-year depreciation expense		<u>(475,283)</u>	(398,481)
(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, 2010	\$	(159,056)	
Add: deferred delinquent property taxes and other deferred June 30, 2011		<u>133,931</u>	(25,125)
(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	\$	(5,191)	
Change in other postemployment benefits liability		<u>(55,856)</u>	<u>(61,047)</u>
Change in net assets of governmental activities (Exhibit B)			<u>\$ (452,081)</u>

Exhibit I-6

Cannon County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Cannon County School Department
June 30, 2011

	<u>Special Revenue Funds</u>		<u>Total</u>
	<u>School</u>	<u>Central</u>	<u>Nonmajor</u>
	<u>Federal</u>	<u>Cafeteria</u>	<u>Governmental</u>
	<u>Projects</u>		<u>Funds</u>
<u>ASSETS</u>			
Cash	\$ 0	\$ 100	\$ 100
Equity in Pooled Cash and Investments	7,979	188,942	196,921
Due from Other Governments	65,101	67,609	132,710
Total Assets	<u>\$ 73,080</u>	<u>\$ 256,651</u>	<u>\$ 329,731</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Due to Other Funds	\$ 8,721	\$ 0	\$ 8,721
Due to State of Tennessee	0	244	244
Total Liabilities	<u>\$ 8,721</u>	<u>\$ 244</u>	<u>\$ 8,965</u>
<u>Fund Balances</u>			
Restricted:			
Restricted for Education	\$ 36,009	\$ 256,407	\$ 292,416
Assigned:			
Assigned for Education	28,350	0	28,350
Total Fund Balances	<u>\$ 64,359</u>	<u>\$ 256,407</u>	<u>\$ 320,766</u>
Total Liabilities and Fund Balances	<u>\$ 73,080</u>	<u>\$ 256,651</u>	<u>\$ 329,731</u>

Exhibit I-7

Cannon County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Nonmajor Governmental Funds
Discretely Presented Cannon County School Department
For the Year Ended June 30, 2011

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 348,012	\$ 348,012
Other Local Revenues	0	148	148
State of Tennessee	0	10,816	10,816
Federal Government	1,367,048	711,061	2,078,109
Total Revenues	<u>\$ 1,367,048</u>	<u>\$ 1,070,037</u>	<u>\$ 2,437,085</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 1,003,660	\$ 0	\$ 1,003,660
Support Services	340,569	0	340,569
Operation of Non-Instructional Services	0	1,096,606	1,096,606
Total Expenditures	<u>\$ 1,344,229</u>	<u>\$ 1,096,606</u>	<u>\$ 2,440,835</u>
Excess (Deficiency) of Revenues			
Over Expenditures	<u>\$ 22,819</u>	<u>\$ (26,569)</u>	<u>\$ (3,750)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	\$ (7,010)	\$ 0	\$ (7,010)
Total Other Financing Sources (Uses)	<u>\$ (7,010)</u>	<u>\$ 0</u>	<u>\$ (7,010)</u>
Net Change in Fund Balances			
Fund Balance, July 1, 2010	48,550	282,976	331,526
Fund Balance, June 30, 2011	<u>\$ 64,359</u>	<u>\$ 256,407</u>	<u>\$ 320,766</u>

Exhibit I-8

Cannon County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Cannon County School Department
General Purpose School Fund
For the Year Ended June 30, 2011

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2010	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 2,459,735	\$ 0	\$ 0	\$ 2,459,735	\$ 2,333,920	\$ 2,373,398	\$ 86,337
Licenses and Permits	375	0	0	375	400	400	(25)
Charges for Current Services	44,768	0	0	44,768	31,000	31,000	13,768
Other Local Revenues	62,171	0	0	62,171	66,000	66,000	(3,829)
State of Tennessee	11,867,644	0	0	11,867,644	11,746,300	11,932,717	(65,073)
Federal Government	33,607	0	0	33,607	15,000	34,155	(548)
Total Revenues	\$ 14,468,300	\$ 0	\$ 0	\$ 14,468,300	\$ 14,192,620	\$ 14,437,670	\$ 30,630
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 7,032,933	\$ (100,890)	\$ 198,530	\$ 7,130,573	\$ 7,233,990	\$ 7,240,645	\$ 110,072
Alternative Instruction Program	56,673	0	0	56,673	56,180	57,680	1,007
Special Education Program	1,160,274	(3,874)	0	1,156,400	1,180,440	1,195,440	39,040
Vocational Education Program	513,222	(2,328)	1,289	512,183	517,410	519,410	7,227
<u>Support Services</u>							
Attendance	90,511	0	0	90,511	113,950	98,950	8,439
Health Services	179,953	(670)	764	180,047	199,720	194,720	14,673
Other Student Support	246,429	(185)	0	246,244	247,160	247,160	916
Regular Instruction Program	562,419	(111)	0	562,308	584,250	582,250	19,942
Special Education Program	107,822	0	0	107,822	106,230	112,230	4,408
Other Programs	36,417	0	0	36,417	0	36,417	0
Board of Education	219,795	(244)	8,855	228,406	252,210	252,209	23,803
Director of Schools	141,824	(28)	0	141,796	142,050	142,050	254
Office of the Principal	1,020,004	(3,870)	1,945	1,018,079	1,047,840	1,047,840	29,761

(Continued)

Exhibit I-8

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2010	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Fiscal Services	\$ 190,443	\$ (10,556)	\$ 14,208	\$ 194,095	\$ 195,980	\$ 195,980	\$ 1,885
Operation of Plant	986,025	(2,205)	12,789	996,609	1,093,570	1,093,570	96,961
Maintenance of Plant	240,824	(2,616)	3,796	242,004	245,550	255,550	13,546
Transportation	708,898	(91,286)	88,111	705,723	709,470	709,470	3,747
<u>Operation of Non-Instructional Services</u>							
Early Childhood Education	361,476	(38,760)	69,161	391,877	393,780	393,780	1,903
Capital Outlay							
Regular Capital Outlay	326,036	(198,510)	13,220	140,746	380,000	530,000	389,254
Other Debt Service							
Education	250,000	0	0	250,000	250,000	250,000	0
Total Expenditures	\$ 14,431,978	\$ (456,133)	\$ 412,668	\$ 14,388,513	\$ 14,949,780	\$ 15,155,351	\$ 766,838
Excess (Deficiency) of Revenues Over Expenditures	\$ 36,322	\$ 456,133	\$ (412,668)	\$ 79,787	\$ (757,160)	\$ (717,681)	\$ 797,468
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 7,010	\$ 0	\$ 0	\$ 7,010	\$ 8,000	\$ 8,000	\$ (990)
Total Other Financing Sources (Uses)	\$ 7,010	\$ 0	\$ 0	\$ 7,010	\$ 8,000	\$ 8,000	\$ (990)
Net Change in Fund Balance Fund Balance, July 1, 2010	\$ 43,332	\$ 456,133	\$ (412,668)	\$ 86,797	\$ (749,160)	\$ (709,681)	\$ 796,478
	2,504,002	(456,133)	0	2,047,869	2,018,507	2,018,507	29,362
Fund Balance, June 30, 2011	\$ 2,547,334	\$ 0	\$ (412,668)	\$ 2,134,666	\$ 1,269,347	\$ 1,308,826	\$ 825,840

Exhibit I-9

Cannon County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Cannon County School Department
School Federal Projects Fund
For the Year Ended June 30, 2011

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2010	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Federal Government	\$ 1,367,048	\$ 0	\$ 0	\$ 1,367,048	\$ 2,147,987	\$ 2,110,092	\$ (743,044)
Total Revenues	\$ 1,367,048	\$ 0	\$ 0	\$ 1,367,048	\$ 2,147,987	\$ 2,110,092	\$ (743,044)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 505,088	\$ (1,672)	\$ 4,160	\$ 507,576	\$ 1,218,085	\$ 1,166,634	\$ 659,058
Special Education Program	470,466	(3,719)	12,172	478,919	496,228	513,092	34,173
Vocational Education Program	28,106	(6,560)	4,798	26,344	26,302	26,452	108
<u>Support Services</u>							
Other Student Support	47,307	0	6,712	54,019	21,228	64,789	10,770
Regular Instruction Program	165,677	(47,893)	0	117,784	249,082	259,838	142,054
Special Education Program	59,572	(477)	508	59,603	72,253	66,763	7,160
Vocational Education Program	1,780	0	0	1,780	0	1,789	9
Transportation	66,233	0	0	66,233	79,269	69,170	2,937
Total Expenditures	\$ 1,344,229	\$ (60,321)	\$ 28,350	\$ 1,312,258	\$ 2,162,447	\$ 2,168,527	\$ 856,269
Excess (Deficiency) of Revenues Over Expenditures	\$ 22,819	\$ 60,321	\$ (28,350)	\$ 54,790	\$ (14,460)	\$ (58,435)	\$ 113,225
<u>Other Financing Sources (Uses)</u>							
Transfers In	0	0	0	0	105,000	105,000	(105,000)
Transfers Out	(7,010)	0	0	(7,010)	(125,564)	(81,589)	74,579
Total Other Financing Sources (Uses)	\$ (7,010)	\$ 0	\$ 0	\$ (7,010)	\$ (20,564)	\$ 23,411	\$ (30,421)
Net Change in Fund Balance Fund Balance, July 1, 2010	\$ 15,809	\$ 60,321	\$ (28,350)	\$ 47,780	\$ (35,024)	\$ (35,024)	\$ 82,804
	48,550	(60,321)	0	(11,771)	35,024	35,024	(46,795)
Fund Balance, June 30, 2011	\$ 64,359	\$ 0	\$ (28,350)	\$ 36,009	\$ 0	\$ 0	\$ 36,009

Exhibit I-10

Cannon County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Cannon County School Department
Central Cafeteria Fund
For the Year Ended June 30, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 348,012	\$ 388,000	\$ 388,000	\$ (39,988)
Other Local Revenues	148	150	150	(2)
State of Tennessee	10,816	11,300	11,300	(484)
Federal Government	711,061	700,000	759,983	(48,922)
Total Revenues	<u>\$ 1,070,037</u>	<u>\$ 1,099,450</u>	<u>\$ 1,159,433</u>	<u>\$ (89,396)</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 1,096,606	\$ 1,122,650	\$ 1,182,633	\$ 86,027
Total Expenditures	<u>\$ 1,096,606</u>	<u>\$ 1,122,650</u>	<u>\$ 1,182,633</u>	<u>\$ 86,027</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (26,569)</u>	<u>\$ (23,200)</u>	<u>\$ (23,200)</u>	<u>\$ (3,369)</u>
Net Change in Fund Balance	\$ (26,569)	\$ (23,200)	\$ (23,200)	\$ (3,369)
Fund Balance, July 1, 2010	<u>282,976</u>	<u>221,436</u>	<u>221,436</u>	<u>61,540</u>
Fund Balance, June 30, 2011	<u>\$ 256,407</u>	<u>\$ 198,236</u>	<u>\$ 198,236</u>	<u>\$ 58,171</u>

