

**ANNUAL FINANCIAL REPORT
CANNON COUNTY, TENNESSEE**



FOR THE YEAR ENDED JUNE 30, 2012



**ANNUAL FINANCIAL REPORT
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FOR THE YEAR ENDED JUNE 30, 2012**

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

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

CANNON COUNTY, TENNESSEE

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Audit Highlights

Annual Financial Report
Cannon County, Tennessee
For the Year Ended June 30, 2012

Scope

We have audited the basic financial statements of Cannon County as of and for the year ended June 30, 2012.

Results

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

Our audit resulted in 11 findings and recommendations, which we have reviewed with Cannon County management. Detailed findings, recommendations, and management's responses are included in the Single Audit section of this report.

Findings and Best Practice

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

OFFICE OF COUNTY EXECUTIVE

- ◆ Material audit adjustments were required in the county's capital assets records for proper financial statement presentation.
- ◆ Cannon County does not require all eligible employees to participate in the Tennessee Consolidated Retirement System.
- ◆ The office had deficiencies in budget operations.
- ◆ The REACH After-School program did not deposit some funds within three days of collection.
- ◆ Competitive bids were not solicited for hauling waste collections to a landfill.

OFFICES OF COUNTY EXECUTIVE AND SHERIFF

- ◆ The Drug Control Fund paid the salary of an employee not employed solely in drug enforcement.

INDUSTRIAL DEVELOPMENT BOARD AND OFFICE OF COUNTY EXECUTIVE

- ◆ Deficiencies were noted in the administration of the Industrial Development Board.
-

OFFICE OF ROAD SUPERVISOR

- ◆ The actual fund balance exceeded the estimated beginning fund balance by a material amount.
-

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

- ◆ The accounting software did not identify the user who processed each transaction.
-

OFFICE OF CLERK AND MASTER

- ◆ Supplemental payments made to a county employee were not made through the county's payroll system.
-

OFFICES OF COUNTY CLERK AND CIRCUIT AND GENERAL SESSIONS COURTS CLERK

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

BEST PRACTICE

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

INTRODUCTORY SECTION

Cannon County Officials

June 30, 2012

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

Robert Stoetzel, Chairman
Mark Barker
Jim Bush
Kevin George
Clint Higgins

Todd Hollandsworth
Jimmy Mingle
Kevin Mooneyham
Tony Neal
Russell Reed

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

Randall Reid, Chairman
Neal Appelbaum
Doug Bodary
Corey Davenport

Mindy Gunter
Dean More
David Vance

Audit Committee

Glenn Steakley, Chairman
Gary Hancock
Ed Sissom

Pat Sissom
Hope Tenpenny

FINANCIAL SECTION



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
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INDEPENDENT AUDITOR'S REPORT

January 30, 2013

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, 2012, 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 4.1 percent and 2.7 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, 2012, 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 January 30, 2013, 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.

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 62 through 70 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 of the name.

Justin P. Wilson
Comptroller of the Treasury

JPW/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

Cannon County, Tennessee
Statement of Net Assets
June 30, 2012

	Primary Government Governmental Activities	Component Units		
		Cannon County School Department	Cannon County Industrial Development Board	Cannon County Emergency Communications District
<u>ASSETS</u>				
Cash	\$ 19,123	\$ 100	\$ 0	\$ 373,032
Equity in Pooled Cash and Investments	3,778,122	3,196,524	30,242	0
Accounts Receivable	775,540	42	1,000	42,944
Allowance for Uncollectibles	(618,222)	0	0	0
Due from Other Governments	454,494	345,717	0	0
Due from Primary Government	0	0	1,500	0
Property Taxes Receivable	3,217,595	2,002,749	0	0
Allowance for Uncollectible Property Taxes	(75,267)	(45,629)	0	0
Notes Receivable - Long-term	96,734	0	0	0
Capital Assets:				
Assets Not Depreciated:				
Land	271,349	140,635	574,512	20,000
Construction in Progress	898,696	0	0	0
Assets Net of Accumulated Depreciation:				
Buildings and Improvements	2,294,646	10,238,384	1,921,782	236,294
Other Capital Assets	774,301	499,019	18,783	138,388
Infrastructure	11,534,006	0	0	0
Total Assets	<u>\$ 23,421,117</u>	<u>\$ 16,377,541</u>	<u>\$ 2,547,819</u>	<u>\$ 810,658</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 45,309	\$ 2,770	\$ 38	\$ 37,362
Payroll Deductions Payable	444	0	0	0
Accrued Interest Payable	1,356	0	0	0
Due to Component Units	1,500	0	0	0
Due to State of Tennessee	0	424	0	0
Deferred Revenue - Current Property Taxes	2,987,464	1,865,816	0	0
Noncurrent Liabilities:				
Due Within One Year	699,328	57,319	45,538	1,188
Due in More Than One Year	9,241,372	391,153	409,420	95,546
Total Liabilities	<u>\$ 12,976,773</u>	<u>\$ 2,317,482</u>	<u>\$ 454,996</u>	<u>\$ 134,096</u>
<u>NET ASSETS</u>				
Invested in Capital Assets, Net of Related Debt	\$ 14,769,982	\$ 0	\$ 2,060,119	\$ 297,948
Invested in Capital Assets	0	10,878,038	0	0
Restricted for:				
Solid Waste/Sanitation	46,022	0	0	0
Drug Control	87,993	0	0	0
Highway/Public Works	838,424	0	0	0
Debt Service	2,521,856	0	0	0
School Federal Projects	0	32,688	0	0
Central Cafeteria	0	220,693	0	0
Other Purposes	325,173	8,315	0	0
Unrestricted	<u>(8,145,106)</u>	<u>2,920,325</u>	<u>32,704</u>	<u>378,614</u>
Total Net Assets	<u>\$ 10,444,344</u>	<u>\$ 14,060,059</u>	<u>\$ 2,092,823</u>	<u>\$ 676,562</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, 2012

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets									
	Program Revenues					Primary Government Total Governmental Activities	Component Units			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Cannon County School Department		Cannon County Industrial Development Board	Cannon County Emergency Communications District		
Primary Government:										
Governmental Activities:										
General Government	\$ 767,561	\$ 50,096	\$ 36,771	\$ 0	\$ (680,694)	\$ 0	\$ 0	\$ 0	\$ 0	0
Finance	434,365	300,481	0	0	(133,884)	0	0	0	0	0
Administration of Justice	618,534	265,410	9,000	0	(344,124)	0	0	0	0	0
Public Safety	2,328,720	166,045	8,719	516,265	(1,637,691)	0	0	0	0	0
Public Health and Welfare	1,261,739	252,842	396,511	41,452	(570,934)	0	0	0	0	0
Social, Cultural, and Recreational Services	526,758	51,611	158,518	0	(316,629)	0	0	0	0	0
Agriculture and Natural Resources	69,601	31,820	60,117	0	22,336	0	0	0	0	0
Other Operations	569,578	11,566	0	15,570	(542,442)	0	0	0	0	0
Highways/Public Works	2,676,440	77,712	1,382,183	503,327	(713,218)	0	0	0	0	0
Interest on Long-term Debt	15,597	0	0	0	(15,597)	0	0	0	0	0
Other Debt Service	7,742	0	0	255,541	247,799	0	0	0	0	0
Total Governmental Activities	\$ 9,276,635	\$ 1,207,583	\$ 2,051,819	\$ 1,332,155	\$ (4,685,078)	\$ 0	\$ 0	\$ 0	\$ 0	0
Total Primary Government	\$ 9,276,635	\$ 1,207,583	\$ 2,051,819	\$ 1,332,155	\$ (4,685,078)	\$ 0	\$ 0	\$ 0	\$ 0	0
Component Units:										
School Department	\$ 16,841,920	\$ 398,425	\$ 2,382,133	\$ 0	\$ 0	\$ (14,061,362)	\$ 0	\$ 0	\$ 0	0
Industrial Development Board	106,736	76,053	0	0	0	0	(30,683)	0	0	0
Emergency Communications District	438,218	287,689	185,303	0	0	0	0	0	34,774	0
Total Component Units	\$ 17,386,874	\$ 762,167	\$ 2,567,436	\$ 0	\$ 0	\$ (14,061,362)	\$ (30,683)	\$ 0	\$ 34,774	0

(Continued)

Exhibit B

Cannon County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets						
	Program Revenues			Component Units			
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary 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				\$ 3,328,877	\$ 1,990,390	\$ 0	\$ 0
Property Taxes Levied for Debt Service				44,567	0	0	0
Local Option Sales Taxes				124,339	512,747	0	0
Wheel Tax				628,274	0	0	0
Litigation Tax - General				39,170	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse				66,330	0	0	0
Business Tax				49,815	0	0	0
Wholesale Beer Tax				60,039	0	0	0
Mineral Severance Tax				58,371	0	0	0
Other Local Taxes				14,528	769	0	0
Grants and Contributions Not Restricted to Specific Programs				134,869	11,887,968	0	0
Unrestricted Investment Earnings				32,017	210	0	1,135
Miscellaneous				46,804	74,570	0	0
Total General Revenues				\$ 4,628,000	\$ 14,466,654	\$ 0	\$ 1,135
Change in Net Assets				\$ (57,078)	\$ 405,292	\$ (30,683)	\$ 35,909
Prior-period Adjustment				(265,651)	0	0	0
Net Assets, July 1, 2011				10,767,073	13,654,767	2,123,506	640,653
Net Assets, June 30, 2012				\$ 10,444,344	\$ 14,060,059	\$ 2,092,823	\$ 676,562

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, 2012

	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	\$ 19,123	\$ 19,123
Equity in Pooled Cash and Investments	457,058	38,721	721,439	2,424,460	136,444	3,778,122	3,778,122
Accounts Receivable	775,176	364	0	0	0	775,540	775,540
Allowance for Uncollectibles	(618,222)	0	0	0	0	(618,222)	(618,222)
Due from Other Governments	142,884	12,428	299,182	0	0	454,494	454,494
Due from Other Funds	195	0	0	0	0	195	195
Property Taxes Receivable	2,712,045	415,703	0	89,847	0	3,217,595	3,217,595
Allowance for Uncollectible Property Taxes	(64,438)	(9,281)	0	(1,548)	0	(75,267)	(75,267)
Notes Receivable - Long-term	0	0	0	96,734	0	96,734	96,734
Total Assets	\$ 3,404,698	\$ 457,935	\$ 1,020,621	\$ 2,609,493	\$ 155,567	\$ 7,648,314	\$ 7,648,314

ASSETS

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

Total Assets

LIABILITIES AND FUND BALANCES

Liabilities

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

\$ 21,658	\$ 23,651	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 45,309
0	0	444	0	0	0	0	444
0	0	0	0	0	195	195	195
1,500	0	0	0	0	0	0	1,500
2,512,921	388,262	0	86,281	0	0	0	2,987,464
124,478	16,784	0	1,865	0	0	0	143,127
114,355	6,613	126,111	0	0	0	0	247,079
\$ 2,774,912	\$ 435,310	\$ 126,555	\$ 88,146	\$ 0	\$ 195	\$ 0	\$ 3,425,118

(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	Governmental Funds	
\$	6,211	0	0	0	0	0	6,211
Restricted for General Government	35,124	0	0	0	0	0	35,124
Restricted for Administration of Justice	165,445	0	0	0	87,993	0	253,438
Restricted for Public Safety	69,942	22,625	0	0	0	0	92,567
Restricted for Public Health and Welfare	0	0	712,313	0	0	0	712,313
Restricted for Highways/Public Works	0	0	0	0	48,451	0	48,451
Restricted for Capital Outlay	0	0	0	2,521,347	0	0	2,521,347
Restricted for Debt Service	0	0	0	0	18,928	0	18,928
Committed:							
Committed for Finance	0	0	0	0	0	0	0
Assigned:							
Assigned for Highways/Public Works	0	0	181,753	0	0	0	181,753
Unassigned	353,064	0	0	0	0	0	353,064
Total Fund Balances	\$ 629,786	\$ 22,625	\$ 894,066	\$ 2,521,347	\$ 155,372	\$ 0	\$ 4,223,196
Total Liabilities and Fund Balances	\$ 3,404,698	\$ 457,935	\$ 1,020,621	\$ 2,609,493	\$ 155,567	\$ 0	\$ 7,648,314

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, 2012

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)		\$	4,223,196
(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		898,696	
Add: buildings and improvements net of accumulated depreciation		2,294,646	
Add: other capital assets net of accumulated depreciation		774,301	
Add: infrastructure net of accumulated depreciation		<u>11,534,006</u>	15,772,998
(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	\$	(361,016)	
Less: other loans payable		(9,536,000)	
Less: compensated absences payable		(43,684)	
Less: accrued interest on notes and other loans		<u>(1,356)</u>	(9,942,056)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>390,206</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>10,444,344</u></u>