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, 2011

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Changes in Net Assets Total Governmental Activities
Governmental Activities:			
Other Operations	\$ 123,571	\$ 38,909	\$ (84,662)
Interest on Long-term Debt	16,065	0	(16,065)
Total Governmental Activities	\$ 139,636	\$ 38,909	\$ (100,727)
General Revenues:			
Total General Revenues			\$ 0
Change in Net Assets			\$ (100,727)
Net Assets, July 1, 2010			2,224,233
Net Assets, June 30, 2011			\$ 2,123,506

Exhibit J-2

Cannon County, Tennessee
Balance Sheet - Governmental Fund
Discretely Presented Cannon County Industrial Development Board
June 30, 2011

	<u>General Fund</u>
<u>ASSETS</u>	
Equity in Pooled Cash and Investments	\$ <u>16,946</u>
Total Assets	\$ <u><u>16,946</u></u>
<u>FUND BALANCE</u>	
<u>Fund Balance</u>	
Committed for Other Operations	\$ <u>16,946</u>
Total Fund Balance	\$ <u><u>16,946</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, 2011

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)		\$ 16,946
(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>2,031,284</u>	2,605,796
(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>(499,236)</u>
Net assets of governmental activities (Exhibit A)		<u><u>\$ 2,123,506</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, 2011

	General Fund
<hr/>	
<u>Revenues</u>	
Other Local Revenues	\$ 38,909
Total Revenues	<u>\$ 38,909</u>
 <u>Expenditures</u>	
Current:	
Other Operations	\$ 54,436
Debt Service:	
Principal on Debt	43,107
Interest on Debt	<u>16,065</u>
Total Expenditures	<u>\$ 113,608</u>
 Excess (Deficiency) of Revenues Over Expenditures	 <u>\$ (74,699)</u>
 Net Change in Fund Balances	 \$ (74,699)
Fund Balance, July 1, 2010	<u>91,645</u>
 Fund Balance, June 30, 2011	 <u><u>\$ 16,946</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, 2011

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)		\$ (74,699)
<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>		
Add: capital assets purchased in the current period	\$ 21,000	
Less: current-year depreciation expense	<u>(90,135)</u>	(69,135)
<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>43,107</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ (100,727)</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, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 38,909	\$ 86,400	\$ 86,400	\$ (47,491)
Total Revenues	\$ 38,909	\$ 86,400	\$ 86,400	\$ (47,491)
<u>Expenditures</u>				
<u>Other Operations</u>				
Industrial Development	\$ 54,436	\$ 7,286	\$ 55,146	\$ 710
<u>Principal on Debt</u>				
General Government	43,107	42,042	43,108	1
<u>Interest on Debt</u>				
General Government	16,065	15,233	16,066	1
Total Expenditures	\$ 113,608	\$ 64,561	\$ 114,320	\$ 712
Excess (Deficiency) of Revenues Over Expenditures	\$ (74,699)	\$ 21,839	\$ (27,920)	\$ (46,779)
Net Change in Fund Balance	\$ (74,699)	\$ 21,839	\$ (27,920)	\$ (46,779)
Fund Balance, July 1, 2010	91,645	91,645	91,645	0
Fund Balance, June 30, 2011	\$ 16,946	\$ 113,484	\$ 63,725	\$ (46,779)

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, 2011

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-10	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-11
<u>PRIMARY GOVERNMENT</u>								
<u>NOTES PAYABLE</u>								
Payable through General Debt Service Fund								
Water Line Extension Project	\$ 140,000	3.8 %	3-17-08	3-17-13	\$ 87,103	\$ 0	\$ 27,959	\$ 59,144
Ambulance	105,000	2.96	1-23-09	1-23-12	71,016	0	34,990	36,026
Fire Truck	65,000	2.96	4-3-09	4-3-12	43,962	0	21,661	22,301
Air Packs	59,000	2.96	12-7-09	12-7-12	59,000	0	19,096	39,904
Courthouse Revitalization	93,225	3.5	5-6-11	5-6-14	0	93,225	0	93,225
Ambulance	77,500	3.5	5-6-11	5-6-14	0	77,500	0	77,500
Total Payable through General Debt Service Fund					\$ 261,081	\$ 170,725	\$ 103,706	\$ 328,100
Payable through Highway/Public Works Fund								
Loader	82,000	3.01	10-15-08	9-1-10	43,000	0	43,000	0
Total Notes Payable					\$ 304,081	\$ 170,725	\$ 146,706	\$ 328,100
<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	943,000	0	86,000	857,000
School Construction/Improvements - Elementary	11,400,000	Variable	5-25-02	5-25-26	8,898,000	0	376,000	8,522,000
Jail Construction Bond Refunding	1,420,000	Variable	7-18-02	5-25-18	825,000	0	90,000	735,000
Expo Center Construction	300,000	4.375	10-23-06	10-23-44	289,943	0	3,650	286,293
E-911 Building Renovation	100,000	4.5	12-19-08	12-19-46	98,959	0	1,088	97,871
Total Other Loans Payable					\$ 11,054,902	\$ 0	\$ 556,738	\$ 10,498,164
<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	230,182	0	12,676	217,506
Industrial Development	482,500	1 to 3	7-5-04	11-30-19	312,161	0	30,431	281,730
Total Other Loans Payable					\$ 542,343	\$ 0	\$ 43,107	\$ 499,236

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
2012	\$ 161,957	\$ 11,153	\$ 173,110
2013	107,261	5,795	113,056
2014	58,882	2,061	60,943
Total	\$ 328,100	\$ 19,009	\$ 347,109

Year Ending June 30	Other Loans			Total
	Principal	Interest	Other Fees	
2012	\$ 582,947	\$ 53,616	\$ 47,653	\$ 684,216
2013	611,164	51,353	45,028	707,545
2014	640,391	48,981	42,277	731,649
2015	671,629	46,495	39,395	757,519
2016	704,877	43,887	36,373	785,137
2017	738,136	41,152	33,203	812,491
2018	771,406	38,287	29,885	839,578
2019	688,688	35,290	25,402	749,380
2020	590,983	32,472	21,449	644,904
2021	620,290	30,004	18,938	669,232
2022	650,611	27,415	16,302	694,328
2023	682,947	24,700	13,537	721,184
2024	717,297	21,852	10,635	749,784
2025	753,662	18,864	7,586	780,112
2026	791,043	15,726	4,382	811,151
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	\$ 10,498,164	\$ 674,606	\$ 392,045	\$ 11,564,815

DISCRETELY PRESENTED CANNON COUNTY
INDUSTRIAL DEVELOPMENT BOARD

Year Ending June 30	Other Loans			Total
	Principal	Interest		
2012	\$ 44,278	\$ 14,894	\$	\$ 59,172
2013	45,538	13,634		59,172
2014	46,815	12,357		59,172
2015	47,703	12,003		59,706
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	\$ 499,236	\$ 96,590	\$	\$ 595,826

Exhibit K-3

Cannon County, Tennessee
Schedule of Transfers
Primary Government and Discretely Presented Cannon County School Department
For the Year Ended June 30, 2011

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
General	Solid Waste/Sanitation	Operations	\$ 40,000
Total Transfers Primary Government			\$ 40,000
<u>DISCRETELY PRESENTED CANNON COUNTY SCHOOL DEPARTMENT</u>			
School Federal Projects	General Purpose School	Indirect costs	\$ 7,010
Total Transfers Discretely Presented Cannon County School Department			\$ 7,010

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, 2011

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Executive	Section 8-24-102, TCA	\$ 66,702	\$ 25,000	Auto Owners Insurance Company
Road Supervisor	Section 8-24-102, TCA	63,527	100,000	"
Director of Schools	State Board of Education and Cannon County Board of Education	97,671 (1)	(2)	
Trustee:				
James Maxwell (7-1-10 through 8-31-10)	Section 8-24-102, TCA	9,625	519,000	RLL Insurance Company
Wayne Prater (9-1-10 through 6-30-11)	Section 8-24-102, TCA	48,126	587,700	Auto Owners Insurance Company
Assessor of Property	Section 8-24-102, TCA	57,751	10,000	"
County Clerk	Section 8-24-102, TCA	57,751	25,000	"
Circuit Court Clerk:	Section 8-24-102, TCA	57,751	25,000	"
Clerk and Master:				
Harold Patrick (7-1-10 through 7-13-10)	Section 8-24-102, TCA	3,554	45,000	"
William Bryson (7-14-10 through 6-30-11)	Section 8-24-102, TCA	54,197	50,000	"
Register	Section 8-24-102, TCA	57,751	15,000	"
Sheriff:				
Billy Nichols (7-1-10 through 8-31-10)	Section 8-24-102, TCA	13,928	25,000	"
Darrell Young (9-1-10 through 6-30-11)	Section 8-24-102, TCA	49,599 (3)	25,000	"
Employee Blanket Bonds:				
Public Employee Dishonesty - County Employees			150,000	Tennessee Risk Management Trust
Public Employee Dishonesty - School Employees			150,000	"

(1) Includes a chief executive officer training supplement of \$1,000.
(2) The director of schools is covered under the school employee dishonesty bond.
(3) 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, 2011

	Special Revenue Funds						Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	Debt Service Fund	
<u>Local Taxes</u>							
<u>County Property Taxes</u>							
Current Property Tax	\$ 2,517,557	\$ 323,891	\$ 0	\$ 0	\$ 0	\$ 81,950	\$ 2,923,398
Trustee's Collections - Prior Year	133,141	17,173	0	0	0	4,336	154,650
Circuit/Clerk & Master Collections - Prior Years	30,739	3,242	0	0	0	916	34,897
Interest and Penalty	28,804	3,645	0	0	0	934	33,383
Payments in-Lieu-of Taxes - Other	2,675	0	0	0	0	0	2,675
<u>County Local Option Taxes</u>							
Local Option Sales Tax	55,054	54,055	0	0	0	0	109,109
Wheel Tax	0	0	0	0	0	631,870	631,870
Litigation Tax - General	35,462	0	0	0	0	0	35,462
Litigation Tax - Special Purpose	14,770	0	0	0	0	0	14,770
Litigation Tax - Jail, Workhouse, or Courthouse	11,685	0	0	0	0	25,968	37,653
Business Tax	42,814	0	0	0	1,500	0	44,314
Mineral Severance Tax	0	0	0	0	5,882	0	5,882
<u>Statutory Local Taxes</u>							
Bank Excise Tax	10,190	1,331	0	0	0	333	11,854
Wholesale Beer Tax	62,812	0	0	0	0	0	62,812
Interstate Telecommunications Tax	365	354	0	0	0	0	719
Total Local Taxes	\$ 2,946,068	\$ 403,691	\$ 0	\$ 0	\$ 7,382	\$ 746,307	\$ 4,103,448
<u>Licenses and Permits</u>							
<u>Licenses</u>							
Marriage Licenses	\$ 414	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 414
<u>Permits</u>							
Beer Permits	250	0	0	0	0	0	250
Total Licenses and Permits	\$ 664	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 664
<u>Fines, Forfeitures, and Penalties</u>							
<u>Circuit Court</u>							
Fines	\$ 7,133	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,133
Drug Control Fines	0	0	9,419	0	0	0	9,419

(Continued)

Exhibit K-5

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

	Special Revenue Funds						Debt Service Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service		
<u>Fines, Forfeitures, and Penalties (Cont.)</u>								
<u>Circuit Court (Cont.)</u>								
DUI Treatment Fines	\$ 446	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	446	
Data Entry Fee - Circuit Court	218	0	0	0	0	0	218	
Courtroom Security Fee	10	0	0	0	0	0	10	
<u>General Sessions Court</u>								
Fines	38,012	0	0	0	0	0	38,012	
Officers Costs	11,470	0	0	0	0	0	11,470	
Drug Control Fines	0	0	4,604	0	0	0	4,604	
DUI Treatment Fines	3,310	0	0	0	0	0	3,310	
Data Entry Fee - General Sessions Court	2,646	0	0	0	0	0	2,646	
Courtroom Security Fee	524	0	0	0	0	0	524	
<u>Juvenile Court</u>								
Jail Fees	1,395	0	0	0	0	0	1,395	
<u>Chancery Court</u>								
Officers Costs	1,100	0	0	0	0	0	1,100	
Data Entry Fee - Chancery Court	322	0	0	0	0	0	322	
<u>Other Courts - In-county</u>								
Fines	2,930	0	0	0	0	0	2,930	
<u>Other Fines, Forfeitures, and Penalties</u>								
Proceeds from Confiscated Property	15,840	0	58,570	0	0	0	74,410	
Total Fines, Forfeitures, and Penalties	\$ 85,356	\$ 0	\$ 72,593	\$ 0	\$ 0	\$ 0	\$ 157,949	
<u>Charges for Current Services</u>								
<u>General Service Charges</u>								
Sale of Steam	\$ 21,162	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	21,162	
Commercial and Industrial Waste Collection Charge	0	25,066	0	0	0	0	25,066	
Patient Charges	429,680	0	0	0	0	0	429,680	
Other General Service Charges	5,600	0	0	0	0	0	5,600	
Service Charges	1,225	0	0	0	0	0	1,225	
<u>Fees</u>								
Copy Fees	398	0	0	0	0	0	398	

(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 (Cont.)</u>							
Library Fees	\$ 66,093	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	66,093
Telephone Commissions	21,433	0	0	0	0	0	21,433
Constitutional Officers' Fees and Commissions	0	0	0	113,387	0	0	113,387
Data Processing Fee - Register	4,282	0	0	0	0	0	4,282
Data Processing Fee - Sheriff	1,530	0	0	0	0	0	1,530
Sexual Offender Registration Fees - Sheriff	2,100	0	0	0	0	0	2,100
<u>Education Charges</u>							
Community Service Fees - Children	24,458	0	0	0	0	0	24,458
Total Charges for Current Services	\$ 577,961	\$ 25,066	\$ 0	\$ 113,387	\$ 0	\$ 0	\$ 716,414
<u>Other Local Revenues</u>							
<u>Recurring Items</u>							
Investment Income	\$ 62,685	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	62,685
Lease/Rentals	28,150	0	0	0	0	0	28,150
Sale of Materials and Supplies	316	0	0	0	0	0	316
Commissary Sales	3,610	0	0	0	0	0	3,610
Sale of Gasoline	4,419	0	0	0	61,755	0	66,174
Miscellaneous Refunds	6,108	219	0	0	16,723	0	23,050
<u>Nonrecurring Items</u>							
Sale of Equipment	1,165	0	0	0	0	0	1,165
Damages Recovered from Individuals	1,915	0	610	0	0	0	2,525
Contributions and Gifts	12,479	0	0	0	0	0	12,479
<u>Other Local Revenues</u>							
Other Local Revenues	132,486	0	0	0	0	0	132,486
Total Other Local Revenues	\$ 253,333	\$ 219	\$ 610	\$ 0	\$ 78,478	\$ 0	\$ 332,640
<u>Fees Received from County Officials</u>							
<u>Fees in-Lieu-of Salary</u>							
Circuit Court Clerk	\$ 30,874	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	30,874
General Sessions Court Clerk	97,445	0	0	0	0	0	97,445

(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	Constiti- tional Officers - Fees	Highway / Public Works	General Debt Service		
<u>Fees Received from County Officials (Cont.)</u>								
<u>Fees in-Lieu-of Salary (Cont.)</u>								
Clerk and Master	\$ 25,949	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	25,949
Register	45,194	0	0	0	0	0	0	45,194
Sheriff	6,874	0	0	0	0	0	0	6,874
Trustee	179,717	0	0	0	0	0	0	179,717
Total Fees Received from County Officials	\$ 386,053	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	386,053
<u>State of Tennessee</u>								
<u>General Government Grants</u>								
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	9,000
Solid Waste Grants	0	2,900	0	0	0	0	0	2,900
On-Behalf Contributions for OPEB	783	0	0	0	0	0	0	783
<u>Health and Welfare Grants</u>								
Health Department Programs	32,235	0	0	0	0	0	0	32,235
<u>Public Works Grants</u>								
Bridge Program	0	0	0	0	51,993	0	0	51,993
State Aid Program	0	0	0	0	196,167	0	0	196,167
Litter Program	24,746	0	0	0	0	0	0	24,746
<u>Other State Revenues</u>								
Income Tax	19,472	0	0	0	0	0	0	19,472
Beer Tax	18,724	0	0	0	0	0	0	18,724
Alcoholic Beverage Tax	26,147	0	0	0	0	0	0	26,147
Contracted Prisoner Boarding	213,850	0	0	0	0	0	0	213,850
Gasoline and Motor Fuel Tax	0	0	0	0	1,383,638	0	0	1,383,638
Petroleum Special Tax	0	0	0	0	10,301	0	0	10,301
Registrar's Salary Supplement	15,164	0	0	0	0	0	0	15,164
Other State Grants	2,474	0	0	0	0	0	0	2,474
Other State Revenues	11,635	0	49	0	0	0	0	11,684
Total State of Tennessee	\$ 374,230	\$ 2,900	\$ 49	\$ 0	\$ 1,642,099	\$ 0	\$ 0	2,019,278

(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</u>							
<u>Federal Through State</u>							
Disaster Relief	\$ 0	\$ 0	0	0	\$ 142,808	0	\$ 142,808
Homeland Security Grants	159,053	0	0	0	0	0	159,053
Medicaid	5,200	0	0	0	0	0	5,200
Law Enforcement Grants	2,189	0	0	0	0	0	2,189
ARRA Grant No. 2	75,511	0	0	0	0	0	75,511
Other Federal through State	311,552	0	0	0	0	0	311,552
<u>Direct Federal Revenue</u>							
Other Direct Federal Revenue	336,249	0	0	0	0	0	336,249
<u>Total Federal Government</u>	\$ 889,754	\$ 0	\$ 0	\$ 0	\$ 142,808	\$ 0	\$ 1,032,562
<u>Other Governments and Citizens Groups</u>							
<u>Other Governments</u>							
Contributions	\$ 82,450	\$ 40,000	0	0	0	\$ 255,541	\$ 377,991
Contracted Services	189,082	0	0	0	0	0	189,082
<u>Citizens Groups</u>							
Donations	35,148	0	0	0	0	0	35,148
<u>Total Other Governments and Citizens Groups</u>	\$ 306,680	\$ 40,000	\$ 0	\$ 0	\$ 0	\$ 255,541	\$ 602,221
<u>Total</u>	\$ 5,820,099	\$ 471,876	\$ 73,252	\$ 113,387	\$ 1,870,767	\$ 1,001,848	\$ 9,351,229

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, 2011

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 1,821,818	\$ 0	\$ 0	\$ 1,821,818
Trustee's Collections - Prior Year	104,767	0	0	104,767
Circuit/Clerk & Master Collections - Prior Years	19,597	0	0	19,597
Interest and Penalty	20,815	0	0	20,815
<u>County Local Option Taxes</u>				
Local Option Sales Tax	484,469	0	0	484,469
<u>Statutory Local Taxes</u>				
Bank Excise Tax	7,445	0	0	7,445
Interstate Telecommunications Tax	824	0	0	824
Total Local Taxes	\$ 2,459,735	\$ 0	\$ 0	\$ 2,459,735
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 375	\$ 0	\$ 0	\$ 375
Total Licenses and Permits	\$ 375	\$ 0	\$ 0	\$ 375
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Tuition - Other	\$ 13,000	\$ 0	\$ 0	\$ 13,000
Lunch Payments - Children	0	0	153,446	153,446
Lunch Payments - Adults	0	0	34,455	34,455
Income from Breakfast	0	0	96,521	96,521
A la carte Sales	0	0	63,590	63,590
<u>Other Charges for Services</u>				
Other Charges for Services	31,768	0	0	31,768
Total Charges for Current Services	\$ 44,768	\$ 0	\$ 348,012	\$ 392,780
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	\$ 148	\$ 148
Refund of Telecommunication and Internet Fees (E-Rate)	27,877	0	0	27,877
Miscellaneous Refunds	34,006	0	0	34,006
<u>Nonrecurring Items</u>				
Contributions and Gifts	200	0	0	200
<u>Other Local Revenues</u>				
Other Local Revenues	88	0	0	88
Total Other Local Revenues	\$ 62,171	\$ 0	\$ 148	\$ 62,319
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-Behalf Contributions for OPEB	\$ 36,417	\$ 0	\$ 0	\$ 36,417
<u>State Education Funds</u>				
Basic Education Program	9,703,072	0	0	9,703,072
Basic Education Program - ARRA	1,156,747	0	0	1,156,747
Early Childhood Education	393,780	0	0	393,780
School Food Service	0	0	10,816	10,816
Other State Education Funds	1,163	0	0	1,163
Coordinated School Health - ARRA	90,000	0	0	90,000

(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>				
Internet Connectivity - ARRA	\$ 6,343	\$ 0	\$ 0	\$ 6,343
Statewide Student Management System (SSMS) - ARRA	5,417	0	0	5,417
Career Ladder Program	80,309	0	0	80,309
Career Ladder - Extended Contract - ARRA	26,094	0	0	26,094
<u>Other State Revenues</u>				
State Revenue Sharing - T.V.A.	355,683	0	0	355,683
Safe Schools - ARRA	12,227	0	0	12,227
Other State Revenues	392	0	0	392
Total State of Tennessee	\$ 11,867,644	\$ 0	\$ 10,816	\$ 11,878,460
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 460,958	\$ 460,958
USDA - Commodities	0	0	59,983	59,983
Breakfast	0	0	190,120	190,120
Vocational Education - Basic Grants to States	0	35,780	0	35,780
Title I Grants to Local Education Agencies	0	525,625	0	525,625
Special Education - Grants to States	0	595,505	0	595,505
Special Education Preschool Grants	0	24,251	0	24,251
Education for Homeless Children and Youth	0	2,200	0	2,200
Eisenhower Professional Development State Grants	0	84,613	0	84,613
Job Training Partnership Act	15,000	0	0	15,000
ARRA Grant No. 1	18,607	0	0	18,607
Race to the Top - ARRA	0	93,204	0	93,204
Other Federal through State	0	5,870	0	5,870
Total Federal Government	\$ 33,607	\$ 1,367,048	\$ 711,061	\$ 2,111,716
Total	\$ 14,468,300	\$ 1,367,048	\$ 1,070,037	\$ 16,905,385