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

Cannon County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Governmental Funds		
Revenues							
Local Taxes	\$ 3,183,282	\$ 455,822	\$ 59,871	\$ 728,180	\$ 0	\$ 0	\$ 4,427,155
Licenses and Permits	444	0	0	0	0	0	444
Fines, Forfeitures, and Penalties	68,234	0	0	0	16,321	0	84,555
Charges for Current Services	639,686	20,254	0	0	123,832	0	783,772
Other Local Revenues	209,626	0	92,476	0	1,706	0	303,808
Fees Received from County Officials	413,629	0	0	0	0	0	413,629
State of Tennessee	375,561	4,941	1,872,253	0	600	0	2,253,355
Federal Government	774,696	0	6,617	0	0	0	781,313
Other Governments and Citizens Groups	182,592	40,000	0	255,541	350	0	478,483
Total Revenues	\$ 5,847,750	\$ 521,017	\$ 2,031,217	\$ 983,721	\$ 142,809	\$ 0	\$ 9,526,514
Expenditures							
Current:							
General Government	\$ 642,260	\$ 0	\$ 0	\$ 0	\$ 45	\$ 0	\$ 642,305
Finance	305,871	0	0	0	126,279	0	432,150
Administration of Justice	441,272	0	0	0	0	0	441,272
Public Safety	2,350,022	0	0	0	46,389	0	2,396,411
Public Health and Welfare	1,002,784	507,096	0	0	0	0	1,509,880
Social, Cultural, and Recreational Services	507,002	0	0	0	0	0	507,002
Agriculture and Natural Resources	69,601	0	0	0	0	0	69,601
Other Operations	771,185	0	0	0	0	0	771,185
Highways	0	0	2,324,620	0	0	0	2,324,620
Debt Service:							
Principal on Debt	0	0	0	1,154,248	0	0	1,154,248
Interest on Debt	0	0	0	27,001	0	0	27,001
Other Debt Service	0	0	0	7,742	0	0	7,742
Capital Projects	0	0	0	0	177,687	0	177,687
Total Expenditures	\$ 6,089,997	\$ 507,096	\$ 2,324,620	\$ 1,188,991	\$ 350,400	\$ 0	\$ 10,461,104

(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	\$ (242,247) \$	13,921 \$	(293,403) \$	(205,270) \$	(207,591) \$		(934,590)
Other Financing Sources (Uses) Notes Issued	\$ 0 \$	0 \$	0 \$	0 \$	225,000 \$		225,000
Total Other Financing Sources (Uses)	\$ 0 \$	0 \$	0 \$	0 \$	225,000 \$		225,000
Net Change in Fund Balances Fund Balance, July 1, 2011	\$ (242,247) \$	13,921 \$	(293,403) \$	(205,270) \$	17,409 \$		(709,590)
	872,033	8,704	1,187,469	2,726,617	137,963		4,932,786
Fund Balance, June 30, 2012	\$ 629,786 \$	22,625 \$	894,066 \$	2,521,347 \$	155,372 \$		4,223,196

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, 2012

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)		\$ (709,590)
(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	\$ 778,498	
Less: current-year depreciation expense	<u>(781,623)</u>	(3,125)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2012	\$ 390,206	
Less: deferred delinquent property taxes and other deferred June 30, 2011	<u>(697,163)</u>	(306,957)
(3) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:		
Less: note proceeds	\$ (225,000)	
Add: principal payments on notes	192,084	
Add: principal payments on other loans	<u>962,164</u>	929,248
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest payable	\$ 11,404	
Change in compensated absences payable	<u>21,942</u>	<u>33,346</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ (57,078)</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, 2012

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 944,115
Due from Other Governments	<u>66,797</u>
Total Assets	<u>\$ 1,010,912</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 66,797
Due to Litigants, Heirs, and Others	<u>944,115</u>
Total Liabilities	<u>\$ 1,010,912</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, 2012

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 types:

Capital Projects Fund – The General Capital Projects Fund accounts for debt issued and the accompanying transactions related to a renovation project at the county’s jail.

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

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

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

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

Central Cafeteria Fund – This special revenue fund is used to account for the cafeteria operations in each of the schools. Grant funds and collections from food sales are the foundational revenues of this fund.

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.

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 1.18 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.

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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 \$325,173, with the primary restrictions being for alcohol and drug treatment (\$69,942) and litigation taxes collected for maintenance of the county jail (\$155,687).

As of June 30, 2012, Cannon County had \$8,894,000 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.

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.

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 and shall remain binding unless removed in the same manner.

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 Commission has authorized the county's Budget/Finance Committee to make assignments for the general government. The Board of Education makes assignments for the School Department.

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.

7. Prior-period Adjustment

Capital assets were restated \$265,651 from the prior year. In the prior year, costs for resurfacing and maintaining county roads were capitalized when they should have been expensed.

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, and the General Capital Projects Fund, which adopts a project length budget. 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, 2012, Cannon County and the Cannon County School Department reported the following significant encumbrances:

Funds	Description	Amount
Primary Government:		
Major Fund:		
Highway/Public Works	Bridge construction	\$ 181,753
School Department:		
Major Fund:		
General Purpose School	HVAC projects	230,536
"	Building construction	109,188
"	Bus	79,958

B. Appropriations Exceeded Estimated Available Funding

The budget and subsequent amendments approved by the County Commission for the General and the Solid Waste/Sanitation funds resulted in appropriations exceeding estimated available funding by \$97,229 and \$5,920, respectively. Sound budgetary principles dictate that appropriations be held within estimated available funding.

C. Expenditures Exceeded Appropriations

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

Major Appropriation Category	Amount Overspent
Victims Assistance Programs	\$ 124
Ambulance/Emergency Medical Services	20,148
Sanitation Management	1,200
Other Agriculture and Natural Resources	1,004

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

D. 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, 2011, was \$1,187,469; however, the estimated fund balance reflected in the county's budget was \$273,191. Therefore, the actual fund balance exceeded the estimated fund balance presented to the County Commission during the budget approval process by \$914,278.

E. Special Investigative Report – Cannon County REACH Program

On February 27, 2012, our office issued a special investigative report on the Cannon County REACH Program for the period July 1, 2008, through March 31, 2011. This report resulted in seven findings and recommendations, including a cash shortage of at least \$37,259 at March 31, 2011. Other findings included questionable disbursements, a failure of the County Executive's Office to provide proper oversight, and timesheets that were falsified. This report can be viewed at www.comptroller.tn.gov.

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, 2012.

B. Capital Assets

Capital assets activity for the year ended June 30, 2012, was as follows:

Governmental Activities:

	Balance 7-1-11	Increases	Balance 6-30-12
Capital Assets Not Depreciated:			
Land	\$ 271,349	\$ 0	\$ 271,349
Construction in Progress	734,723	163,973	898,696
Total Capital Assets Not Depreciated	<u>\$ 1,006,072</u>	<u>\$ 163,973</u>	<u>\$ 1,170,045</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 5,873,580	\$ 0	\$ 5,873,580
Roads and Bridges	21,993,219	339,814	22,333,033
Other Capital Assets	1,572,449	274,711	1,847,160
Total Capital Assets Depreciated	<u>\$ 29,439,248</u>	<u>\$ 614,525</u>	<u>\$ 30,053,773</u>

Governmental Activities (Cont.):

	Balance 7-1-11	Increases	Balance 6-30-12
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 3,436,513	\$ 142,421	\$ 3,578,934
Roads and Bridges	10,279,870	519,157	10,799,027
Other Capital Assets	952,814	120,045	1,072,859
Total Accumulated Depreciation	<u>\$ 14,669,197</u>	<u>\$ 781,623</u>	<u>\$ 15,450,820</u>
Total Capital Assets Depreciated, Net	<u>\$ 14,770,051</u>	<u>\$ (167,098)</u>	<u>\$ 14,602,953</u>
Governmental Activities Capital Assets, Net	<u>\$ 15,776,123</u>	<u>\$ (3,125)</u>	<u>\$ 15,772,998</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	\$ 69,374
Public Safety	104,665
Public Health and Welfare	34,893
Social, Cultural, and Recreational Services	21,472
Highways/Public Works	<u>551,219</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 781,623</u>

Discretely Presented Cannon County School Department

Governmental Activities:

	Balance 7-1-11	Increases	Decreases	Balance 6-30-12
Capital Assets Not Depreciated:				
Land	\$ 140,635	\$ 0	\$ 0	\$ 140,635
Construction in Progress	22,283	0	(22,283)	0
Total Capital Assets Not Depreciated	<u>\$ 162,918</u>	<u>\$ 0</u>	<u>\$ (22,283)</u>	<u>\$ 140,635</u>

Governmental Activities (Cont.):

	Balance 7-1-11	Increases	Decreases	Balance 6-30-12
Capital Assets Depreciated:				
Buildings and Improvements	\$ 18,860,841	\$ 217,110	\$ 0	\$ 19,077,951
Other Capital Assets	651,562	182,543	(11,000)	823,105
Total Capital Assets Depreciated	<u>\$ 19,512,403</u>	<u>\$ 399,653</u>	<u>\$ (11,000)</u>	<u>\$ 19,901,056</u>
Less Accumulated Depreciated For:				
Buildings and Improvements	\$ 8,400,557	\$ 439,010	\$ 0	\$ 8,839,567
Other Capital Assets	280,395	53,774	(10,083)	324,086
Total Accumulated Depreciation	<u>\$ 8,680,952</u>	<u>\$ 492,784</u>	<u>\$ (10,083)</u>	<u>\$ 9,163,653</u>
Total Capital Assets Depreciated, Net	<u>\$ 10,831,451</u>	<u>\$ (93,131)</u>	<u>\$ (917)</u>	<u>\$ 10,737,403</u>
Governmental Activities Capital Assets, Net	<u>\$ 10,994,369</u>	<u>\$ (93,131)</u>	<u>\$ (23,200)</u>	<u>\$ 10,878,038</u>

Depreciation expense was charged to functions of the School Department as follows:

Governmental Activities:

Instruction	\$ 453,191
Support Services	<u>39,593</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 492,784</u>

Discretely Presented Cannon County Industrial Development Board

Governmental Activities:

	Balance 7-1-11	Increases	Balance 6-30-12
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>

Governmental Activities (Cont.):

	Balance 7-1-11	Increases	Balance 6-30-12
Capital Assets			
Depreciated:			
Buildings and			
Improvements	\$ 3,572,752	\$ 0	\$ 3,572,752
Other Capital Assets	21,000	0	21,000
Total Capital Assets			
Depreciated	\$ 3,593,752	\$ 0	\$ 3,593,752
Less Accumulated			
Depreciated For:			
Buildings and			
Improvements	\$ 1,561,651	\$ 89,319	\$ 1,650,970
Other Capital Assets	817	1,400	2,217
Total Accumulated			
Depreciation	\$ 1,562,468	\$ 90,719	\$ 1,653,187
Total Capital Assets			
Depreciated, Net	\$ 2,031,284	\$ (90,719)	\$ 1,940,565
Governmental Activities			
Capital Assets, Net	\$ 2,605,796	\$ (90,719)	\$ 2,515,077

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>\$ 90,719</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 90,719</u>

C. Construction Commitments

At June 30, 2012, the Highway Department had an uncompleted contract of approximately \$181,753 for a bridge construction project. Funding has been received for these future expenditures.

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2012, was as follows:

Due to/from Other Funds:

Receivable Fund	Payable Fund	Amount
Primary Government:		
General	Nonmajor governmental	\$ 195
Discretely Presented School Department:		
School Federal Projects	General Purpose School	1,742

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.

Due to/from Primary Government and Component Units:

Receivable Fund	Payable Fund	Amount
Component Unit:		
Industrial/Economic Development	Primary Government: General	\$ 1,500

Interfund Transfers:

Interfund transfers for the year ended June 30, 2012, consisted of the following amount:

Discretely Presented Cannon County School Department

Transfer Out	Transfer In
	General Purpose School Fund
School Federal Projects Fund	\$ 20,781

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.

E. 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 12 years for notes and up to 24 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, 2012, will be retired from the General Debt Service Fund.

Capital outlay notes and other loans outstanding, as of June 30, 2012, for governmental activities are as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Original Amount of Issue</u>	<u>Balance 6-30-12</u>
Capital Outlay Notes	2.96 to 3.95 %	7-1-23	\$ 764,725	\$ 361,016
Other Loans	variable	5-25-26	14,862,000	9,536,000

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, 2012:

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-12	Interest Type	Approximate	
				Interest Rate as of 6-30-12	Fee Rate as of 6-30-12
Series 1999	\$ 1,642,000	\$ 767,000	Variable	.47	% .33
Series 2002	11,400,000	8,127,000	Variable	.42	.33
Series 2002	1,420,000	642,000	Variable	.49	.43

The annual requirements to amortize all notes and other loans outstanding as of June 30, 2012, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Notes		
	Principal	Interest	Total
2013	\$ 91,134	\$ 13,264	\$ 104,398
2014	74,882	10,079	84,961
2015	16,000	7,387	23,387
2016	17,000	6,736	23,736
2017	18,000	6,044	24,044
2018-2022	99,000	18,979	117,979
2023-2024	45,000	1,797	46,797
Total	\$ 361,016	\$ 64,286	\$ 425,302

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2013	\$ 606,000	\$ 40,884	\$ 35,171	\$ 682,055
2014	635,000	38,224	33,074	706,298
2015	666,000	35,437	30,878	732,315
2016	699,000	32,514	28,575	760,089
2017	732,000	29,447	26,158	787,605
2018-2022	3,287,000	101,500	87,815	3,476,315
2023-2026	2,911,000	31,315	28,685	2,971,000
Total	\$ 9,536,000	\$ 309,321	\$ 270,356	\$ 10,115,677

There is \$2,521,347 available in the General Debt Service Fund to service long-term debt. Debt per capita, including notes and other loans totaled \$717, based on the 2010 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2012, was as follows:

Governmental Activities:

	Notes	Other Loans	Compensated Absences
Balance, July 1, 2011	\$ 328,100	\$ 10,498,164	\$ 65,626
Additions	225,000	0	61,625
Reductions	(192,084)	(962,164)	(83,567)
Balance, June 30, 2012	<u>\$ 361,016</u>	<u>\$ 9,536,000</u>	<u>\$ 43,684</u>
Balance Due Within One Year	<u>\$ 91,134</u>	<u>\$ 606,000</u>	<u>\$ 2,194</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2012	\$ 9,940,700
Less: Balance Due Within One Year	<u>(699,328)</u>

Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 9,241,372</u>
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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, 2012, was as follows:

Governmental Activities:

	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2011	\$ 82,323	\$ 259,310
Additions	60,196	214,362
Reductions	<u>(68,383)</u>	<u>(99,336)</u>
Balance, June 30, 2012	<u>\$ 74,136</u>	<u>\$ 374,336</u>
Balance Due Within One Year	<u>\$ 57,319</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2012	\$ 448,472
Less: Balance Due Within One Year	<u>(57,319)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 391,153</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, 2012, will be retired from the General Fund.

Other loans outstanding as of June 30, 2012, for governmental activities are as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Original Amount of Issue</u>	<u>Balance 6-30-12</u>
Other Loans	1 to 4.5 %	12-10-23	\$ 782,500	454,958

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, 2012, including interest payments, are presented in the following table:

Year Ending June 30	Other Loans		
	Principal	Interest	Total
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
2018-2022	181,996	22,055	204,051
2023-2024	33,175	1,202	34,377
Total	\$ 454,958	\$ 81,696	\$ 536,654

Changes in Long-term Liabilities

Long-term liability activity for the discretely presented Cannon County Industrial Development Board for the year ended June 30, 2012, was as follows:

Governmental Activities:

	Other Loans
Balance, July 1, 2011	\$ 499,236
Reductions	(44,278)
Balance, June 30, 2012	\$ 454,958
Balance Due Within One Year	\$ 45,538

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2012	\$ 454,958
Less: Balance Due Within One Year	(45,538)
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	\$ 409,420

F. On-Behalf Payments

Discretely Presented Cannon County School Department

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Cannon County School Department. These payments are

made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2012, were \$17,807 and \$12,027, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

G. Short-term Debt

Cannon County issued tax anticipation notes in advance of property tax collections and deposited the proceeds in the General Fund (\$300,000) and the Solid Waste/Sanitation Fund (\$100,000). These notes were necessary because funds were not available to meet obligations coming due before current tax collections. Short-term debt activity for the year ended June 30, 2012, was as follows:

	Balance			Balance
	7-1-11	Issued	Paid	6-30-12
Tax Anticipation Notes	\$ 0	\$ 400,000	\$ (400,000)	\$ 0

V. OTHER INFORMATION

A. Risk Management

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

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

The School Department participates in the Local Education Group Insurance Fund (LEGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local education agencies. In accordance with Section 8-27-301, *Tennessee Code Annotated (TCA)*, all local education agencies are eligible to participate. The LEGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the

state does not retain any risk for losses by this fund. Section 8-27-303, *TCA*, provides for the LEGIF to be self-sustaining through member premiums.

B. Subsequent Events

On August 20, 2012, Cannon County issued capital outlay notes totaling \$130,000 for fire trucks.

On October 4, 2012, the former director of the Cannon County REACH Program pled guilty to theft over \$10,000 as a result of an investigative report, which revealed a cash shortage of at least \$37,259 existed at March 31, 2011. The former director was sentenced to five years probation and ordered to pay restitution totaling \$26,170. On October 11, 2012, the county received \$36,259 from its insurance provider, which represents the amount of the shortage less the county's \$1,000 deductible.

On October 11, 2012, the county's General Debt Service Fund issued revenue anticipation notes to the REACH Program Fund (\$20,000) and the Ambulance Service Fund (\$118,000) for temporary operating funds.

On October 19, 2012, Cannon County issued capital outlay notes totaling \$68,000 for mowing equipment for the county's Highway Department.

On November 8, 2012, Cannon County issued capital outlay notes totaling \$150,000 to purchase vehicles for the Sheriff's Department.

C. 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.

D. Joint Venture

The Sixteenth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Sixteenth Judicial District, Cannon and Rutherford counties, and the various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors including the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within the judicial district. Cannon County made no contributions to the DTF for the year ended June 30, 2012, and does not have any equity interest in this joint venture. Complete financial statements for the DTF can be obtained from its administrative office at the following address:

Administrative Office:

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

E. Retirement Commitments

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, 2012, 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, 2012, the county’s annual pension cost of \$382,103 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 frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected three percent annual rate of inflation, (c) 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), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) 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, 2011, which established contribution rates effective July 1, 2012.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-12	\$382,103	100%	\$0
6-30-11	320,881	100	0
6-30-10	370,757	100	0

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 98.46 percent funded. The actuarial accrued liability for benefits was \$9.3 million, and the actuarial value of assets was \$9.16 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.14 million. The covered payroll (annual payroll of active employees covered by the plan) was \$3.57 million, and the ratio of the UAAL to the covered payroll was 4.01 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.

SCHOOL TEACHERS

Plan Description

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

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.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, 2012, 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, 2012, 2011, and 2010, were \$694,111, \$694,668, and \$503,338, respectively, equal to the required contributions for each year.

F. Other Postemployment Benefits (OPEB)

Primary Government

Cannon County provides healthcare benefits through a commercial carrier for its general government employees. In prior years, it was the policy of the county to allow pre-65 age retirees to remain in this insurance plan at the active employee rates; however, the county made no contribution to the premium paid by these retirees. During the year examined, there were no retirees on the county's insurance plan. On May 8, 2012, the County Commission amended the county's personnel policy to no longer allow retirees to remain on the county's plan.

Discretely Presented Cannon County School Department

Plan Description

The Cannon County School Department participates in the state-administered Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, the plan is an agent multiple-employer defined benefit OPEB plan. Benefits are established and amended by an insurance committee created by Section 8-27-302, *Tennessee Code Annotated*, for teachers. Prior to reaching the age of 65, all members have the option of choosing 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, 2012, the discretely presented School Department contributed \$99,336 for postemployment health care.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan
	<hr/>
ARC	\$ 215,000
Interest on the NPO	10,372
Adjustment to the ARC	(11,010)
Annual OPEB cost	<hr/> \$ 214,362
Amount of contribution	(99,336)
Increase/decrease in NPO	<hr/> \$ 115,026
Net OPEB obligation, 7-1-11	<hr/> 259,310
Net OPEB obligation, 6-30-12	<hr/> <hr/> \$ 374,336

Fiscal Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-10	Local Education Group	\$ 164,351	66 %	\$ 203,454
6-30-11	"	171,483	67	259,310
6-30-12	"	214,362	46	374,336

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2011, was as follows:

	Local Education Group Plan
	<hr/>
Actuarial valuation date	7-1-11
Actuarial accrued liability (AAL)	\$ 1,822,000
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 1,822,000
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 9,184,573
UAAL as a % of covered payroll	20%

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, 2011, actuarial valuation for the Local Education Plan, the projected unit credit actuarial cost method was used, and the actuarial assumptions included a four percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 9.25 percent for fiscal year 2012. The trend rate will decrease to 8.75 percent in fiscal year 2013 and then be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. This rate includes a 2.5 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.

G. Purchasing Laws

Office of County Executive

Purchasing procedures for the Office of County Executive are governed by the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, *Tennessee Code Annotated (TCA)*, which provide for all purchases exceeding \$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 7-1-11	Increases	Balance 6-30-12
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	317,571	0	317,571
Total Capital Assets Depreciated	<u>\$ 584,311</u>	<u>\$ 0</u>	<u>\$ 584,311</u>
Less Accumulated Depreciation	<u>\$ 169,212</u>	<u>\$ 40,417</u>	<u>\$ 209,629</u>
Total Capital Assets Depreciated, Net	<u>\$ 415,099</u>	<u>\$ (40,417)</u>	<u>\$ 374,682</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 435,099</u></u>	<u><u>\$ (40,417)</u></u>	<u><u>\$ 394,682</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, 2011	\$ 97,871
Reductions	<u>(1,137)</u>
Balance, June 30, 2012	<u>\$ 96,734</u>
Balance Due Within One Year	<u>\$ 1,188</u>

Future maturities of note principal are as follows:

<u>Year Ending June 30</u>	<u>Note Principal</u>
2013	\$ 1,188
2014	1,242
2015	1,298
2016	1,356
2017	1,417
2018-2022	8,099
2023-2027	10,093
2028-2032	12,578
2033-2037	15,674
2038-2042	19,533
2043-2047	<u>24,256</u>
Total	<u>\$ 96,734</u>

This loan is payable to Cannon County and bears no interest. The building of the district is pledged as collateral on the indebtedness until the existing principal is 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, 2012

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 3,183,282	\$ 0	\$ 3,183,282	\$ 3,081,792	\$ 3,081,792	\$ 101,490
Licenses and Permits	444	0	444	650	650	(206)
Fines, Forfeitures, and Penalties	68,234	0	68,234	69,400	69,783	(1,549)
Charges for Current Services	639,686	0	639,686	544,930	563,979	75,707
Other Local Revenues	209,626	0	209,626	142,772	252,049	(42,423)
Fees Received from County Officials	413,629	0	413,629	385,950	385,950	27,679
State of Tennessee	375,561	0	375,561	451,718	515,015	(139,454)
Federal Government	774,696	0	774,696	103,600	654,017	120,679
Other Governments and Citizens Groups	182,592	0	182,592	222,045	200,045	(17,453)
Total Revenues	\$ 5,847,750	\$ 0	\$ 5,847,750	\$ 5,002,857	\$ 5,723,280	\$ 124,470
<u>Expenditures</u>						
<u>General Government</u>						
County Commission	\$ 6,770	\$ 0	\$ 6,770	\$ 4,306	\$ 7,016	\$ 246
County Mayor/Executive	174,678	0	174,678	171,416	183,215	8,537
Election Commission	144,476	0	144,476	162,630	162,630	18,154
Register of Deeds	116,637	0	116,637	108,934	118,947	2,310
County Buildings	199,699	0	199,699	208,722	209,568	9,869
Preservation of Records	0	0	0	100	100	100
<u>Finance</u>						
Property Assessor's Office	117,068	0	117,068	118,413	119,689	2,621
County Trustee's Office	145,010	0	145,010	143,049	145,034	24
County Clerk's Office	43,793	0	43,793	45,980	46,307	2,514
<u>Administration of Justice</u>						
Circuit Court	195,293	0	195,293	199,469	203,584	8,291

(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)	Less: Encumbrances 7/1/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Administration of Justice (Cont.)</u>						
General Sessions Court	\$ 97,390	\$ 0	\$ 97,390	\$ 98,630	\$ 98,630	\$ 1,240
Chancery Court	96,684	0	96,684	104,274	105,087	8,403
Juvenile Court	27,463	0	27,463	27,056	27,780	317
Judicial Commissioners	23,935	0	23,935	23,557	24,305	370
Victims Assistance Programs	507	0	507	0	383	(124)
<u>Public Safety</u>						
Sheriff's Department	852,443	0	852,443	886,752	937,630	85,187
Administration of the Sexual Offender Registry	700	0	700	0	700	0
Jail	718,362	0	718,362	759,783	763,752	45,390
Fire Prevention and Control	60,685	0	60,685	59,895	65,369	4,684
Rescue Squad	3,085	0	3,085	3,085	3,085	0
Other Emergency Management	13,759	0	13,759	13,760	13,760	1
Public Safety Grant Programs	294,276	0	294,276	308,798	310,254	15,978
Other Public Safety	406,712	(201,200)	205,512	0	411,421	205,909
<u>Public Health and Welfare</u>						
Local Health Center	31,370	0	31,370	33,318	33,318	1,948
Ambulance/Emergency Medical Services	890,007	0	890,007	831,859	869,859	(20,148)
Dental Health Program	0	0	0	6,000	0	0
Regional Mental Health Center	29,607	0	29,607	121,800	121,800	92,193
General Welfare Assistance	13,363	0	13,363	13,372	13,372	9
Sanitation Management	38,437	0	38,437	37,237	37,237	(1,200)
<u>Social, Cultural, and Recreational Services</u>						
Senior Citizens Assistance	95,069	0	95,069	0	95,069	0
Libraries	169,369	0	169,369	167,051	174,168	4,799

(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)	Less: Encumbrances 7/1/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Social, Cultural, and Recreational Services (Cont.)</u>						
Parks and Fair Boards	\$ 48,769	\$ 0	\$ 48,769	\$ 49,330	\$ 49,958	\$ 1,189
Other Social, Cultural, and Recreational Agriculture and Natural Resources	193,795	0	193,795	187,000	218,225	24,430
Agriculture Extension Service	68,597	0	68,597	69,339	69,339	742
Other Agriculture and Natural Resources	1,004	0	1,004	0	0	(1,004)
<u>Other Operations</u>						
Housing and Urban Development	316,025	0	316,025	0	316,025	0
Other Economic and Community Development	19,462	(18,963)	499	0	19,462	18,963
Veterans' Services	14,277	0	14,277	14,118	14,522	245
Other Changes	225,832	0	225,832	234,000	234,540	8,708
Contributions to Other Agencies	39,802	0	39,802	39,104	39,804	2
Employee Benefits	48,141	0	48,141	70,443	64,143	16,002
Miscellaneous	107,646	0	107,646	30,500	110,349	2,703
Total Expenditures	\$ 6,089,997	\$ (220,163)	\$ 5,869,834	\$ 5,353,080	\$ 6,439,436	\$ 569,602
<u>Excess (Deficiency) of Revenues</u>						
Over Expenditures	\$ (242,247)	\$ 220,163	\$ (22,084)	\$ (350,223)	\$ (716,156)	\$ 694,072
<u>Other Financing Sources (Uses)</u>						
Insurance Recovery	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,885	\$ (9,885)
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,885	\$ (9,885)
Net Change in Fund Balance	\$ (242,247)	\$ 220,163	\$ (22,084)	\$ (350,223)	\$ (706,271)	\$ 684,187
Fund Balance, July 1, 2011	872,033	(220,163)	651,870	609,042	609,042	42,828
Fund Balance, June 30, 2012	\$ 629,786	\$ 0	\$ 629,786	\$ 258,819	\$ (97,229)	\$ 727,015