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, 2011

	Industrial / Economic Development
<hr/>	
<u>Other Local Revenues</u>	
<u>Recurring Items</u>	
Lease/Rentals	\$ 38,909
Total Other Local Revenues	<u>\$ 38,909</u>
Total	<u><u>\$ 38,909</u></u>

Exhibit K-8

Cannon County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2011

General Fund

General Government

County Commission

Other Per Diem and Fees	\$	3,970	
Social Security		304	
Total County Commission			\$ 4,274

County Mayor/Executive

County Official/Administrative Officer	\$	66,702	
Accountants/Bookkeepers		20,789	
Secretary(ies)		29,112	
In-Service Training		195	
Social Security		9,227	
State Retirement		11,613	
Audit Services		3,848	
Communication		4,748	
Contracts with Government Agencies		9,250	
Contracts with Other Public Agencies		5,985	
Legal Services		1,312	
Legal Notices, Recording, and Court Costs		2,728	
Maintenance and Repair Services - Office Equipment		1,593	
Postal Charges		1,636	
Travel		392	
Office Supplies		2,454	
Other Charges		64	
Total County Mayor/Executive			171,648

Election Commission

County Official/Administrative Officer	\$	51,976	
Clerical Personnel		20,467	
Overtime Pay		325	
Election Commission		4,129	
Election Workers		27,964	
In-Service Training		2,247	
Social Security		5,567	
Employee and Dependent Insurance		4,259	
Communication		4,203	
Legal Notices, Recording, and Court Costs		5,584	
Maintenance Agreements		11,736	
Maintenance and Repair Services - Buildings		799	
Maintenance and Repair Services - Office Equipment		468	
Postal Charges		961	
Printing, Stationery, and Forms		2,097	

(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.)

Travel	\$	2,078	
Other Contracted Services		200	
Custodial Supplies		245	
Office Supplies		2,413	
Office Equipment		1,712	
Total Election Commission			\$ 149,430

Register of Deeds

County Official/Administrative Officer	\$	57,751	
Secretary(ies)		21,115	
Social Security		5,898	
State Retirement		7,532	
Employee and Dependent Insurance		4,259	
Communication		1,649	
Data Processing Services		3,939	
Dues and Memberships		398	
Postal Charges		176	
Printing, Stationery, and Forms		2,257	
Office Supplies		10,998	
Total Register of Deeds			115,972

County Buildings

Maintenance Personnel	\$	22,000	
Social Security		2,917	
State Retirement		2,101	
Communication		940	
Contracts with Private Agencies		200	
Janitorial Services		16,141	
Maintenance Agreements		950	
Maintenance and Repair Services - Buildings		40,611	
Maintenance and Repair Services - Vehicles		1,162	
Custodial Supplies		2,466	
Utilities		123,360	
Total County Buildings			212,848

Other General Administration

On-Behalf Payments to OPEB	\$	783	
Total Other General Administration			783

(Continued)

Exhibit K-8

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

General Fund (Cont.)

General Government (Cont.)

Preservation of Records

Other Supplies and Materials	\$ 100	
Total Preservation of Records		\$ 100

Finance

Property Assessor's Office

County Official/Administrative Officer	\$ 57,751	
Secretary(ies)	21,630	
Other Salaries and Wages	1,775	
Board and Committee Members Fees	1,550	
Social Security	5,920	
State Retirement	7,750	
Employee and Dependent Insurance	8,792	
Audit Services	3,000	
Communication	899	
Data Processing Services	3,689	
Dues and Memberships	808	
Legal Notices, Recording, and Court Costs	250	
Postal Charges	446	
Travel	351	
Office Supplies	341	
Total Property Assessor's Office		114,952

County Trustee's Office

County Official/Administrative Officer	\$ 48,126	
Deputy(ies)	41,418	
Social Security	8,112	
State Retirement	8,266	
Communication	1,701	
Data Processing Services	2,375	
Dues and Memberships	383	
Legal Notices, Recording, and Court Costs	201	
Maintenance Agreements	3,180	
Postal Charges	4,173	
Office Supplies	2,874	
Office Equipment	9,199	
Total County Trustee's Office		130,008

County Clerk's Office

Secretary(ies)	\$ 8,502
Board and Committee Members Fees	262

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

Social Security	\$	10,252	
State Retirement		11,887	
Employee and Dependent Insurance		4,533	
Communication		1,065	
Dues and Memberships		383	
Postal Charges		1,656	
Printing, Stationery, and Forms		4,219	
Office Supplies		2,508	
Total County Clerk's Office			\$ 45,267

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	57,751	
Clerical Personnel		81,273	
Jury and Witness Expense		2,575	
Social Security		10,534	
State Retirement		12,516	
Employee and Dependent Insurance		8,517	
Communication		2,400	
Contracts with Other Public Agencies		6,045	
Dues and Memberships		523	
Legal Notices, Recording, and Court Costs		260	
Maintenance and Repair Services - Office Equipment		1,398	
Postal Charges		2,320	
Printing, Stationery, and Forms		2,034	
Other Contracted Services		358	
Office Supplies		5,024	
Total Circuit Court			193,528

General Sessions Court

Judge(s)	\$	79,385	
Social Security		6,073	
State Retirement		7,581	
Communication		1,086	
Dues and Memberships		20	
Travel		338	
Other Contracted Services		1,200	
Office Supplies		938	
Total General Sessions Court			96,621

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court

County Official/Administrative Officer	\$	57,751	
Deputy(ies)		21,115	
Social Security		6,033	
State Retirement		2,229	
Communication		1,537	
Contracts with Other Public Agencies		2,945	
Dues and Memberships		383	
Postal Charges		147	
Printing, Stationery, and Forms		1,877	
Office Supplies		1,788	
Other Supplies and Materials		7,342	
Total Chancery Court			\$ 103,147

Juvenile Court

Other Salaries and Wages	\$	18,818	
Social Security		1,440	
State Retirement		1,797	
Contracts with Other Public Agencies		2,625	
Office Supplies		480	
Total Juvenile Court			25,160

Judicial Commissioners

Other Salaries and Wages	\$	19,466	
Social Security		1,489	
Communication		1,157	
Dues and Memberships		375	
Travel		479	
Total Judicial Commissioners			22,966

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	64,127	
Assistant(s)		27,271	
Supervisor/Director		24,882	
Deputy(ies)		308,107	
Investigator(s)		78,545	
Captain(s)		28,063	
Lieutenant(s)		11,170	
Accountants/Bookkeepers		24,638	
Dispatchers/Radio Operators		16,310	

(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.)

Clerical Personnel	\$	12,521	
Overtime Pay		19,796	
Other Salaries and Wages		16,390	
In-Service Training		6,225	
Social Security		74,656	
State Retirement		37,331	
Employee and Dependent Insurance		45,572	
Advertising		187	
Communication		13,070	
Legal Services		300	
Maintenance and Repair Services - Equipment		13,939	
Maintenance and Repair Services - Vehicles		27,216	
Postal Charges		973	
Gasoline		70,183	
Office Supplies		4,664	
Uniforms		10,494	
Vehicle and Equipment Insurance		16,590	
Law Enforcement Equipment		4,396	
Total Sheriff's Department			\$ 957,616

Administration of the Sexual Offender Registry

Fines, Assessments, and Penalties	\$	700	
Office Equipment		410	
Total Administration of the Sexual Offender Registry			1,110

Jail

Medical Personnel	\$	47,330	
Truck Drivers		49,557	
Guards		197,843	
Cafeteria Personnel		43,419	
Maintenance Personnel		24,413	
Maintenance and Repair Services - Buildings		17,871	
Travel		544	
Other Contracted Services		2,176	
Custodial Supplies		12,242	
Food Supplies		68,625	
Utilities		54,581	
Other Supplies and Materials		9,463	
Medical Claims		115,498	
Food Service Equipment		942	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Office Equipment	\$ 306	
Total Jail	<u>306</u>	\$ 644,810

Fire Prevention and Control

In-Service Training	\$ 2,020	
Communication	8,402	
Consultants	800	
Legal Notices, Recording, and Court Costs	342	
Maintenance and Repair Services - Equipment	6,174	
Maintenance and Repair Services - Vehicles	7,121	
Postal Charges	22	
Data Processing Supplies	1,050	
Drugs and Medical Supplies	1,925	
Gasoline	5,015	
Office Supplies	200	
Uniforms	12,322	
Other Supplies and Materials	1,258	
Vehicle and Equipment Insurance	755	
Other Charges	7,000	
Communication Equipment	122	
Total Fire Prevention and Control	<u>54,528</u>	54,528

Rescue Squad

In-Service Training	\$ 521	
Uniforms	1,564	
Communication Equipment	1,000	
Total Rescue Squad	<u>3,085</u>	3,085

Other Emergency Management

In-Service Training	\$ 450	
Communication	5,573	
Maintenance and Repair Services - Equipment	476	
Maintenance and Repair Services - Vehicles	617	
Data Processing Supplies	500	
Gasoline	3,397	
Office Supplies	200	
Other Supplies and Materials	1,500	
Communication Equipment	1,000	
Total Other Emergency Management	<u>13,713</u>	13,713

(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

Supervisor/Director	\$	37,853	
Dispatchers/Radio Operators		197,387	
Overtime Pay		31,153	
Social Security		20,320	
State Retirement		8,739	
Employee and Dependent Insurance		7,334	
Total Public Safety Grant Programs			\$ 302,786

Other Public Safety

Other Charges	\$	239,305	
Motor Vehicles		55,078	
Total Other Public Safety			294,383

Public Health and Welfare

Local Health Center

Communication	\$	2,246	
Contracts with Government Agencies		16,414	
Dues and Memberships		200	
Janitorial Services		6,240	
Maintenance and Repair Services - Buildings		1,367	
Custodial Supplies		595	
Office Supplies		1,377	
Utilities		3,101	
Total Local Health Center			31,540

Ambulance/Emergency Medical Services

Supervisor/Director	\$	42,436	
Medical Personnel		506,325	
Overtime Pay		3,596	
In-Service Training		3,939	
Social Security		41,422	
State Retirement		49,094	
Employee and Dependent Insurance		70,688	
Communication		6,612	
Dues and Memberships		2,499	
Legal Services		72	
Legal Notices, Recording, and Court Costs		140	
Maintenance Agreements		3,500	
Maintenance and Repair Services - Equipment		327	
Maintenance and Repair Services - Vehicles		8,345	

(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.)