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, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 455,822	\$ 435,901	\$ 435,901	\$ 19,921
Charges for Current Services	20,254	24,000	24,000	(3,746)
State of Tennessee	4,941	2,900	2,900	2,041
Other Governments and Citizens Groups	40,000	40,000	40,000	0
Total Revenues	<u>\$ 521,017</u>	<u>\$ 502,801</u>	<u>\$ 502,801</u>	<u>\$ 18,216</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Management	\$ 507,096	\$ 506,012	\$ 512,012	\$ 4,916
Total Expenditures	<u>\$ 507,096</u>	<u>\$ 506,012</u>	<u>\$ 512,012</u>	<u>\$ 4,916</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 13,921</u>	<u>\$ (3,211)</u>	<u>\$ (9,211)</u>	<u>\$ 23,132</u>
Net Change in Fund Balance	\$ 13,921	\$ (3,211)	\$ (9,211)	\$ 23,132
Fund Balance, July 1, 2011	8,704	3,291	3,291	5,413
Fund Balance, June 30, 2012	<u>\$ 22,625</u>	<u>\$ 80</u>	<u>\$ (5,920)</u>	<u>\$ 28,545</u>

Exhibit E-3

Cannon County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2012

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 59,871	\$ 0	\$ 59,871	\$ 29,700	\$ 29,700	\$ 30,171
Other Local Revenues	92,476	0	92,476	74,000	74,000	18,476
State of Tennessee	1,872,253	0	1,872,253	3,317,229	3,317,229	(1,444,976)
Federal Government	6,617	0	6,617	50,000	50,000	(43,383)
Total Revenues	\$ 2,031,217	\$ 0	\$ 2,031,217	\$ 3,470,929	\$ 3,470,929	\$ (1,439,712)
<u>Expenditures</u>						
<u>Highways</u>						
Administration	\$ 138,557	\$ 0	\$ 138,557	\$ 142,219	\$ 142,219	\$ 3,662
Highway and Bridge Maintenance	1,083,617	0	1,083,617	1,287,350	1,287,350	203,733
Operation and Maintenance of Equipment	306,062	0	306,062	274,376	313,474	7,412
Other Charges	69,679	0	69,679	70,855	70,855	1,176
Employee Benefits	77,121	0	77,121	94,500	94,500	17,379
Capital Outlay	649,584	181,753	831,337	1,553,000	1,553,000	721,663
Total Expenditures	\$ 2,324,620	\$ 181,753	\$ 2,506,373	\$ 3,422,300	\$ 3,461,398	\$ 955,025
Excess (Deficiency) of Revenues Over Expenditures	\$ (293,403)	\$ (181,753)	\$ (475,156)	\$ 48,629	\$ 9,531	\$ (484,687)
Net Change in Fund Balance Fund Balance, July 1, 2011	\$ (293,403)	\$ (181,753)	\$ (475,156)	\$ 48,629	\$ 9,531	\$ (484,687)
	1,187,469	0	1,187,469	273,191	273,191	914,278
Fund Balance, June 30, 2012	\$ 894,066	\$ (181,753)	\$ 712,313	\$ 321,820	\$ 282,722	\$ 429,591

Exhibit E-4

Cannon County, Tennessee
Schedule of Funding Progress – Pension Plan
Primary Government and Discretely Presented Cannon County School Department
June 30, 2012

(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)
7-1-11	\$ 9,156	\$ 9,299	\$ 143	98.46 %	\$ 3,571	4.01 %
7-1-09	7,172	7,372	201	97.28	3,756	5.34
7-1-07	6,642	6,892	250	96.37	3,171	7.88

Exhibit E-5

Cannon County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plan
Discretely Presented Cannon County School Department
June 30, 2012

(Dollar amounts in thousands)

Plan	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Local Education Group	7-1-09	\$ 0	\$ 1,487	\$ 1,487	0 %	\$ 9,502	16 %
"	7-1-10	0	1,546	1,546	0	9,502	16
"	7-1-11	0	1,822	1,822	0	9,185	20

CANNON COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2012

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, 2012, Cannon County reported the following significant encumbrance:

Fund	Description	Amount
Highway/Public Works	Bridge construction	\$ 181,753

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, 2011, was \$1,187,469; however, the estimated fund balance reflected in the county's budget was \$273,191. Therefore, the actual fund balance exceeded the estimated fund balance presented to the County Commission during the budget approval process by \$914,278.

C. APPROPRIATIONS EXCEEDED ESTIMATED AVAILABLE FUNDING

The budget and subsequent amendments approved by the County Commission for the General and the Solid Waste/Sanitation funds resulted in appropriations exceeding estimated available funding by \$97,229 and \$5,920, respectively. Sound budgetary principles dictate that appropriations be held within estimated available funding.

D. EXPENDITURES EXCEEDED APPROPRIATIONS

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

<u>Major AppropriationsCategory</u>	<u>Amount Overspent</u>
Victims Assistance Programs	\$ 124
Ambulance/Emergency Medical Services	20,148
Sanitation Management	1,200
Other Agriculture and Natural Resources	1,004

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

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

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources 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.

Capital Projects Fund

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

General Capital Projects Fund – The General Capital Projects Fund accounts for debt issued and the accompanying transactions related to a renovation project at the county's jail.

Exhibit F-1

Cannon County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

	<u>Special Revenue Funds</u>			<u>Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Drug Control</u>	<u>Constitu- tional Officers - Fees</u>	<u>Total</u>	<u>General Capital Projects</u>	
<u>ASSETS</u>					
Cash	\$ 0	\$ 19,123	\$ 19,123	\$ 0	\$ 19,123
Equity in Pooled Cash and Investments	87,993	0	87,993	48,451	136,444
Total Assets	\$ 87,993	\$ 19,123	\$ 107,116	\$ 48,451	\$ 155,567
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Due to Other Funds	\$ 0	\$ 195	\$ 195	\$ 0	\$ 195
Total Liabilities	\$ 0	\$ 195	\$ 195	\$ 0	\$ 195
<u>Fund Balances</u>					
Restricted:					
Restricted for Public Safety	\$ 87,993	\$ 0	\$ 87,993	\$ 0	\$ 87,993
Restricted for Capital Outlay	0	0	0	48,451	48,451
Committed:					
Committed for Finance	0	18,928	18,928	0	18,928
Total Fund Balances	\$ 87,993	\$ 18,928	\$ 106,921	\$ 48,451	\$ 155,372
Total Liabilities and Fund Balances	\$ 87,993	\$ 19,123	\$ 107,116	\$ 48,451	\$ 155,567

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, 2012

	<u>Special Revenue Funds</u>			<u>Capital</u>	<u>Total</u>
	<u>Drug</u>	<u>Constitu-</u>	<u>Total</u>	<u>Projects</u>	
	<u>Control</u>	<u>Officers -</u>		<u>General</u>	<u>Nonmajor</u>
		<u>Fees</u>		<u>Capital</u>	<u>Governmental</u>
				<u>Projects</u>	<u>Funds</u>
<u>Revenues</u>					
Fines, Forfeitures, and Penalties	\$ 16,321	\$ 0	\$ 16,321	\$ 0	\$ 16,321
Charges for Current Services	0	123,832	123,832	0	123,832
Other Local Revenues	568	0	568	1,138	1,706
State of Tennessee	600	0	600	0	600
Other Governments and Citizens Groups	350	0	350	0	350
Total Revenues	\$ 17,839	\$ 123,832	\$ 141,671	\$ 1,138	\$ 142,809
<u>Expenditures</u>					
Current:					
General Government	\$ 0	\$ 45	\$ 45	\$ 0	\$ 45
Finance	0	126,279	126,279	0	126,279
Public Safety	46,317	72	46,389	0	46,389
Capital Projects	0	0	0	177,687	177,687
Total Expenditures	\$ 46,317	\$ 126,396	\$ 172,713	\$ 177,687	\$ 350,400
Excess (Deficiency) of Revenues					
Over Expenditures	\$ (28,478)	\$ (2,564)	\$ (31,042)	\$ (176,549)	\$ (207,591)
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 225,000	\$ 225,000
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 225,000	\$ 225,000
Net Change in Fund Balances	\$ (28,478)	\$ (2,564)	\$ (31,042)	\$ 48,451	\$ 17,409
Fund Balance, July 1, 2011	116,471	21,492	137,963	0	137,963
Fund Balance, June 30, 2012	\$ 87,993	\$ 18,928	\$ 106,921	\$ 48,451	\$ 155,372

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, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 16,321	\$ 92,000	\$ 92,000	\$ (75,679)
Other Local Revenues	568	0	0	568
State of Tennessee	600	0	600	0
Other Governments and Citizens Groups	350	0	0	350
Total Revenues	<u>\$ 17,839</u>	<u>\$ 92,000</u>	<u>\$ 92,600</u>	<u>\$ (74,761)</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Sheriff's Department	\$ 46,317	\$ 77,858	\$ 78,458	\$ 32,141
Total Expenditures	<u>\$ 46,317</u>	<u>\$ 77,858</u>	<u>\$ 78,458</u>	<u>\$ 32,141</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (28,478)</u>	<u>\$ 14,142</u>	<u>\$ 14,142</u>	<u>\$ (42,620)</u>
Net Change in Fund Balance	\$ (28,478)	\$ 14,142	\$ 14,142	\$ (42,620)
Fund Balance, July 1, 2011	<u>116,471</u>	<u>137,357</u>	<u>137,357</u>	<u>(20,886)</u>
Fund Balance, June 30, 2012	<u>\$ 87,993</u>	<u>\$ 151,499</u>	<u>\$ 151,499</u>	<u>\$ (63,506)</u>

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, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 728,180	\$ 641,254	\$ 646,254	\$ 81,926
Other Local Revenues	0	5,541	0	0
Other Governments and Citizens Groups	255,541	250,000	255,541	0
Total Revenues	\$ 983,721	\$ 896,795	\$ 901,795	\$ 81,926
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 669,248	\$ 260,070	\$ 669,264	\$ 16
Education	485,000	485,000	485,000	0
<u>Interest on Debt</u>				
General Government	14,553	33,167	38,151	23,598
Education	12,448	50,000	41,380	28,932
<u>Other Debt Service</u>				
General Government	7,742	13,500	14,400	6,658
Education	0	45,000	45,000	45,000
Total Expenditures	\$ 1,188,991	\$ 886,737	\$ 1,293,195	\$ 104,204
Excess (Deficiency) of Revenues Over Expenditures	\$ (205,270)	\$ 10,058	\$ (391,400)	\$ 186,130
Net Change in Fund Balance	\$ (205,270)	\$ 10,058	\$ (391,400)	\$ 186,130
Fund Balance, July 1, 2011	2,726,617	2,668,922	2,668,922	57,695
Fund Balance, June 30, 2012	\$ 2,521,347	\$ 2,678,980	\$ 2,277,522	\$ 243,825

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, 2012

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 944,115	\$ 944,115
Due from Other Governments	66,797	0	66,797
Total Assets	<u>\$ 66,797</u>	<u>\$ 944,115</u>	<u>\$ 1,010,912</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 66,797	\$ 0	\$ 66,797
Due to Litigants, Heirs, and Others	0	944,115	944,115
Total Liabilities	<u>\$ 66,797</u>	<u>\$ 944,115</u>	<u>\$ 1,010,912</u>

Exhibit H-2

Cannon County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2012

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 390,497	\$ 390,497	\$ 0
Due from Other Governments	67,794	66,797	67,794	66,797
Total Assets	\$ 67,794	\$ 457,294	\$ 458,291	\$ 66,797
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 67,794	\$ 457,294	\$ 458,291	\$ 66,797
Total Liabilities	\$ 67,794	\$ 457,294	\$ 458,291	\$ 66,797
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 861,706	\$ 4,270,861	\$ 4,188,452	\$ 944,115
Total Assets	\$ 861,706	\$ 4,270,861	\$ 4,188,452	\$ 944,115
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 861,706	\$ 4,270,861	\$ 4,188,452	\$ 944,115
Total Liabilities	\$ 861,706	\$ 4,270,861	\$ 4,188,452	\$ 944,115
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 861,706	\$ 4,270,861	\$ 4,188,452	\$ 944,115
Equity in Pooled Cash and Investments	0	390,497	390,497	0
Due from Other Governments	67,794	66,797	67,794	66,797
Total Assets	\$ 929,500	\$ 4,728,155	\$ 4,646,743	\$ 1,010,912
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 67,794	\$ 457,294	\$ 458,291	\$ 66,797
Due to Litigants, Heirs, and Others	861,706	4,270,861	4,188,452	944,115
Total Liabilities	\$ 929,500	\$ 4,728,155	\$ 4,646,743	\$ 1,010,912