Postal Charges	\$	886	
Custodial Supplies		2,225	
Drugs and Medical Supplies		23,266	
Gasoline		17,845	
Office Supplies		4,688	
Tires and Tubes		1,178	
Uniforms		7,152	
Utilities		2,930	
Other Supplies and Materials		2,426	
Vehicle and Equipment Insurance		9,803	
Other Charges		47,868	
Motor Vehicles		234	
Total Ambulance/Emergency Medical Services			\$ 859,496

Maternal and Child Health Services - REACH

Supervisor/Director	\$	13,875	
Accountants/Bookkeepers		5,000	
Educational Assistants		38,784	
Other Salaries and Wages		7,600	
Social Security		4,649	
State Retirement		1,436	
Employee and Dependent Insurance		9,315	
Communication		4,977	
Travel		2,821	
Other Contracted Services		10,187	
Other Supplies and Materials		1,357	
Total Maternal and Child Health Services			100,001

Dental Health Program - REACH

Advertising	\$	578	
Postal Charges		88	
Other Supplies and Materials		5,995	
Total Dental Health Program			6,661

Alcohol and Drug Programs - REACH

Maintenance and Repair Services - Buildings	\$	13,175	
Total Alcohol and Drug Programs			13,175

Regional Mental Health Center

Other Salaries and Wages	\$	23,834	
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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	\$	1,823	
Travel		524	
Total Regional Mental Health Center			\$ 26,181

General Welfare Assistance

Contributions	\$	12,204	
Other Contracted Services		997	
Total General Welfare Assistance			13,201

Other Local Welfare Services - REACH

Educational Assistants	\$	11,725	
Other Salaries and Wages		6,000	
Social Security		1,353	
State Retirement		1,270	
Employee and Dependent Insurance		3,365	
Other Contracted Services		5,686	
Other Supplies and Materials		2,068	
Total Other Local Welfare Services			31,467

Sanitation Management

Laborers	\$	20,000	
Social Security		1,530	
Maintenance and Repair Services - Vehicles		637	
Gasoline		2,948	
Instructional Supplies and Materials		3,876	
Other Supplies and Materials		246	
Total Sanitation Management			29,237

Other Public Health and Welfare - REACH

Supervisor/Director	\$	6,501	
Other Salaries and Wages		750	
Social Security		555	
State Retirement		585	
Other Contracted Services		5,932	
Other Supplies and Materials		3,717	
Total Other Public Health and Welfare			18,040

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Supervisor/Director	\$	27,012	
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(Continued)

Exhibit K-8

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Senior Citizens Assistance (Cont.)

Clerical Personnel	\$	6,000	
Part-time Personnel		19,110	
Other Salaries and Wages		15,706	
Social Security		5,189	
Audit Services		40	
Communication		3,159	
Maintenance and Repair Services - Buildings		894	
Maintenance and Repair Services - Equipment		4,715	
Postal Charges		2,091	
Printing, Stationery, and Forms		5,838	
Transportation - Other than Students		1,613	
Travel		6,732	
Tuition		1,185	
Electricity		2,923	
Food Preparation Supplies		4,325	
Food Supplies		1,328	
Office Supplies		4,882	
Utilities		10,830	
Other Supplies and Materials		2,843	
Premiums on Corporate Surety Bonds		672	
Other Charges		5,856	
Total Senior Citizens Assistance			\$ 132,943

Libraries

Assistant(s)	\$	52,009
Supervisor/Director		27,000
In-Service Training		589
Social Security		6,031
State Retirement		3,214
Advertising		1,000
Audit Services		1,000
Communication		6,148
Contributions		16,000
Maintenance Agreements		2,423
Postal Charges		2,156
Remittance of Revenue Collected		166
Data Processing Supplies		4,076
Instructional Supplies and Materials		3,362
Library Books/Media		11,996
Office Supplies		2,923

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Libraries (Cont.)

Utilities	\$	8,262	
Other Supplies and Materials		371	
Other Charges		4,000	
Office Equipment		827	
Total Libraries			\$ 153,553

Parks and Fair Boards

Assistant(s)	\$	5,402	
Supervisor/Director		19,863	
Other Salaries and Wages		7,882	
In-Service Training		72	
Social Security		2,505	
State Retirement		1,897	
Communication		597	
Dues and Memberships		340	
Maintenance and Repair Services - Buildings		3,633	
Maintenance and Repair Services - Equipment		45	
Custodial Supplies		110	
Gasoline		318	
Office Supplies		35	
Other Supplies and Materials		5,602	
Total Parks and Fair Boards			48,301

Other Social, Cultural, and Recreational - REACH

Employee and Dependent Insurance	\$	4,310	
Travel		286	
Other Contracted Services		954	
Other Supplies and Materials		3,629	
Total Other Social, Cultural, and Recreational			9,179

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$	45,299	
Other Salaries and Wages		5,000	
Social Security		382	
Other Fringe Benefits		10,493	
Communication		2,836	
Maintenance and Repair Services - Buildings		2,225	
Travel		706	
Instructional Supplies and Materials		85	

(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 Supplies and Materials	\$	261	
Other Charges		129	
Total Agriculture Extension Service			\$ 67,416

Other Agriculture and Natural Resources

Advertising	\$	2,326	
Other Supplies and Materials		148	
Total Other Agriculture and Natural Resources			2,474

Other Operations

Other Economic and Community Development

Architects	\$	13,794	
Other Charges		36,526	
Total Other Economic and Community Development			50,320

Veterans' Services

Other Salaries and Wages	\$	10,500	
Social Security		803	
Communication		1,277	
Postal Charges		115	
Travel		365	
Office Supplies		474	
Office Equipment		980	
Total Veterans' Services			14,514

Other Charges

Building and Contents Insurance	\$	47,403	
Premiums on Corporate Surety Bonds		5,671	
Trustee's Commission		64,206	
Workers' Compensation Insurance		104,159	
Other Charges		1,552	
Total Other Charges			222,991

Contributions to Other Agencies

Contributions	\$	36,584	
Total Contributions to Other Agencies			36,584

Employee Benefits

Employee and Dependent Insurance	\$	4,846	
Unemployment Compensation		74,512	
Total Employee Benefits			79,358

(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. 2 - REACH

Supervisor/Director	\$	26,180	
Educational Assistants		23,794	
Social Security		3,773	
State Retirement		2,764	
Employee and Dependent Insurance		12,407	
Other Contracted Services		361	
Other Supplies and Materials		175	
Total ARRA Grant No. 2			\$ 69,454

Miscellaneous

Contracts with Private Agencies	\$	9,350	
Gasoline		14,863	
Other Charges		3,062	
Total Miscellaneous			27,275

Capital Outlay

Regular Capital Outlay

Other Capital Outlay	\$	77,500	
Total Regular Capital Outlay			77,500

Total General Fund \$ 5,779,596

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Laborers	\$	41,429	
Overtime Pay		331	
Social Security		3,195	
Communication		529	
Contracts with Other Public Agencies		426,357	
Maintenance Agreements		1,500	
Maintenance and Repair Services - Equipment		17,093	
Maintenance and Repair Services - Vehicles		9,424	
Gasoline		4,465	
Utilities		3,016	
Other Supplies and Materials		1,721	
Trustee's Commission		7,672	
Total Sanitation Management			\$ 516,732

Total Solid Waste/Sanitation Fund 516,732

(Continued)

Exhibit K-8

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

Drug Control Fund

Public Safety

Sheriff's Department

In-Service Training	\$	8,918	
Confidential Drug Enforcement Payments		2,500	
Maintenance and Repair Services - Vehicles		5,258	
Trustee's Commission		31	
Other Charges		5,313	
Law Enforcement Equipment		15,100	
Motor Vehicles		28,545	
Other Equipment		3,031	
Total Sheriff's Department			\$ 68,696

Total Drug Control Fund \$ 68,696

Constitutional Officers - Fees Fund

General Government

Register of Deeds

Constitutional Officers' Operating Expenses	\$	45	
Total Register of Deeds			\$ 45

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$	16,737	
Total County Trustee's Office			16,737

County Clerk's Office

Constitutional Officers' Operating Expenses	\$	125,282	
Total County Clerk's Office			125,282

Total Constitutional Officers - Fees Fund 142,064

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		5,962	
State Retirement		9,275	
Employer Medicare		1,394	
Communication		5,747	
Data Processing Services		3,475	

(Continued)

Exhibit K-8

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Dues and Memberships	\$	2,198	
Legal Services		111	
Legal Notices, Recording, and Court Costs		1,607	
Licenses		18	
Postal Charges		399	
Printing, Stationery, and Forms		1,168	
Electricity		3,497	
Natural Gas		3,625	
Water and Sewer		186	
Other Supplies and Materials		2,021	
Total Administration			\$ 139,002

Highway and Bridge Maintenance

Equipment Operators	\$	139,723	
Truck Drivers		47,700	
Laborers		67,175	
Social Security		14,319	
State Retirement		8,029	
Employer Medicare		3,349	
Other Contracted Services		8,253	
Asphalt - Cold Mix		23,358	
Asphalt - Liquid		153,534	
Concrete		2,706	
Crushed Stone		265,897	
Pipe - Metal		5,022	
Road Signs		4,383	
Structural Steel		2,303	
Other Supplies and Materials		3,546	
Total Highway and Bridge Maintenance			749,297

Operation and Maintenance of Equipment

Mechanic(s)	\$	49,946	
Laborers		38	
Social Security		2,901	
State Retirement		2,358	
Employer Medicare		678	
Maintenance and Repair Services - Equipment		12,706	
Other Contracted Services		1,600	
Diesel Fuel		124,326	
Equipment and Machinery Parts		31,695	

(Continued)

Exhibit K-8

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment (Cont.)

Garage Supplies	\$	11,071	
Gasoline		21,719	
Lubricants		3,707	
Tires and Tubes		13,958	
Other Supplies and Materials		13	
Total Operation and Maintenance of Equipment			\$ 276,716

Other Charges

Liability Insurance	\$	2,720	
Trustee's Commission		14,547	
Vehicle and Equipment Insurance		27,206	
Workers' Compensation Insurance		26,142	
Total Other Charges			70,615

Employee Benefits

Medical Insurance	\$	83,169	
Unemployment Compensation		3,934	
Total Employee Benefits			87,103

Capital Outlay

Engineering Services	\$	12,530	
Bridge Construction		75,696	
Building Improvements		7,181	
Highway Equipment		73,969	
State Aid Projects		265,651	
Total Capital Outlay			435,027

Principal on Debt

Highways and Streets

Principal on Notes	\$	43,000	
Total Highways and Streets			43,000

Interest on Debt

Highways and Streets

Interest on Notes	\$	647	
Total Highways and Streets			647

Total Highway/Public Works Fund \$ 1,801,407

(Continued)

Exhibit K-8

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

General Debt Service Fund

Principal on Debt

General Government

Principal on Notes	\$ 103,706	
Principal on Other Loans	94,738	
Total General Government		\$ 198,444

Education

Principal on Other Loans	\$ 462,000	
Total Education		462,000

Interest on Debt

General Government

Interest on Notes	\$ 8,460	
Interest on Other Loans	20,253	
Total General Government		28,713

Education

Interest on Other Loans	\$ 44,441	
Total Education		44,441

Other Debt Service

General Government

Trustee's Commission	\$ 7,068	
Other Debt Service	5,819	
Total General Government		12,887

Education

Other Debt Service	\$ 44,669	
Total Education		44,669

Total General Debt Service Fund \$ 791,154

Total Governmental Funds - Primary Government \$ 9,099,649

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, 2011

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	4,712,331	
Career Ladder Program		55,800	
Career Ladder Extended Contracts		29,840	
Homebound Teachers		22,556	
Educational Assistants		132,991	
Other Salaries and Wages		1,863	
Certified Substitute Teachers		12,842	
Non-certified Substitute Teachers		78,980	
Social Security		298,366	
State Retirement		448,172	
Medical Insurance		587,279	
Unemployment Compensation		43,091	
Employer Medicare		69,810	
Other Contracted Services		7,000	
Instructional Supplies and Materials		103,598	
Textbooks		77,889	
Other Supplies and Materials		9,332	
Regular Instruction Equipment		341,193	
Total Regular Instruction Program			\$ 7,032,933

Alternative Instruction Program

Teachers	\$	43,098	
Social Security		2,419	
State Retirement		3,900	
Medical Insurance		6,690	
Employer Medicare		566	
Total Alternative Instruction Program			56,673

Special Education Program

Teachers	\$	664,356	
Educational Assistants		17,753	
Speech Pathologist		96,635	
Social Security		46,108	
State Retirement		69,892	
Medical Insurance		87,240	
Employer Medicare		10,783	
Other Contracted Services		167,507	
Total Special Education Program			1,160,274

(Continued)

Exhibit K-9

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Vocational Education Program

Teachers	\$	339,241	
Career Ladder Program		4,000	
Educational Assistants		12,677	
Other Salaries and Wages		22,946	
Social Security		21,569	
State Retirement		34,345	
Medical Insurance		56,535	
Employer Medicare		5,044	
Instructional Supplies and Materials		16,865	
Total Vocational Education Program			\$ 513,222

Support Services

Attendance

Supervisor/Director	\$	57,376	
Other Salaries and Wages		8,449	
Social Security		3,999	
State Retirement		5,999	
Medical Insurance		5,155	
Employer Medicare		935	
Travel		2,404	
Other Supplies and Materials		6,194	
Total Attendance			90,511

Health Services

Supervisor/Director	\$	49,702	
Medical Personnel		63,516	
Educational Assistants		10,444	
Non-certified Substitute Teachers		55	
Social Security		7,250	
State Retirement		11,068	
Medical Insurance		20,419	
Employer Medicare		1,695	
Travel		7,890	
Other Contracted Services		390	
Drugs and Medical Supplies		736	
Other Supplies and Materials		6,788	
Total Health Services			179,953

(Continued)

Exhibit K-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support

Career Ladder Program	\$	1,000	
Guidance Personnel		163,829	
Career Ladder Extended Contracts		8,240	
Social Security		10,584	
State Retirement		15,663	
Medical Insurance		12,773	
Employer Medicare		2,475	
Evaluation and Testing		19,041	
Other Contracted Services		12,227	
Other Charges		597	
Total Other Student Support			\$ 246,429

Regular Instruction Program

Supervisor/Director	\$	71,750	
Career Ladder Program		3,000	
Librarians		163,607	
Instructional Computer Personnel		157,372	
Educational Assistants		19,914	
Social Security		24,661	
State Retirement		37,038	
Medical Insurance		41,143	
Employer Medicare		5,768	
Travel		13,083	
Library Books/Media		21,864	
In Service/Staff Development		3,219	
Total Regular Instruction Program			562,419

Special Education Program

Supervisor/Director	\$	30,405	
Career Ladder Program		1,000	
Psychological Personnel		50,919	
Social Security		4,649	
State Retirement		7,450	
Medical Insurance		10,008	
Employer Medicare		1,087	
Travel		2,049	
Other Contracted Services		255	
Total Special Education Program			107,822

(Continued)

Exhibit K-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Programs

On-Behalf Payments to OPEB	\$ 36,417	
Total Other Programs		\$ 36,417

Board of Education

Board and Committee Members Fees	\$ 7,200	
Social Security	384	
Employer Medicare	104	
Audit Services	6,950	
Dues and Memberships	10,597	
Legal Services	4,201	
Travel	3,770	
Building and Contents Insurance	45,629	
Liability Insurance	19,630	
Trustee's Commission	68,793	
Workers' Compensation Insurance	43,593	
Criminal Investigation of Applicants - TBI	240	
Other Charges	8,704	
Total Board of Education		219,795

Director of Schools

County Official/Administrative Officer	\$ 96,671	
Career Ladder Extended Contracts	1,000	
Social Security	5,722	
State Retirement	8,839	
Medical Insurance	9,163	
Employer Medicare	1,338	
Communication	11,158	
Dues and Memberships	1,564	
Postal Charges	1,202	
Travel	4,859	
Office Supplies	308	
Total Director of Schools		141,824

Office of the Principal

Principals	\$ 419,137
Career Ladder Program	5,000
Assistant Principals	57,357
Secretary(ies)	218,692
Social Security	39,462

(Continued)

Exhibit K-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal (Cont.)

State Retirement	\$	64,015	
Medical Insurance		115,111	
Employer Medicare		9,229	
Communication		76,834	
Travel		7,370	
Other Contracted Services		493	
Office Supplies		7,304	
Total Office of the Principal			\$ 1,020,004

Fiscal Services

Accountants/Bookkeepers	\$	50,668	
Secretary(ies)		35,366	
Clerical Personnel		40,439	
Social Security		6,723	
State Retirement		11,004	
Medical Insurance		19,991	
Employer Medicare		1,735	
Data Processing Services		8,546	
Travel		955	
Other Contracted Services		7,881	
Data Processing Supplies		72	
Office Supplies		6,995	
Administration Equipment		68	
Total Fiscal Services			190,443

Operation of Plant

Custodial Personnel	\$	221,540	
Social Security		13,101	
State Retirement		19,207	
Medical Insurance		48,849	
Employer Medicare		3,064	
Other Contracted Services		35,788	
Electricity		479,547	
Natural Gas		67,645	
Water and Sewer		38,575	
Other Supplies and Materials		56,094	
Boiler Insurance		2,615	
Total Operation of Plant			986,025

(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.)

Maintenance of Plant

Maintenance Personnel	\$	113,834	
Social Security		6,437	
State Retirement		10,871	
Medical Insurance		25,625	
Employer Medicare		1,505	
Communication		379	
Other Contracted Services		53,694	
Other Supplies and Materials		28,479	
Total Maintenance of Plant			\$ 240,824

Transportation

Supervisor/Director	\$	19,627	
Bus Drivers		124,943	
Other Salaries and Wages		24,342	
Social Security		10,367	
State Retirement		10,793	
Medical Insurance		2,891	
Employer Medicare		2,425	
Communication		1,273	
Contracts with Vehicle Owners		254,563	
Travel		1,443	
Gasoline		89,686	
Tires and Tubes		1,725	
Vehicle Parts		73,812	
Vehicle and Equipment Insurance		10,501	
Other Charges		3,705	
Transportation Equipment		76,802	
Total Transportation			708,898

Operation of Non-Instructional Services

Early Childhood Education

Teachers	\$	165,274	
Educational Assistants		48,079	
Other Salaries and Wages		6,184	
Certified Substitute Teachers		55	
Non-certified Substitute Teachers		1,678	
Social Security		13,440	
State Retirement		19,929	
Medical Insurance		13,852	

(Continued)

Exhibit K-9

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Early Childhood Education (Cont.)

Employer Medicare	\$	3,143	
Travel		3,326	
Other Supplies and Materials		85,432	
In Service/Staff Development		450	
Other Charges		634	
Total Early Childhood Education			\$ 361,476

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	326,036	
Total Regular Capital Outlay			326,036

Other Debt Service

Education

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

Total General Purpose School Fund

\$ 14,431,978

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	195,669	
Educational Assistants		22,000	
Other Salaries and Wages		5,080	
Non-certified Substitute Teachers		1,821	
Social Security		13,072	
State Retirement		20,019	
Medical Insurance		36,700	
Unemployment Compensation		860	
Employer Medicare		3,055	
Instructional Supplies and Materials		92,119	
Textbooks		11,107	
Regular Instruction Equipment		103,586	
Total Regular Instruction Program			\$ 505,088

Special Education Program

Teachers	\$	50,410	
Homebound Teachers		9,043	

(Continued)

Exhibit K-9

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Educational Assistants	\$	223,792	
Speech Pathologist		4,635	
Non-certified Substitute Teachers		660	
Social Security		15,299	
State Retirement		23,212	
Medical Insurance		64,381	
Unemployment Compensation		1,732	
Employer Medicare		3,582	
Evaluation and Testing		545	
Other Contracted Services		15,000	
Instructional Supplies and Materials		13,033	
Other Supplies and Materials		10,899	
Special Education Equipment		34,243	
Total Special Education Program			\$ 470,466

Vocational Education Program

Instructional Supplies and Materials	\$	4,799	
T&I Construction Materials		3,732	
Other Supplies and Materials		1,617	
Vocational Instruction Equipment		17,958	
Total Vocational Education Program			28,106

Support Services

Other Student Support

Other Salaries and Wages	\$	17,136	
Social Security		1,082	
State Retirement		1,391	
Unemployment Compensation		138	
Employer Medicare		253	
Evaluation and Testing		8,000	
Travel		12,299	
Other Contracted Services		816	
Other Supplies and Materials		4,894	
Other Charges		1,298	
Total Other Student Support			47,307

Regular Instruction Program

Supervisor/Director	\$	42,208	
Other Salaries and Wages		5,466	

(Continued)

Exhibit K-9

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Social Security	\$	2,853	
State Retirement		4,271	
Medical Insurance		4,945	
Unemployment Compensation		171	
Employer Medicare		667	
Travel		4,939	
Other Contracted Services		8,437	
Instructional Supplies and Materials		4,360	
Other Supplies and Materials		27,178	
In Service/Staff Development		60,182	
Total Regular Instruction Program			\$ 165,677

Special Education Program

Supervisor/Director	\$	30,405	
Clerical Personnel		3,741	
Social Security		1,892	
State Retirement		3,109	
Medical Insurance		3,509	
Unemployment Compensation		102	
Employer Medicare		442	
Maintenance and Repair Services - Equipment		1,256	
Travel		6,894	
Other Supplies and Materials		2,529	
In Service/Staff Development		5,693	
Total Special Education Program			59,572

Vocational Education Program

Supervisor/Director	\$	1,400	
Social Security		87	
State Retirement		127	
Unemployment Compensation		11	
Employer Medicare		20	
Travel		135	
Total Vocational Education Program			1,780

Transportation

Other Salaries and Wages	\$	13,184	
Social Security		817	
State Retirement		4	

(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.)

Transportation (Cont.)