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, 2012

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 9,977,066	\$ 12,930	\$ 1,445,004	\$ (8,519,132)
Support Services	4,988,571	32,704	142,873	(4,812,994)
Operation of Non-Instructional Services	1,626,283	352,791	794,256	(479,236)
Other Debt Service	250,000	0	0	(250,000)
Total Governmental Activities	\$ 16,841,920	\$ 398,425	\$ 2,382,133	\$ (14,061,362)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 1,990,390
Local Option Sales Taxes				512,747
Other Local Taxes				769
Grants and Contributions Not Restricted to Specific Programs				11,887,968
Unrestricted Investment Earnings				210
Miscellaneous				74,570
Total General Revenues				\$ 14,466,654
Change in Net Assets				\$ 405,292
Net Assets, July 1, 2011				13,654,767
Net Assets, June 30, 2012				\$ 14,060,059

Exhibit I-2

Cannon County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Cannon County School Department
June 30, 2012

	Major Funds			Total Govern- mental Funds
	General Purpose School	School Federal Projects	Central Cafeteria	
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 100	\$ 100
Equity in Pooled Cash and Investments	3,028,992	10,328	157,204	3,196,524
Accounts Receivable	42	0	0	42
Due from Other Governments	256,126	25,959	63,632	345,717
Due from Other Funds	0	1,742	0	1,742
Property Taxes Receivable	2,002,749	0	0	2,002,749
Allowance for Uncollectible Property Taxes	(45,629)	0	0	(45,629)
Total Assets	\$ 5,242,280	\$ 38,029	\$ 220,936	\$ 5,501,245
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 0	\$ 2,770	\$ 0	\$ 2,770
Due to Other Funds	1,742	0	0	1,742
Due to State of Tennessee	0	181	243	424
Deferred Revenue - Current Property Taxes	1,865,816	0	0	1,865,816
Deferred Revenue - Delinquent Property Taxes	84,384	0	0	84,384
Other Deferred Revenues	49,753	0	0	49,753
Total Liabilities	\$ 2,001,695	\$ 2,951	\$ 243	\$ 2,004,889
<u>Fund Balances</u>				
Restricted:				
Restricted for Education	\$ 8,315	\$ 32,688	\$ 220,693	\$ 261,696
Committed:				
Committed for Education	1,699,231	0	0	1,699,231
Assigned:				
Assigned for Education	601,290	2,390	0	603,680
Unassigned	931,749	0	0	931,749
Total Fund Balances	\$ 3,240,585	\$ 35,078	\$ 220,693	\$ 3,496,356
Total Liabilities and Fund Balances	\$ 5,242,280	\$ 38,029	\$ 220,936	\$ 5,501,245

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, 2012

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

Total fund balances - balance sheet - governmental funds (Exhibit I-2)		\$	3,496,356
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	140,635	
Add: buildings and improvements net of accumulated depreciation		10,238,384	
Add: other capital assets net of accumulated depreciation		<u>499,019</u>	10,878,038
(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	\$	(74,136)	
Less: other postemployment benefits liability		<u>(374,336)</u>	(448,472)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>134,137</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>14,060,059</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, 2012

	Major Funds			Total Governmental Funds
	General Purpose School	School Federal Projects	Central Cafeteria	
<u>Revenues</u>				
Local Taxes	\$ 2,511,836	\$ 0	\$ 0	\$ 2,511,836
Licenses and Permits	444	0	0	444
Charges for Current Services	45,634	0	352,791	398,425
Other Local Revenues	76,070	0	210	76,280
State of Tennessee	11,593,630	0	10,258	11,603,888
Federal Government	13,772	1,858,363	783,998	2,656,133
Total Revenues	<u>\$ 14,241,386</u>	<u>\$ 1,858,363</u>	<u>\$ 1,147,257</u>	<u>\$ 17,247,006</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 8,012,732	\$ 1,515,373	\$ 0	\$ 9,528,105
Support Services	4,688,099	351,490	0	5,039,589
Operation of Non-Instructional Services	445,083	0	1,182,971	1,628,054
Capital Outlay	180,002	0	0	180,002
Debt Service:				
Other Debt Service	250,000	0	0	250,000
Total Expenditures	<u>\$ 13,575,916</u>	<u>\$ 1,866,863</u>	<u>\$ 1,182,971</u>	<u>\$ 16,625,750</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 665,470</u>	<u>\$ (8,500)</u>	<u>\$ (35,714)</u>	<u>\$ 621,256</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 7,000	\$ 0	\$ 0	\$ 7,000
Transfers In	20,781	0	0	20,781
Transfers Out	0	(20,781)	0	(20,781)
Total Other Financing Sources (Uses)	<u>\$ 27,781</u>	<u>\$ (20,781)</u>	<u>\$ 0</u>	<u>\$ 7,000</u>
Net Change in Fund Balances	\$ 693,251	\$ (29,281)	\$ (35,714)	\$ 628,256
Fund Balance, July 1, 2011	<u>2,547,334</u>	<u>64,359</u>	<u>256,407</u>	<u>2,868,100</u>
Fund Balance, June 30, 2012	<u>\$ 3,240,585</u>	<u>\$ 35,078</u>	<u>\$ 220,693</u>	<u>\$ 3,496,356</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, 2012

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)		\$ 628,256
<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	\$ 377,370	
Less: current-year depreciation expense	<u>(492,784)</u>	(115,414)
<p>(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.</p>		
Loss on disposal of capital assets		(917)
<p>(3) 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, 2012	\$ 134,137	
Less: deferred delinquent property taxes and other deferred June 30, 2011	<u>(133,931)</u>	206
<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 compensated absences payable	\$ 8,187	
Change in other postemployment benefits liability	<u>(115,026)</u>	<u>(106,839)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 405,292</u>

Exhibit I-6

Cannon County, Tennessee
 Schedule of Revenues, Expenditures, and Changes
 in Fund Balance - Actual (Budgetary Basis) and Budget
 Discretely Presented Cannon County School Department
 General Purpose School Fund
 For the Year Ended June 30, 2012

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2011	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Revenues							
Local Taxes	\$ 2,511,836	\$ 0	\$ 0	\$ 2,511,836	\$ 2,443,498	\$ 2,443,498	\$ 68,338
Licenses and Permits	444	0	0	444	400	400	44
Charges for Current Services	45,634	0	0	45,634	32,000	32,000	13,634
Other Local Revenues	76,070	0	0	76,070	67,000	67,000	9,070
State of Tennessee	11,593,630	0	0	11,593,630	11,618,360	11,649,394	(55,764)
Federal Government	13,772	0	0	13,772	15,000	15,000	(1,228)
Total Revenues	\$ 14,241,386	\$ 0	\$ 0	\$ 14,241,386	\$ 14,176,258	\$ 14,207,292	\$ 34,094
Expenditures							
Instruction							
Regular Instruction Program	\$ 6,253,465	\$ (198,530)	\$ 40,988	\$ 6,095,923	\$ 7,137,272	\$ 7,099,572	\$ 1,003,649
Alternative Instruction Program	57,572	0	0	57,572	59,224	59,724	2,152
Special Education Program	1,174,604	0	0	1,174,604	1,164,095	1,186,464	11,860
Vocational Education Program	527,091	(1,289)	370	526,172	525,187	528,687	2,515
Support Services							
Attendance	89,961	0	0	89,961	86,552	90,352	391
Health Services	166,015	(764)	8,495	173,746	173,861	173,861	115
Other Student Support	246,971	0	0	246,971	248,703	254,403	7,432
Regular Instruction Program	570,725	0	0	570,725	576,784	579,984	9,259
Special Education Program	107,888	0	0	107,888	110,257	107,888	0
Other Programs	29,834	0	0	29,834	0	29,834	0
Board of Education	220,753	(8,855)	32,125	244,023	221,600	246,775	2,752
Director of Schools	139,981	0	0	139,981	139,987	139,987	6
Office of the Principal	1,046,206	(1,945)	1,445	1,045,706	1,066,027	1,068,227	22,521

(Continued)

Exhibit I-6

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2011	Add: Encumbrances 6/30/2012	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	\$ 185,617	\$ (14,208)	\$ 12,339	\$ 183,748	\$ 202,042	\$ 202,042	\$ 18,294
Operation of Plant	963,352	(12,789)	9,800	960,363	1,123,300	1,123,300	162,937
Maintenance of Plant	194,330	(3,796)	20,983	211,517	233,958	233,958	22,441
Transportation	726,466	(88,111)	95,922	734,277	733,457	737,182	2,905
<u>Operation of Non-Instructional Services</u>							
Early Childhood Education	445,083	(69,161)	28,824	404,746	405,360	405,360	614
Capital Outlay							
Regular Capital Outlay	180,002	(13,220)	349,999	516,781	420,000	529,188	12,407
<u>Other Debt Service</u>							
Education	250,000	0	0	250,000	250,000	250,000	0
<u>Total Expenditures</u>	<u>\$ 13,575,916</u>	<u>\$ (412,668)</u>	<u>\$ 601,290</u>	<u>\$ 13,764,538</u>	<u>\$ 14,877,666</u>	<u>\$ 15,046,788</u>	<u>\$ 1,282,250</u>
<u>Excess (Deficiency) of Revenues</u>							
Over Expenditures	\$ 665,470	\$ 412,668	\$ (601,290)	\$ 476,848	\$ (701,408)	\$ (839,496)	\$ 1,316,344
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 7,000	\$ 0	\$ 0	\$ 7,000	\$ 0	\$ 0	\$ 7,000
Transfers In	20,781	0	0	20,781	8,000	8,000	12,781
<u>Total Other Financing Sources (Uses)</u>	<u>\$ 27,781</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 27,781</u>	<u>\$ 8,000</u>	<u>\$ 8,000</u>	<u>\$ 19,781</u>
<u>Net Change in Fund Balance</u>	<u>\$ 693,251</u>	<u>\$ 412,668</u>	<u>\$ (601,290)</u>	<u>\$ 504,629</u>	<u>\$ (693,408)</u>	<u>\$ (831,496)</u>	<u>\$ 1,336,125</u>
Fund Balance, July 1, 2011	2,547,334	(412,668)	0	2,134,666	1,313,667	1,313,667	820,999
<u>Fund Balance, June 30, 2012</u>	<u>\$ 3,240,585</u>	<u>\$ 0</u>	<u>\$ (601,290)</u>	<u>\$ 2,639,295</u>	<u>\$ 620,259</u>	<u>\$ 482,171</u>	<u>\$ 2,157,124</u>

Exhibit I-7

Cannon County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Cannon County School Department
School Federal Projects Fund
For the Year Ended June 30, 2012

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2011	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Federal Government	\$ 1,858,363 \$	0 \$	0 \$	1,858,363 \$	1,945,203 \$	1,984,527 \$	(126,164)
Total Revenues	\$ 1,858,363 \$	0 \$	0 \$	1,858,363 \$	1,945,203 \$	1,984,527 \$	(126,164)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 1,033,939 \$	(4,160) \$	0 \$	1,029,779 \$	1,164,859 \$	1,149,432 \$	119,653
Special Education Program	453,592	(12,172)	76	441,496	456,366	457,035	15,539
Vocational Education Program	27,842	(4,798)	1,155	24,199	24,751	24,507	308
<u>Support Services</u>							
Other Student Support	129,348	(6,712)	479	123,115	79,931	134,520	11,405
Regular Instruction Program	136,696	0	680	137,376	175,995	172,961	35,585
Special Education Program	62,678	(508)	0	62,170	66,050	64,888	2,718
Vocational Education Program	1,668	0	0	1,668	1,668	1,668	0
Transportation	21,100	0	0	21,100	28,151	32,050	10,950
Total Expenditures	\$ 1,866,863 \$	(28,350) \$	2,390 \$	1,840,903 \$	1,997,771 \$	2,037,061 \$	196,158
Excess (Deficiency) of Revenues Over Expenditures	\$ (8,500) \$	28,350 \$	(2,390) \$	17,460 \$	(52,568) \$	(52,534) \$	69,994
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 0 \$	0 \$	0 \$	0 \$	41,600 \$	65,265 \$	(65,265)
Transfers Out	(20,781)	0	0	(20,781)	(61,715)	(61,100)	40,319
Total Other Financing Sources (Uses)	\$ (20,781) \$	0 \$	0 \$	(20,781) \$	(20,115) \$	4,165 \$	(24,946)
Net Change in Fund Balance Fund Balance, July 1, 2011	\$ (29,281) \$	28,350 \$	(2,390) \$	(3,321) \$	(72,683) \$	(48,369) \$	45,048
Fund Balance, July 1, 2011	64,359	(28,350)	0	36,009	72,683	72,683	(36,674)
Fund Balance, June 30, 2012	\$ 35,078 \$	0 \$	(2,390) \$	32,688 \$	0 \$	24,314 \$	8,374