Medical Insurance	\$	19	
Unemployment Compensation		105	
Employer Medicare		190	
Contracts with Parents		2,077	
Maintenance and Repair Services - Vehicles		4,337	
Transportation Equipment		45,500	
Total Transportation			<u>\$ 66,233</u>

Total School Federal Projects Fund \$ 1,344,229

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	43,052	
Accountants/Bookkeepers		25,704	
Cafeteria Personnel		346,116	
Social Security		24,786	
State Retirement		36,190	
Medical Insurance		60,423	
Unemployment Compensation		859	
Employer Medicare		5,797	
Communication		3,755	
Maintenance and Repair Services - Equipment		8,886	
Travel		891	
Other Contracted Services		1,703	
Food Supplies		406,352	
Office Supplies		1,233	
USDA - Commodities		59,983	
Other Supplies and Materials		57,662	
Other Charges		395	
Food Service Equipment		12,819	
Total Food Service			<u>\$ 1,096,606</u>

Total Central Cafeteria Fund 1,096,606

Total Governmental Funds - Cannon County School Department \$ 16,872,813

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, 2011

<u>General Fund</u>		
<u>Other Operations</u>		
<u>Industrial Development</u>		
Audit Services	\$ 376	
Dues and Memberships	20	
Legal Services	562	
Maintenance and Repair Services - Buildings	3,825	
Utilities	17,524	
Trustee's Commission	379	
Other Charges	13,750	
Other Equipment	18,000	
Total Industrial Development		\$ 54,436
 <u>Principal on Debt</u>		
<u>General Government</u>		
Principal on Other Loans	\$ 43,107	
Total General Government		43,107
 <u>Interest on Debt</u>		
<u>General Government</u>		
Interest on Other Loans	\$ 16,065	
Total General Government		<u>16,065</u>
Total General Fund		\$ <u>113,608</u>
Total Governmental Funds - Cannon County Industrial Development Board		\$ <u><u>113,608</u></u>

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, 2011

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 374,163
	<hr/>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 370,421
Trustee's Commission	3,742
Total Cash Disbursements	<hr/> \$ 374,163 <hr/>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0
Cash Balance, July 1, 2010	<hr/> 0
Cash Balance, June 30, 2011	<hr/> <hr/> \$ 0

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***

February 8, 2012

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, 2011, which collectively comprise Cannon County's basic financial statements and have issued our report thereon dated February 8, 2012. Our report includes a reference to other auditors. 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. Other auditors audited the financial statements of the discretely presented Cannon County Emergency Communications District as described in our report on Cannon County's financial statements. This report does not include the results of the other auditors testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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: 11.07, and 11.08(A).

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: 11.02(A), 11.03(A,B), 11.04(A,B), 11.11, and 11.12.

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 11.01, 11.02(B,C), 11.03(C), 11.04(C), 11.05, 11.06, 11.08(B), 11.09, and 11.10.

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, Industrial Development Board, 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 fluid and cursive, with a prominent vertical stroke on the left side.

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
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

February 8, 2012

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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

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 11.03(A) and 11.13. 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

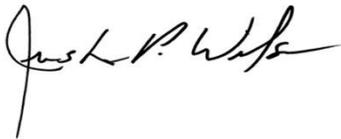
We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Cannon County as of and for the year ended June 30, 2011, and have issued our report thereon dated February 8, 2012. Our audit was performed for the purpose of

forming our opinions on the financial statements as a whole. The 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements 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, Industrial Development Board, others within Cannon County, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Yours very truly,



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, 2011

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	\$ 190,120
National School Lunch Program	10.555	N/A	460,958 (3)
Child and Adult Care Food Program	10.558	N/A	20,677
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	59,983 (3)
Total U.S. Department of Agriculture			<u>\$ 731,738</u>
U.S. Department of Library and Archives:			
Passed-through Tennessee Secretary of State:			
Library Technology Grant	13.971	(2)	<u>\$ 2,083</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	16.803	(2)	<u>\$ 75,511</u>
U.S. Department of Labor:			
Passed-through Upper Cumberland Human Resource Agency:			
WIA Youth Activities	17.259	(2)	<u>\$ 15,000</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Highway Planning and Construction	20.205	STP-EN-800(30)	\$ 189,086
Passed-through Governor's Highway Safety Office:			
Alcohol Impaired Driving Countermeasure Incentive Grants	20.601	Z-11-GH-S077	2,189
Total U.S. Department of Transportation			<u>\$ 191,275</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Cluster:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 348,613
Title I Grants to Local Educational Agencies, Recovery Act	84.389	N/A	118,624
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	457,213
Special Education - Grants to States, Recovery Act	84.391	N/A	128,008
Special Education - Preschool Grants	84.173	N/A	13,461
Special Education - Preschool Grants, Recovery Act	84.392	N/A	5,094
Career and Technical Education - Basic Grants to States	84.048	N/A	35,926
Safe and Drug-free Schools and Communities - State Grants	84.186	(2)	1,758
Education of Homeless Children and Youth	84.196	N/A	2,152
Twenty-first Century Community Learning Centers	84.287	(2)	99,706
Education Technology Cluster:			
Education Technology State Grants	84.318	(2)	566
Education Technology State Grants, Recovery Act	84.386	(2)	20,000
Reading First State Grants	84.357	N/A	42,437
Improving Teacher Quality State Grants	84.367	N/A	82,949
State Fiscal Stabilization Fund Cluster:			
State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	(2)	1,156,747
State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	(4)	140,081
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	85.395	(2)	86,866
Supplement Nutrition Assistance Program (SNAP) ARRA	93.558	(2)	18,607
Total U.S. Department of Education			<u>\$ 2,758,808</u>

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Homeland Security:			
Direct Programs:			
Assistance to Firefighters Grant	97.044	EMW-2009-FO-09521	\$ 136,040
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2008-FF-00869	10,209
Passed-through United Way Emergency Food and Shelter Program:			
Emergency Food and Shelter National Board Program	97.024	(2)	32,905
Passed-through State Department of Military:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	(2)	142,808
Homeland Security Grant Program	97.067	(5)	159,053
Total U.S. Department of Homeland Security			\$ 481,015
Total Expenditures of Federal Awards			\$ 4,255,430

State Grants	Contract Number		Expenditures
Juvenile Services Program - State Department of Children's Services	N/A	(2)	\$ 9,000
Litter Program - State Department of Transportation	N/A	(2)	24,746
Rural Local Health Services - State Department of Health	N/A	(2)	32,235
Early Childhood Education - State Department of Education	N/A	(2)	393,780
Internet Connectivity - State Department of Education	N/A	(2)	1,163
TAEP Farmers Market Promotion and Retail Grant Program - State Department of Agriculture	N/A	(2)	2,474
High Schools That Work - State Department of Education	N/A	(2)	7,573
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	2,900
Total State Grants			\$ 473,871

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 \$520,941.
- (4) Coordinated School Health (\$90,000), Internet Connectivity (\$6,343), Safe Schools (\$12,227), Statewide Student Management Systems (\$5,417), and Career Ladder - Extended Contract (\$26,094).
- (5) 2008-GE-T8-0048: \$144,853; 2009-SS-T9-0086: \$14,200.

Cannon County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2011

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, 2010, which have not been corrected.

OFFICE OF COUNTY EXECUTIVE

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
10.03(B,D,H)	153	Deficiencies were noted in the administration of the REACH program
10.04	157	Expenditures exceeded appropriations
10.05(A,C,F)	159	The office had deficiencies in purchasing procedures
10.08	161	Government-wide financial statements did not include other postemployment benefits as required by generally accepted accounting principles

OFFICES OF ROAD SUPERVISOR, SHERIFF, AND AMBULANCE SERVICE

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
10.14	164	Duties were not segregated adequately

CANNON COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2011

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the financial statements of Cannon County is unqualified.
2. The audit of the financial statements of Cannon County disclosed significant deficiencies in internal control. Two of these conditions were considered to be material weaknesses.
3. The audit disclosed 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 one finding that was 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 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 are paraphrased in this report. Other management officials did not provide responses for inclusion in this report.

OFFICE OF COUNTY EXECUTIVE

FINDING 11.01 CANNON COUNTY DOES NOT REQUIRE ALL ELIGIBLE EMPLOYEES TO PARTICIPATE IN THE TENNESSEE CONSOLIDATED RETIREMENT SYSTEM
(Noncompliance Under *Government Auditing Standards*)

As of June 30, 2011, Cannon County employed approximately 66 full-time employees who were eligible to participate in the Tennessee Consolidated Retirement System (TCRS); however, only 53 of those employees were participating in the TCRS. Title 8, Chapters 34-37 of *Tennessee Code Annotated (TCA)*, establish and govern the TCRS. These statutes require mandatory participation in the TCRS for all employees of participating employers after a probationary period. Cannon County officials advised that employees who deemed participation to be cost prohibitive were allowed to choose not to participate in TCRS. This finding has been reported to the TCRS.

RECOMMENDATION

Cannon County should comply with provisions of Title 8, Chapters 34-37, *TCA*, regarding employee participation in the TCRS. County officials should contact the TCRS to determine a corrective action plan.

MANAGEMENT'S RESPONSE – COUNTY EXECUTIVE

We concur. The County Executive's Office has sent a letter to all department heads informing them that all full-time employees will be required to participate in the TCRS.

FINDING 11.02 THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS
(A. – Internal Control – Significant Deficiency Under *Government Auditing Standards*; B. and C. – Noncompliance Under *Government Auditing Standards*)

Our examination revealed the following deficiencies in budget operations. These deficiencies can be attributed to management's failure to adequately monitor and review budget procedures and to correct the findings noted in the prior-year audit report.

- A. The budget and subsequent amendments approved by the County Commission for the Solid Waste/Sanitation Fund resulted in appropriations exceeding estimated available funding by \$8,862. Sound budgetary

principles dictate that appropriations be held within estimated available funding.

- B. Expenditures exceeded total appropriations approved by the County Commission in the Solid Waste/Sanitation Fund by \$1,012.
- C. Expenditures exceeded appropriations approved by the County Commission in the following funds' major appropriation categories (the legal level of control):

<u>Funds/Major Category</u>	<u>Amount Overspent</u>
General:	
Jail	\$ 1,498
Other Public Safety	21,896
Dental Health Program - REACH	996
Other Public Health and Welfare - REACH	40
General Debt Service:	
Other Debt Service - General Government	4,687

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." Management failed to stay within the spending limits authorized by the County Commission, which resulted in unauthorized expenditures.

RECOMMENDATION

Appropriations that exceed estimated available funding should not be submitted to the County Commission, and the County Commission should not approve such appropriations. Expenditures should be held within appropriations approved by the County Commission.

MANAGEMENT'S RESPONSE – COUNTY EXECUTIVE

We concur. The Solid Waste Sanitation Department operates with a very small fund balance. Every effort will be made to amend estimated expenditures before year end.

FINDING 11.03

THE OFFICE HAD DEFICIENCIES IN ADMINISTERING THE REACH PROGRAM

(A. – Internal Control – Significant Deficiency Under *Government Auditing Standards* and OMB Circular A-133; B. – Internal Control – Significant Deficiency Under *Government Auditing Standards*; C. – 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. Our examination of the REACH program revealed that county officials failed to exercise proper oversight of the program as evidenced by the following deficiencies, all of which were a result of management's failure to correct findings noted in the prior-year audit report. It should be noted that our office is concluding certain investigative work related to the REACH program, and other findings and recommendations will be subsequently released in a special report.

- A. The REACH program was awarded a reimbursable grant (CFDA No. 16.803) 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 \$6,531. REACH officials filed a corrective action plan as required by the monitoring report and satisfied the questioned costs by not filing a reimbursement claim for program expenses for the month of April 2011. This disallowed reimbursement claim resulted in Cannon County having to provide local funds of \$6,531 to the REACH Program. This monitoring report can be obtained from the State Department of Finance and Administration, Office of Criminal Justice Programs, Suite 1200, 312 Rosa L. Parks Avenue, Nashville, Tennessee.
- B. 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.
- C. REACH officials did not always deposit funds within three days of collection as required by Section 5-8-207, *Tennessee Code Annotated*. This statute requires county officials to deposit public funds within three days of collection.

RECOMMENDATION

All grant funds should be expended in accordance with appropriate guidelines. Receipts should be reconciled with attendance records from each of the program's remote sites. Funds should be deposited within three days of collection in accordance with state statute.

MANAGEMENT'S RESPONSE – COUNTY EXECUTIVE

We concur.

- A. The Office of Criminal Justice Program grant was reduced after the previous director's salary was taken out of this grant.
- B. As of November 8, 2011, receipts are issued and filed at the REACH office and reconciled with attendance records.
- C. Almost every collection was deposited within the three-day requirement. However, due to the location of some of the sites and holidays, it was impossible to deposit some collections within the three-day time frame. The REACH staff has been instructed to make every effort to deposit collections within three days.

FINDING 11.04 **THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES**

(A. and B. – Internal Control – Significant Deficiencies Under *Government Auditing Standards*; C. – 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 some instances, the office paid invoices without canceling or marking the invoices as paid. This weakness could result in the office paying invoices more than once.
- C. Competitive bids were not solicited for the hauling of waste collections to a landfill totaling \$137,980 and fuel purchases. 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 ensure that all invoices are canceled when paid. Competitive bids should be solicited for all purchases exceeding \$10,000 as required by statute.

MANAGEMENT'S RESPONSE – COUNTY EXECUTIVE

We concur.

- A. Purchase orders are required for purchases of \$100 or more. However, in some instances there are emergencies that require expenditures before a purchase order can be obtained. County employees have been notified to call the county executive for approval of such expenditures.
- B. It is our policy to stamp every invoice upon payment. Every effort will be made to ensure all invoices are stamped paid.
- C. Cannon County is working on a plan to correct this finding.

FINDING 11.05 **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, 2011; 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.

MANAGEMENT'S RESPONSE – COUNTY EXECUTIVE

We concur. The county has stopped allowing employees to stay on the insurance upon retirement. However, our personnel policy has not been changed. We are presenting the change to the County Commission for their approval.

FINDING 11.06 **EMPLOYEES OF THE SOLID WASTE DEPARTMENT SOLD SCRAP METAL FOR PERSONAL GAIN, RESULTING IN AN UNDETERMINED CASH SHORTAGE**

(Noncompliance Under *Government Auditing Standards*)

Employees of the Solid Waste Department admitted to us that they had removed scrap metal from the county's convenience center and sold the metal for personal gain. The county executive advised us that since the employees weren't making much money, he had given them verbal approval to take scrap metal that was "given to them." Also, the county executive advised that sometime around the summer of 2010, he told employees that they could no longer take the scrap metal. However, based on statements from an employee, inmates who worked at the convenience center were allowed to remove the wiring from items, and at least one employee would sell the copper for the inmates. We could not determine the amount of and the value of the scrap metal sold. This unauthorized removal of scrap metal resulted in a loss of revenue for the county. This finding will be reviewed with the district attorney.

RECOMMENDATION

County officials should seek to recover any funds determined to have been generated from the unauthorized removal of scrap metal. The Solid Waste Department should maintain lists detailing items sold as scrap and reconcile the sale proceeds from the recycler with amounts deposited with the county trustee.

MANAGEMENT'S RESPONSE – COUNTY EXECUTIVE

The county executive does not dispute or attempt to refute the allegation described in the finding. As admitted by the employees of the Solid Waste Department and the county executive, employees were allowed to take items if given to them by residents using the Convenience Center. This practice was stopped after learning that it was not proper and well before the audit was conducted. Employees are not allowed to take anything once an item has entered the Convenience Center premises. As to the inmates collecting cords to be sold, the county executive was not aware of this practice.

The inmates, as admitted by the Solid Waste Department employees, would remove electrical cords from appliances and the copper was sold for inmates to purchase tobacco products and snacks. These were used by the inmates while working. The cords would have gone into the landfill and this was allowed by the Solid Waste employees as an incentive to the inmates for a good job performed. Inmates no longer provide labor at the Convenience Center and this practice had stopped before this audit.

County management will make every attempt possible to ensure that every item that enters the premises of the Solid Waste Department will go to the landfill or be sold for county revenue.

OFFICES OF COUNTY EXECUTIVE AND ROAD SUPERVISOR

FINDING 11.07 **MATERIAL AUDIT ADJUSTMENTS WERE REQUIRED IN THE HIGHWAY/PUBLIC WORKS FUND AND CAPITAL ASSET RECORDS FOR PROPER FINANCIAL STATEMENT PRESENTATION**

(Internal Control – Material Weakness Under *Government Auditing Standards*)

At June 30, 2011, various general ledger account balances in the Highway/Public Works Fund and the capital asset records 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. Therefore, the county's financial reporting system did not prevent, detect, or correct potential misstatements in the accounting records. Although it is permissible for us, as the external auditors, to assist the county in preparing its financial statements, it is a strong indicator of a material weakness in internal controls if the county has ineffective controls over the maintenance of its accounting records, which are used to prepare the financial statements, including the related notes. This deficiency is the result of management's failure to determine and record receivables at year end and the failure to examine and post all capital assets acquired during the year. 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.

OFFICE OF ROAD SUPERVISOR

FINDING 11.08 **THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS (A. Internal Control – Material Weakness Under *Government Auditing Standards*; B. – Noncompliance Under *Government Auditing Standards*)**

Our examination revealed the following deficiencies in budget operations. These deficiencies can be attributed to the failure of management to adequately monitor and review budget procedures.

- A. The Highway/Public Works Fund's actual beginning fund balance at July 1, 2010, exceeded the estimated beginning fund balance presented to the County Commission by \$1,011,608. Sound business practices dictate that realistic estimates of beginning fund balances should be presented to the County Commission during the budget process. This deficiency is due to management's failure to properly estimate the actual ending fund balance for June 30, 2010, and resulted in materially understating the estimated beginning fund balance.

- B. Expenditures exceeded appropriations approved by the County Commission in the Operation and Maintenance of Equipment major appropriation category (the legal level of control) of the Highway/Public Works Fund by \$2,907. Section 5-9-401, *Tennessee Code Annotated*, states that "All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies."

RECOMMENDATION

Estimates of the beginning fund balance should be made on a more realistic basis to provide county officials with accurate information to base funding decisions. The estimated beginning fund balance should be amended during the year when it becomes apparent that the original estimate varies from the actual by a material amount. Expenditures should be held within appropriations approved by the County Commission.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 11.09 **THE OFFICE DID NOT ISSUE PRENUMBERED RECEIPTS IN COMPLIANCE WITH STATE STATUTE**
(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 control, inappropriate system activity could occur if prenumbered receipt stock was not used. Controls restricting users from manipulating the receipt number were implemented in June 2011.

RECOMMENDATION

Management should ensure that receipt numbers cannot be manipulated.

OFFICE OF CLERK AND MASTER

FINDING 11.10 **THE OFFICE HAD DEFICIENCIES IN COMPUTER SYSTEM BACKUP PROCEDURES** (Noncompliance Under *Government Auditing Standards*)

System backups were not stored off-site. Section 10-7-121, *Tennessee Code Annotated*, provides that records required to be retained by any government official may be maintained on a computer or removable storage media as long as certain standards are met. One of these standards requires that all data generated and stored within the computer system be copied to storage media daily, and media more than one week old be stored at an off-site location. This deficiency is the result of management's failure to implement adequate disaster recovery planning procedures. In the event of a disaster, all backup data could be destroyed, resulting in costly delays in generating and recording information accounted for through the automated process. Proper system backup procedures were implemented in May 2011.

RECOMMENDATION

Management should ensure backups are rotated off-site on a routine basis.

OFFICES OF COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, AND REGISTER

FINDING 11.11 **MULTIPLE EMPLOYEES OPERATED FROM THE SAME CASH DRAWER** (Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Multiple employees operated from the same cash drawer in the Offices of County Clerk, Circuit and General Sessions Courts Clerk, and Register. Good internal controls dictate that each employee have their own cash drawer, start the day with a standard fixed amount of cash, and remove all but the beginning amount at the end of the day. This amount should be verified to the employee's receipts at the end of each day. Failure to adhere to this control regimen greatly increases the risk that a cash shortage may not be detected in a timely manner. Furthermore, in the event of a cash shortage, the official would not be able to determine who was responsible for the shortage because multiple employees were working from one cash drawer. This deficiency in internal controls was the result of a lack of management oversight over risks related to safeguarding assets.

RECOMMENDATION

Officials should assign each employee their own cash drawer.

OFFICES OF ROAD SUPERVISOR, SHERIFF, AND THE AMBULANCE SERVICE DEPARTMENT

FINDING 11.12

DUTIES WERE NOT SEGREGATED ADEQUATELY

(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Duties were not segregated adequately among the officials and employees in the Offices of Road Supervisor, Sheriff, and the Ambulance Service Department. 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 – COUNTY EXECUTIVE

We concur. The County Executive's Office has given the audit recommendation to the Ambulance Service and asked that they institute a corrective action plan if possible.

BEST PRACTICES

The Division of County Audit strongly believes that the items noted below are best practices 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.

ITEM 1.

CANNON COUNTY SHOULD ADOPT A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING

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. 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.

ITEM 2. **CANNON COUNTY SHOULD ESTABLISH AN AUDIT COMMITTEE**

Cannon County does not have an Audit Committee. An Audit Committee can assist the County Commission by providing independent and objective reviews of the financial reporting process, internal controls, the audit function, and would be responsible for monitoring management's plans to address various risks. County officials should establish an Audit Committee as a best practice.

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

Federal/Pass-through Agencies	Finding Number	Federal CFDA Number	Criteria	Explanation	Amount Questioned
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	11.13	16.803	Circular A-133, Section 500 (c)(3)	Significant Deficiency in Internal Control See Finding 11.03(A). State monitors noted several deficiencies in the administration of the grant.	\$ 6,531

**CANNON COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2011**

There were audit findings relative to federal awards presented in the prior- and current-years' Schedule of Findings and Questioned Costs.

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

FINDINGS 11.03(A) and 11.13

Contact person: Mike Gannon.

Corrective action planned: The county did not submit a reimbursement claim to the Office of Criminal Justice Programs (OCJP) for the month of April 2011. Officials filed a corrective action plan, and OCJP accepted this action to satisfy the questioned costs noted in the monitoring report. No further action was necessary as the grant was completed as of June 30, 2011.

Anticipated completion date: Completed April 2011.

County Executive – Summary Schedule of Prior-Year's Findings

FINDINGS 10.03(B) and 10.15

As noted above, the county received deficiencies in their monitoring report for a second consecutive year and had to forfeit grant funds as a result. This was a two-year grant that ended on June 30, 2011.

FINDINGS 10.07 and 10.16

The county executive required the contractor to provide the prevailing wage documentation to his office for the program. No violations of the Davis Bacon Act were noted in the current year.