Exhibit I-8

Cannon County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Cannon County School Department
Central Cafeteria Fund
For the Year Ended June 30, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 352,791	\$ 366,000	\$ 366,000	\$ (13,209)
Other Local Revenues	210	150	150	60
State of Tennessee	10,258	11,500	11,500	(1,242)
Federal Government	783,998	709,950	760,538	23,460
Total Revenues	<u>\$ 1,147,257</u>	<u>\$ 1,087,600</u>	<u>\$ 1,138,188</u>	<u>\$ 9,069</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 1,182,971	\$ 1,129,210	\$ 1,199,798	\$ 16,827
Total Expenditures	<u>\$ 1,182,971</u>	<u>\$ 1,129,210</u>	<u>\$ 1,199,798</u>	<u>\$ 16,827</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (35,714)</u>	<u>\$ (41,610)</u>	<u>\$ (61,610)</u>	<u>\$ 25,896</u>
Net Change in Fund Balance	\$ (35,714)	\$ (41,610)	\$ (61,610)	\$ 25,896
Fund Balance, July 1, 2011	<u>256,407</u>	<u>285,396</u>	<u>285,396</u>	<u>(28,989)</u>
Fund Balance, June 30, 2012	<u>\$ 220,693</u>	<u>\$ 243,786</u>	<u>\$ 223,786</u>	<u>\$ (3,093)</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, 2012

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Changes in Net Assets Total Governmental Activities
Governmental Activities:			
Other Operations	\$ 91,842	\$ 76,053	\$ (15,789)
Interest on Long-term Debt	14,894	0	(14,894)
Total Governmental Activities	\$ 106,736	\$ 76,053	\$ (30,683)
General Revenues:			
Total General Revenues			\$ 0
Change in Net Assets			\$ (30,683)
Net Assets, July 1, 2011			2,123,506
Net Assets, June 30, 2012			\$ 2,092,823

Exhibit J-2

Cannon County, Tennessee
Balance Sheet - Governmental Fund
Discretely Presented Cannon County Industrial Development Board
June 30, 2012

	<u>General Fund</u>
<u>ASSETS</u>	
Equity in Pooled Cash and Investments	\$ 30,242
Accounts Receivable	1,000
Due from Primary Government	<u>1,500</u>
Total Assets	<u><u>\$ 32,742</u></u>
<u>LIABILITIES AND FUND BALANCES</u>	
<u>Liabilities</u>	
Accounts Payable	<u>\$ 38</u>
<u>Fund Balances</u>	
Committed:	
Committed for Other Operations	<u>\$ 32,704</u>
Total Liabilities and Fund Equity	<u><u>\$ 32,742</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, 2012

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)		\$	32,704
(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		1,921,782	
Add: other capital assets net of accumulated depreciation		<u>18,783</u>	2,515,077
(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>(454,958)</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>2,092,823</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, 2012

	General Fund
<hr/>	
<u>Revenues</u>	
Other Local Revenues	\$ 76,053
Total Revenues	<u>\$ 76,053</u>
 <u>Expenditures</u>	
Current:	
Other Operations	\$ 1,123
Debt Service:	
Principal on Debt	44,278
Interest on Debt	<u>14,894</u>
Total Expenditures	<u>\$ 60,295</u>
 Excess (Deficiency) of Revenues Over Expenditures	 <u>\$ 15,758</u>
 Net Change in Fund Balances	 \$ 15,758
Fund Balance, July 1, 2011	<u>16,946</u>
 Fund Balance, June 30, 2012	 <u><u>\$ 32,704</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, 2012

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)	\$ 15,758
<p>(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:</p>	
Less: current-year depreciation expense	(90,719)
<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>44,278</u>
Change in net assets of governmental activities (Exhibit B)	<u><u>\$ (30,683)</u></u>

Exhibit J-6

Cannon County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Cannon County Industrial Development Board
Industrial/Economic Development Fund
For the Year Ended June 30, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 76,053	\$ 86,400	\$ 86,400	\$ (10,347)
Total Revenues	\$ 76,053	\$ 86,400	\$ 86,400	\$ (10,347)
<u>Expenditures</u>				
<u>Other Operations</u>				
Industrial Development	\$ 1,123	\$ 6,711	\$ 6,711	\$ 5,588
<u>Principal on Debt</u>				
General Government	44,278	44,278	44,278	0
<u>Interest on Debt</u>				
General Government	14,894	14,896	14,896	2
Total Expenditures	\$ 60,295	\$ 65,885	\$ 65,885	\$ 5,590
Excess (Deficiency) of Revenues Over Expenditures	\$ 15,758	\$ 20,515	\$ 20,515	\$ (4,757)
Net Change in Fund Balance	\$ 15,758	\$ 20,515	\$ 20,515	\$ (4,757)
Fund Balance, July 1, 2011	16,946	16,522	16,522	424
Fund Balance, June 30, 2012	\$ 32,704	\$ 37,037	\$ 37,037	\$ (4,333)

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, 2012

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-11	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-12
<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	2-6-12	\$ 59,144	\$ 0	\$ 59,144	\$ 0
Ambulance	105,000	2.96	1-23-09	1-23-12	36,026	0	36,026	0
Fire Truck	65,000	2.96	4-3-09	4-3-12	22,301	0	22,301	0
Air Packs	59,000	2.96	12-7-09	12-7-12	39,904	0	19,662	20,242
Courthouse Revitalization	93,225	3.5	5-6-11	5-6-14	93,225	0	30,006	63,219
Ambulance	77,500	3.5	5-6-11	5-6-14	77,500	0	24,945	52,555
Jail Renovation	225,000	3.95	8-1-11	7-1-23	0	225,000	0	225,000
Total Notes Payable					\$ 328,100	\$ 225,000	\$ 192,084	\$ 361,016

<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	\$ 857,000	\$ 0	\$ 90,000	\$ 767,000
School Construction/Improvements - Elementary	11,400,000	Variable	5-25-02	5-25-26	8,522,000	0	395,000	8,127,000
Jail Construction Bond Refunding	1,420,000	Variable	7-18-02	5-25-18	735,000	0	93,000	642,000
Expo Center Construction	300,000	4.375	10-23-06	2-6-12	286,293	0	286,293	0
E-911 Building Renovation	100,000	4.5	12-19-08	2-6-12	97,871	0	97,871	0
Total Other Loans Payable					\$ 10,498,164	\$ 0	\$ 962,164	\$ 9,536,000
<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	\$ 217,506	\$ 0	\$ 13,232	\$ 204,274
Industrial Development	482,500	1 to 3	7-5-04	11-30-19	281,730	0	31,046	250,684
Total Other Loans Payable					\$ 499,236	\$ 0	\$ 44,278	\$ 454,958

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
2013	\$ 91,134	\$ 13,264	\$ 104,398
2014	74,882	10,079	84,961
2015	16,000	7,387	23,387
2016	17,000	6,736	23,736
2017	18,000	6,044	24,044
2018	18,000	5,332	23,332
2019	19,000	4,601	23,601
2020	20,000	3,831	23,831
2021	21,000	3,022	24,022
2022	21,000	2,193	23,193
2023	22,000	1,343	23,343
2024	23,000	454	23,454
Total	\$ 361,016	\$ 64,286	\$ 425,302

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2013	\$ 606,000	\$ 40,884	\$ 35,171	\$ 682,055
2014	635,000	38,224	33,074	706,298
2015	666,000	35,437	30,878	732,315
2016	699,000	32,514	28,575	760,089
2017	732,000	29,447	26,158	787,605
2018	765,000	26,236	23,629	814,865
2019	682,000	22,882	19,969	724,851
2020	584,000	19,954	16,698	620,652
2021	613,000	17,501	14,771	645,272
2022	643,000	14,927	12,748	670,675
2023	675,000	12,226	10,626	697,852
2024	709,000	9,391	8,399	726,790
2025	745,000	6,413	6,059	757,472
2026	782,000	3,285	3,601	788,886
Total	\$ 9,536,000	\$ 309,321	\$ 270,356	\$ 10,115,677

(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.)

DISCRETELY PRESENTED CANNON COUNTY
INDUSTRIAL DEVELOPMENT BOARD

Year Ending June 30	Other Loans		
	Principal	Interest	Total
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	\$ 454,958	\$ 81,696	\$ 536,654

Exhibit K-3

Cannon County, Tennessee
Schedule of Transfers
Discretely Presented Cannon County School Department
For the Year Ended June 30, 2012

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
School Federal Projects	General Purpose School	Indirect costs	\$ <u>20,781</u>
Total Transfers Discretely Presented Cannon County School Department			\$ <u><u>20,781</u></u>

Cannon County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Primary Government and Discretely Presented Cannon County School Department
For the Year Ended June 30, 2012

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	94,034 (1)	(2)	"
Trustee	Section 8-24-102, TCA	57,751	587,700	"
Assessor of Property	Section 8-24-102, TCA	57,751	10,000	"
County Clerk	Section 8-24-102, TCA	57,751	25,000	"
Circuit and General Sessions Courts Clerk	Section 8-24-102, TCA	57,751	25,000	"
Clerk and Master	Section 8-24-102, TCA	57,751	50,000	"
Register	Section 8-24-102, TCA	57,751	15,000	"
Sheriff	Section 8-24-102, TCA	63,527 (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 \$2,000.
(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, 2012

	Special Revenue Funds				Highway / Public Works	Debt Service Fund	Capital Projects Fund	Total
	General	Drug Control	Constitu- tional Officers - Fees	Solid Waste / Sanitation				
Local Taxes								
<u>County Property Taxes</u>								
Current Property Tax	\$ 2,538,808	\$ 0	\$ 0	\$ 341,727	\$ 0	\$ 37,465	\$ 0	\$ 2,918,000
Trustee's Collections - Prior Year	137,208	0	0	18,291	0	4,300	0	159,799
Circuit/Clerk & Master Collections - Prior Years	37,171	0	0	4,704	0	1,258	0	43,133
Interest and Penalty	26,718	0	0	3,512	0	779	0	31,009
Payments in-Lieu-of Taxes - Local Utilities	190,866	0	0	25,735	0	2,860	0	219,461
Payments in-Lieu-of Taxes - Other	2,718	0	0	0	0	0	0	2,718
<u>County Local Option Taxes</u>								
Local Option Sales Tax	60,803	0	0	59,933	0	0	0	120,736
Wheel Tax	0	0	0	0	0	628,274	0	628,274
Litigation Tax - General	39,170	0	0	0	0	0	0	39,170
Litigation Tax - Special Purpose	15,864	0	0	0	0	0	0	15,864
Litigation Tax - Jail, Workhouse, or Courthouse	13,266	0	0	0	0	53,064	0	66,330
Business Tax	48,315	0	0	0	1,500	0	0	49,815
Mineral Severance Tax	0	0	0	0	58,371	0	0	58,371
<u>Statutory Local Taxes</u>								
Bank Excise Tax	12,002	0	0	1,618	0	180	0	13,800
Wholesale Beer Tax	60,039	0	0	0	0	0	0	60,039
Interstate Telecommunications Tax	334	0	0	302	0	0	0	636
Total Local Taxes	\$ 3,183,282	\$ 455,822	\$ 0	\$ 59,871	\$ 728,180	\$ 0	\$ 4,427,155	
<u>Licenses and Permits</u>								
<u>Licenses</u>								
Marriage Licenses	\$ 444	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 444
Total Licenses and Permits	\$ 444	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 444
<u>Fines, Forfeitures, and Penalties</u>								
<u>Circuit Court</u>								
Fines	\$ 5,574	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,574
Drug Control Fines	0	12,450	0	0	0	0	0	12,450
DUI Treatment Fines	408	0	0	0	0	0	0	408

(Continued)

Exhibit K-5

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

	Special Revenue Funds										Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	Debt Service Fund		Capital Projects Fund		Total	
						General Debt Service	General Capital Projects				
Fines, Forfeitures, and Penalties (Cont.)											
<u>Circuit Court (Cont.)</u>											
Data Entry Fee - Circuit Court	\$ 327	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 327
Courtroom Security Fee	19	0	0	0	0	0	0	0	0	0	19
<u>General Sessions Court</u>											
Fines	35,486	0	0	0	0	0	0	0	0	0	35,486
Officers Costs	12,915	0	0	0	0	0	0	0	0	0	12,915
Drug Control Fines	0	0	2,564	0	0	0	0	0	0	0	2,564
DUI Treatment Fines	3,032	0	0	0	0	0	0	0	0	0	3,032
Data Entry Fee - General Sessions Court	2,892	0	0	0	0	0	0	0	0	0	2,892
Courtroom Security Fee	502	0	0	0	0	0	0	0	0	0	502
<u>Juvenile Court</u>											
Jail Fees	1,395	0	0	0	0	0	0	0	0	0	1,395
Victims Assistance Assessments	507	0	0	0	0	0	0	0	0	0	507
<u>Chancery Court</u>											
Officers Costs	803	0	0	0	0	0	0	0	0	0	803
Data Entry Fee - Chancery Court	308	0	0	0	0	0	0	0	0	0	308
<u>Other Courts - In-county</u>											
Fines	4,066	0	0	0	0	0	0	0	0	0	4,066
<u>Other Fines, Forfeitures, and Penalties</u>											
Proceeds from Confiscated Property	0	0	1,307	0	0	0	0	0	0	0	1,307
Total Fines, Forfeitures, and Penalties	\$ 68,234	\$ 0	\$ 16,321	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 84,555
Charges for Current Services											
<u>General Service Charges</u>											
Sale of Steam	\$ 115	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 115
Commercial and Industrial Waste Collection Charge	0	20,254	0	0	0	0	0	0	0	0	20,254
Patient Charges	528,358	0	0	0	0	0	0	0	0	0	528,358
Other General Service Charges	6,250	0	0	0	0	0	0	0	0	0	6,250
Service Charges	1,170	0	0	0	0	0	0	0	0	0	1,170
<u>Fees</u>											
Copy Fees	294	0	0	0	0	0	0	0	0	0	294

(Continued)

Exhibit K-5

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

	Special Revenue Funds					Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works			
<u>Fees Received from County Officials (Cont.)</u>								
<u>Fees in-Lieu-of Salary (Cont.)</u>								
Register	\$ 45,486	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 45,486
Sheriff	9,776	0	0	0	0	0	0	9,776
Trustee	176,205	0	0	0	0	0	0	176,205
Total Fees Received from County Officials	\$ 413,629	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 413,629
<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	4,941	0	0	0	0	0	4,941
<u>Health and Welfare Grants</u>								
Health Department Programs	29,608	0	0	0	0	0	0	29,608
<u>Public Works Grants</u>								
Bridge Program	0	0	0	0	155,493	0	0	155,493
State Aid Program	0	0	0	0	347,834	0	0	347,834
Litter Program	41,343	0	0	0	0	0	0	41,343
<u>Other State Revenues</u>								
Income Tax	24,278	0	0	0	0	0	0	24,278
Beer Tax	18,421	0	0	0	0	0	0	18,421
Alcoholic Beverage Tax	27,434	0	0	0	0	0	0	27,434
Contracted Prisoner Boarding	120,470	0	0	0	0	0	0	120,470
Gasoline and Motor Fuel Tax	0	0	0	0	1,359,798	0	0	1,359,798
Petroleum Special Tax	0	0	0	0	9,128	0	0	9,128
Registrar's Salary Supplement	15,164	0	0	0	0	0	0	15,164
Other State Grants	59,117	0	0	0	0	0	0	59,117
Other State Revenues	30,726	0	600	0	0	0	0	31,326
Total State of Tennessee	\$ 375,561	\$ 4,941	\$ 600	\$ 0	\$ 1,872,253	\$ 0	\$ 0	\$ 2,253,355
<u>Federal Government</u>								
Federal Through State	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,617	\$ 0	\$ 0	\$ 6,617
Disaster Relief								

(Continued)

Exhibit K-5

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

	Special Revenue Funds					Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works			
<u>Federal Government (Cont.)</u>								
<u>Federal Through State (Cont.)</u>								
Homeland Security Grants	\$ 298,301	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 298,301
Medicaid	4,400	0	0	0	0	0	0	4,400
Other Federal through State	454,077	0	0	0	0	0	0	454,077
<u>Direct Federal Revenue</u>	17,918	0	0	0	0	0	0	17,918
Other Direct Federal Revenue	774,696	0	0	0	6,617	0	0	781,313
Total Federal Government	\$ 1,102	\$ 0	\$ 350	\$ 0	\$ 6,617	\$ 0	\$ 0	\$ 17,918
<u>Other Governments and Citizens Groups</u>								
<u>Other Governments</u>								
Contributions	\$ 0	\$ 40,000	\$ 0	\$ 0	\$ 0	\$ 255,541	\$ 0	\$ 295,541
Contracted Services	181,490	0	0	0	0	0	0	181,490
<u>Citizens Groups</u>								
Donations	1,102	0	350	0	0	0	0	1,452
Total Other Governments and Citizens Groups	\$ 182,592	\$ 40,000	\$ 350	\$ 0	\$ 0	\$ 255,541	\$ 0	\$ 478,483
Total	\$ 5,847,750	\$ 521,017	\$ 17,839	\$ 123,832	\$ 2,031,217	\$ 983,721	\$ 1,138	\$ 9,526,514

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, 2012

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 1,718,138	\$ 0	\$ 0	\$ 1,718,138
Trustee's Collections - Prior Year	99,708	0	0	99,708
Circuit/Clerk & Master Collections - Prior Years	28,141	0	0	28,141
Interest and Penalty	19,242	0	0	19,242
Payments in-Lieu-of Taxes - Local Utilities	129,389	0	0	129,389
<u>County Local Option Taxes</u>				
Local Option Sales Tax	508,313	0	0	508,313
<u>Statutory Local Taxes</u>				
Bank Excise Tax	8,136	0	0	8,136
Interstate Telecommunications Tax	769	0	0	769
Total Local Taxes	\$ 2,511,836	\$ 0	\$ 0	\$ 2,511,836
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 444	\$ 0	\$ 0	\$ 444
Total Licenses and Permits	\$ 444	\$ 0	\$ 0	\$ 444
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Tuition - Other	\$ 12,930	\$ 0	\$ 0	\$ 12,930
Lunch Payments - Children	0	0	150,084	150,084
Lunch Payments - Adults	0	0	39,067	39,067
Income from Breakfast	0	0	105,013	105,013
A la carte Sales	0	0	58,627	58,627
<u>Other Charges for Services</u>				
Other Charges for Services	32,704	0	0	32,704
Total Charges for Current Services	\$ 45,634	\$ 0	\$ 352,791	\$ 398,425
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	\$ 210	\$ 210
Refund of Telecommunication and Internet Fees (E-Rate)	33,803	0	0	33,803
Miscellaneous Refunds	40,679	0	0	40,679
<u>Nonrecurring Items</u>				
Contributions and Gifts	1,500	0	0	1,500
<u>Other Local Revenues</u>				
Other Local Revenues	88	0	0	88
Total Other Local Revenues	\$ 76,070	\$ 0	\$ 210	\$ 76,280
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-Behalf Contributions for OPEB	\$ 29,834	\$ 0	\$ 0	\$ 29,834
<u>State Education Funds</u>				
Basic Education Program	10,522,000	0	0	10,522,000
Early Childhood Education	405,360	0	0	405,360
School Food Service	0	0	10,258	10,258
Other State Education Funds	114,266	0	0	114,266
Statewide Student Management System (SSMS) - ARRA	5,526	0	0	5,526

(Continued)

Exhibit K-6

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>State of Tennessee (Cont.)</u>				
<u>State Education Funds (Cont.)</u>				
Career Ladder Program	\$ 71,003	\$ 0	\$ 0	\$ 71,003
Career Ladder - Extended Contract	27,100	0	0	27,100
Career Ladder - Extended Contract - ARRA	29,273	0	0	29,273
<u>Other State Revenues</u>				
State Revenue Sharing - T.V.A.	377,187	0	0	377,187
Other State Grants	1,200	0	0	1,200
Other State Revenues	10,881	0	0	10,881
Total State of Tennessee	\$ 11,593,630	\$ 0	\$ 10,258	\$ 11,603,888
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 503,957	\$ 503,957
USDA - Commodities	0	0	50,588	50,588
Breakfast	0	0	215,956	215,956
USDA - Other	0	0	13,497	13,497
Vocational Education - Basic Grants to States	0	33,349	0	33,349
Title I Grants to Local Education Agencies	0	543,507	0	543,507
Special Education - Grants to States	2,772	481,406	0	484,178
Special Education Preschool Grants	0	13,067	0	13,067
Rural Education	0	19,777	0	19,777
Education for Homeless Children and Youth	0	922	0	922
Eisenhower Professional Development State Grants	0	119,073	0	119,073
Job Training Partnership Act	11,000	0	0	11,000
Race-to-the-Top - ARRA	0	59,140	0	59,140
Other Federal through State	0	588,122	0	588,122
Total Federal Government	\$ 13,772	\$ 1,858,363	\$ 783,998	\$ 2,656,133
Total	\$ 14,241,386	\$ 1,858,363	\$ 1,147,257	\$ 17,247,006

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, 2012

	Industrial / Economic Development
<hr/>	
<u>Other Local Revenues</u>	
<u>Recurring Items</u>	
Lease/Rentals	\$ 76,053
Total Other Local Revenues	<u>\$ 76,053</u>
Total	<u><u>\$ 76,053</u></u>

Exhibit K-8

Cannon County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2012

General Fund

General Government

County Commission

In-Service Training	\$	200	
Other Per Diem and Fees		3,490	
Social Security		207	
Employer Medicare		45	
Legal Services		1,472	
Legal Notices, Recording, and Court Costs		1,356	
Total County Commission			\$ 6,770

County Mayor/Executive

County Official/Administrative Officer	\$	66,702	
Accountants/Bookkeepers		31,112	
Secretary(ies)		21,493	
In-Service Training		195	
Social Security		6,583	
State Retirement		10,245	
Employer Medicare		1,717	
Audit Services		4,140	
Communication		5,377	
Contracts with Government Agencies		1,388	
Contracts with Other Public Agencies		6,169	
Legal Services		2,162	
Legal Notices, Recording, and Court Costs		1,434	
Maintenance and Repair Services - Office Equipment		1,422	
Postal Charges		1,497	
Travel		316	
Office Supplies		3,642	
Other Charges		328	
Data Processing Equipment		8,756	
Total County Mayor/Executive			174,678

Election Commission

County Official/Administrative Officer	\$	51,976
Clerical Personnel		23,881
Part-time Personnel		195
Overtime Pay		366
Election Commission		4,255
Election Workers		12,395
In-Service Training		1,677
Social Security		4,710
Employee and Dependent Insurance		4,987

(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.)

Employer Medicare	\$	1,053	
Communication		3,460	
Legal Notices, Recording, and Court Costs		5,306	
Maintenance Agreements		16,668	
Maintenance and Repair Services - Office Equipment		599	
Postal Charges		3,463	
Printing, Stationery, and Forms		975	
Travel		1,323	
Other Contracted Services		195	
Custodial Supplies		225	
Office Supplies		3,447	
Office Equipment		3,320	
Total Election Commission			\$ 144,476

Register of Deeds

County Official/Administrative Officer	\$	57,751	
Secretary(ies)		21,927	
Social Security		4,871	
State Retirement		7,609	
Employee and Dependent Insurance		4,987	
Employer Medicare		1,086	
Communication		1,637	
Data Processing Services		13,851	
Dues and Memberships		95	
Postal Charges		180	
Printing, Stationery, and Forms		1,820	
Office Supplies		823	
Total Register of Deeds			116,637

County Buildings

Maintenance Personnel	\$	22,846	
Other Salaries and Wages		192	
Social Security		2,430	
State Retirement		2,182	
Employer Medicare		542	
Communication		1,979	
Contracts with Private Agencies		200	
Janitorial Services		15,812	
Maintenance Agreements		900	
Maintenance and Repair Services - Buildings		39,482	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Maintenance and Repair Services - Vehicles	\$ 1,030	
Custodial Supplies	2,655	
Uniforms	166	
Utilities	109,283	
Total County Buildings		\$ 199,699

Finance

Property Assessor's Office

County Official/Administrative Officer	\$ 57,751	
Secretary(ies)	22,462	
Other Salaries and Wages	2,603	
Board and Committee Members Fees	1,250	
Social Security	4,893	
State Retirement	7,739	
Employee and Dependent Insurance	9,918	
Employer Medicare	1,091	
Audit Services	2,505	
Communication	999	
Data Processing Services	3,578	
Dues and Memberships	660	
Legal Notices, Recording, and Court Costs	171	
Postal Charges	269	
Travel	499	
Office Supplies	680	
Total Property Assessor's Office		117,068

County Trustee's Office

County Official/Administrative Officer	\$ 57,751	
Deputy(ies)	26,380	
Part-time Personnel	27,216	
In-Service Training	390	
Social Security	6,966	
State Retirement	10,634	
Employer Medicare	1,553	
Communication	1,751	
Data Processing Services	2,259	
Maintenance Agreements	4,801	
Postal Charges	3,525	
Printing, Stationery, and Forms	27	
Office Supplies	1,757	
Total County Trustee's Office		145,010

(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

Secretary(ies)	\$	8,829	
Board and Committee Members Fees		262	
Social Security		8,294	
State Retirement		11,918	
Employee and Dependent Insurance		4,932	
Employer Medicare		1,934	
Communication		1,078	
Postal Charges		1,180	
Printing, Stationery, and Forms		2,237	
Office Supplies		3,129	
Total County Clerk's Office			\$ 43,793

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	57,751	
Clerical Personnel		87,046	
Jury and Witness Expense		1,737	
Social Security		9,021	
State Retirement		13,763	
Employee and Dependent Insurance		1,263	
Employer Medicare		2,014	
Communication		2,750	
Contracts with Other Public Agencies		8,882	
Dues and Memberships		140	
Legal Notices, Recording, and Court Costs		250	
Maintenance and Repair Services - Office Equipment		1,626	
Postal Charges		2,200	
Printing, Stationery, and Forms		2,302	
Office Supplies		4,548	
Total Circuit Court			195,293

General Sessions Court

Judge(s)	\$	80,656	
Social Security		5,045	
State Retirement		7,703	
Employer Medicare		1,125	
Communication		1,174	
Dues and Memberships		20	
Other Contracted Services		1,200	
Office Supplies		467	
Total General Sessions Court			97,390

(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)	21,927	
Social Security	4,984	
State Retirement	2,094	
Employer Medicare	1,111	
Communication	2,271	
Contracts with Other Public Agencies	3,068	
Postal Charges	871	
Printing, Stationery, and Forms	996	
Office Supplies	1,503	
Other Supplies and Materials	108	
Total Chancery Court		\$ 96,684

Juvenile Court

Other Salaries and Wages	\$ 19,542	
Social Security	1,222	
State Retirement	1,866	
Employer Medicare	273	
Contracts with Other Public Agencies	3,675	
Office Supplies	885	
Total Juvenile Court		27,463

Judicial Commissioners

Other Salaries and Wages	\$ 20,215	
In-Service Training	505	
Social Security	1,264	
Employer Medicare	282	
Communication	1,036	
Travel	633	
Total Judicial Commissioners		23,935

Victims Assistance Programs

Other Charges	\$ 507	
Total Victims Assistance Programs		507

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$ 64,127	
Deputy(ies)	247,972	
Investigator(s)	43,508	

(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.)

Captain(s)	\$	36,946	
Sergeant(s)		26,749	
Accountants/Bookkeepers		25,585	
Dispatchers/Radio Operators		21,963	
Clerical Personnel		6,674	
Overtime Pay		15,957	
Other Salaries and Wages		18,070	
In-Service Training		3,040	
Social Security		32,849	
State Retirement		41,570	
Employee and Dependent Insurance		62,718	
Employer Medicare		7,280	
Advertising		242	
Communication		11,830	
Dues and Memberships		1,560	
Legal Services		1,638	
Maintenance and Repair Services - Equipment		16,831	
Maintenance and Repair Services - Vehicles		24,775	
Postal Charges		821	
Gasoline		82,733	
Office Supplies		4,565	
Uniforms		4,749	
Vehicle and Equipment Insurance		16,698	
Law Enforcement Equipment		30,826	
Total Sheriff's Department			\$ 852,443

Administration of the Sexual Offender Registry

Fines, Assessments, and Penalties	\$	700	
Total Administration of the Sexual Offender Registry			700

Jail

Assistant(s)	\$	26,428	
Supervisor/Director		25,352	
Medical Personnel		19,706	
Truck Drivers		50,526	
Guards		230,672	
Cafeteria Personnel		42,043	
Maintenance Personnel		25,352	
Social Security		23,784	
Employer Medicare		5,616	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Maintenance and Repair Services - Buildings	\$ 11,472	
Medical and Dental Services	101,290	
Travel	974	
Custodial Supplies	16,056	
Food Supplies	75,001	
Utilities	53,334	
Other Supplies and Materials	4,159	
Medical Claims	5,433	
Food Service Equipment	226	
Office Equipment	938	
Total Jail		\$ 718,362

Fire Prevention and Control

In-Service Training	\$ 2,574	
Communication	5,576	
Consultants	1,200	
Maintenance and Repair Services - Equipment	8,702	
Maintenance and Repair Services - Vehicles	13,655	
Travel	126	
Gasoline	7,463	
Office Supplies	266	
Uniforms	12,000	
Other Supplies and Materials	1,772	
Vehicle and Equipment Insurance	1,634	
Other Charges	362	
Communication Equipment	5,355	
Total Fire Prevention and Control		60,685

Sheriff's Department

Gasoline	\$ 167	
Total Sheriff's Department		852,443

Rescue Squad

In-Service Training	\$ 116	
Advertising	125	
Uniforms	1,560	
Communication Equipment	1,284	
Total Rescue Squad		3,085

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Safety (Cont.)

Other Emergency Management

In-Service Training	\$	434	
Communication		6,017	
Maintenance and Repair Services - Equipment		500	
Maintenance and Repair Services - Vehicles		18	
Data Processing Supplies		500	
Gasoline		2,166	
Office Supplies		249	
Other Supplies and Materials		2,875	
Communication Equipment		1,000	
Total Other Emergency Management			\$ 13,759

Public Safety Grant Programs

Supervisor/Director	\$	39,309	
Dispatchers/Radio Operators		182,867	
Overtime Pay		35,859	
Social Security		16,064	
State Retirement		7,306	
Employee and Dependent Insurance		9,251	
Employer Medicare		3,620	
Total Public Safety Grant Programs			294,276

Other Public Safety

In-Service Training	\$	5,500	
Other Charges		182,915	
Motor Vehicles		201,200	
Other Equipment		17,097	
Total Other Public Safety			406,712

Public Health and Welfare

Local Health Center

Communication	\$	2,164	
Contracts with Government Agencies		16,414	
Dues and Memberships		200	
Janitorial Services		6,056	
Maintenance and Repair Services - Buildings		3,629	
Custodial Supplies		66	
Office Supplies		840	
Utilities		2,001	
Total Local Health Center			31,370

(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

Supervisor/Director	\$ 42,436	
Medical Personnel	525,189	
Overtime Pay	3,389	
In-Service Training	1,609	
Social Security	35,131	
State Retirement	51,189	
Employee and Dependent Insurance	82,482	
Employer Medicare	7,874	
Communication	6,814	
Contracts with Private Agencies	28,609	
Dues and Memberships	2,888	
Maintenance Agreements	3,261	
Maintenance and Repair Services - Vehicles	15,554	
Postal Charges	176	
Custodial Supplies	2,265	
Drugs and Medical Supplies	16,058	
Gasoline	24,339	
Office Supplies	1,001	
Tires and Tubes	3,683	
Uniforms	3,657	
Other Supplies and Materials	3,516	
Vehicle and Equipment Insurance	9,889	
Other Charges	18,998	
Total Ambulance/Emergency Medical Services		\$ 890,007

Regional Mental Health Center

Other Salaries and Wages	\$ 25,194	
Social Security	1,576	
Employer Medicare	351	
Travel	1,086	
Other Supplies and Materials	1,400	
Total Regional Mental Health Center		29,607

General Welfare Assistance

Contributions	\$ 12,372	
Other Contracted Services	991	
Total General Welfare Assistance		13,363

Sanitation Management

Accountants/Bookkeepers	\$ 2,350	
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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.)

Sanitation Management (Cont.)

Laborers	\$	20,769	
Social Security		1,443	
Employer Medicare		324	
Maintenance and Repair Services - Vehicles		2,177	
Travel		61	
Gasoline		4,927	
Instructional Supplies and Materials		6,269	
Other Supplies and Materials		117	
Total Sanitation Management			\$ 38,437

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Supervisor/Director	\$	14,545	
Clerical Personnel		3,231	
Part-time Personnel		12,201	
Other Salaries and Wages		6,503	
Social Security		2,298	
Employer Medicare		493	
Communication		933	
Contributions		11,328	
Maintenance and Repair Services - Buildings		624	
Maintenance and Repair Services - Equipment		1,105	
Postal Charges		665	
Printing, Stationery, and Forms		325	
Tow-in Services		246	
Transportation - Other than Students		351	
Travel		323	
Veterinary Services		1,780	
Food Preparation Supplies		708	
Food Supplies		55	
Office Supplies		426	
Utilities		4,340	
Other Supplies and Materials		370	
Premiums on Corporate Surety Bonds		681	
Other Charges		31,538	
Total Senior Citizens Assistance			95,069

Libraries

Assistant(s)	\$	56,805	
Supervisor/Director		28,038	

(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.)

Other Salaries and Wages	\$	2,118	
In-Service Training		610	
Social Security		5,423	
State Retirement		4,378	
Employer Medicare		1,212	
Advertising		289	
Communication		6,707	
Contributions		13,399	
Maintenance Agreements		1,669	
Postal Charges		2,540	
Remittance of Revenue Collected		60	
Data Processing Supplies		2,531	
Instructional Supplies and Materials		1,355	
Library Books/Media		13,990	
Office Supplies		2,557	
Utilities		8,280	
Other Supplies and Materials		329	
Other Charges		16,518	
Office Equipment		561	
Total Libraries			\$ 169,369

Parks and Fair Boards

Assistant(s)	\$	5,840	
Supervisor/Director		21,128	
Other Salaries and Wages		8,762	
Social Security		2,246	
State Retirement		2,018	
Employer Medicare		485	
Communication		617	
Dues and Memberships		340	
Maintenance and Repair Services - Buildings		1,742	
Custodial Supplies		216	
Gasoline		285	
Office Supplies		261	
Other Supplies and Materials		4,829	
Total Parks and Fair Boards			48,769

Other Social, Cultural, and Recreational

Supervisor/Director	\$	46,500	
Accountants/Bookkeepers		4,000	

(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.)

Other Social, Cultural, and Recreational (Cont.)

Educational Assistants	\$ 76,763	
Other Salaries and Wages	3,100	
Social Security	7,923	
State Retirement	6,288	
Employee and Dependent Insurance	17,370	
Employer Medicare	1,854	
Communication	2,432	
Other Contracted Services	22,201	
Other Supplies and Materials	5,364	
Total Other Social, Cultural, and Recreational		\$ 193,795

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$ 45,849	
Other Salaries and Wages	2,242	
Social Security	142	
Employer Medicare	30	
Other Fringe Benefits	10,989	
Communication	2,949	
Maintenance and Repair Services - Buildings	3,789	
Office Supplies	2,283	
Other Supplies and Materials	110	
Other Charges	214	
Total Agriculture Extension Service		68,597

Other Agriculture and Natural Resources

Advertising	\$ 785	
Other Charges	219	
Total Other Agriculture and Natural Resources		1,004

Other Operations

Housing and Urban Development

Other Charges	\$ 30,085	
Building Improvements	216,040	
Other Construction	69,900	
Total Housing and Urban Development		316,025

Other Economic and Community Development

Architects	\$ 499	
Building Construction	18,963	
Total Other Economic and Community Development		19,462

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Other Operations (Cont.)

Veterans' Services

Other Salaries and Wages	\$ 10,904	
Social Security	682	
Employer Medicare	152	
Communication	1,265	
Postal Charges	134	
Travel	377	
Office Supplies	763	
Total Veterans' Services		\$ 14,277

Other Charges

Building and Contents Insurance	\$ 48,370	
Premiums on Corporate Surety Bonds	1,180	
Trustee's Commission	72,366	
Workers' Compensation Insurance	102,446	
Other Charges	1,470	
Total Other Charges		225,832

Contributions to Other Agencies

Contributions	\$ 39,802	
Total Contributions to Other Agencies		39,802

Employee Benefits

Employee and Dependent Insurance	\$ 5,418	
Unemployment Compensation	42,723	
Total Employee Benefits		48,141

Miscellaneous

Audit Services	\$ 25,170	
Contracts with Private Agencies	14,730	
Gasoline	16,425	
Judgments	32,500	
Other Charges	18,821	
Total Miscellaneous		107,646

Total General Fund \$ 6,089,997

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Laborers	\$ 40,535	
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(Continued)

Exhibit K-8

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Sanitation Management (Cont.)

Overtime Pay	\$	1,964	
In-Service Training		75	
Social Security		2,655	
Employer Medicare		597	
Communication		597	
Contracts with Other Public Agencies		413,308	
Maintenance Agreements		1,500	
Maintenance and Repair Services - Equipment		17,688	
Maintenance and Repair Services - Vehicles		6,574	
Travel		50	
Other Contracted Services		4,020	
Gasoline		4,026	
Utilities		2,799	
Other Supplies and Materials		2,255	
Trustee's Commission		8,453	
Total Sanitation Management			\$ 507,096

Total Solid Waste/Sanitation Fund \$ 507,096

Drug Control Fund

Public Safety

Sheriff's Department

Investigator(s)	\$	34,434	
Overtime Pay		853	
In-Service Training		180	
Social Security		2,137	
State Retirement		1,222	
Employee and Dependent Insurance		2,104	
Employer Medicare		500	
Maintenance and Repair Services - Vehicles		606	
Veterinary Services		836	
Animal Food and Supplies		359	
Trustee's Commission		174	
Other Charges		1,799	
Law Enforcement Equipment		313	
Other Equipment		800	
Total Sheriff's Department			\$ 46,317

Total Drug Control Fund 46,317

(Continued)

Exhibit K-8

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

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	\$ 303	
Total County Trustee's Office		303

County Clerk's Office

Constitutional Officers' Operating Expenses	\$ 125,976	
Total County Clerk's Office		125,976

Public Safety

Sheriff's Department

Constitutional Officers' Operating Expenses	\$ 72	
Total Sheriff's Department		<u>72</u>

Total Constitutional Officers - Fees Fund		\$ 126,396
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Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 63,527	
Accountants/Bookkeepers	33,902	
Board and Committee Members Fees	1,200	
Social Security	5,919	
State Retirement	9,305	
Employer Medicare	1,384	
Communication	5,271	
Data Processing Services	3,604	
Dues and Memberships	2,198	
Legal Services	250	
Legal Notices, Recording, and Court Costs	1,610	
Licenses	50	
Postal Charges	440	
Printing, Stationery, and Forms	1,162	
Electricity	3,500	
Natural Gas	3,700	
Water and Sewer	184	
Other Supplies and Materials	1,351	
Total Administration		\$ <u>138,557</u>

(Continued)

Exhibit K-8

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance

Equipment Operators	\$ 140,138	
Truck Drivers	51,642	
Laborers	69,697	
Social Security	14,457	
State Retirement	8,810	
Employer Medicare	3,436	
Other Contracted Services	8,000	
Asphalt	348,168	
Asphalt - Cold Mix	27,753	
Asphalt - Liquid	150,000	
Concrete	1,278	
Crushed Stone	250,000	
Pipe - Metal	2,932	
Road Signs	5,000	
Structural Steel	546	
Wood Products	200	
Other Supplies and Materials	1,560	
Total Highway and Bridge Maintenance		\$ 1,083,617

Operation and Maintenance of Equipment

Mechanic(s)	\$ 47,059	
Laborers	597	
Social Security	2,743	
State Retirement	2,121	
Employer Medicare	642	
Maintenance and Repair Services - Equipment	7,621	
Other Contracted Services	286	
Diesel Fuel	155,567	
Equipment and Machinery Parts	41,531	
Garage Supplies	8,869	
Gasoline	22,000	
Lubricants	4,000	
Tires and Tubes	13,010	
Other Supplies and Materials	16	
Total Operation and Maintenance of Equipment		306,062

Other Charges

Liability Insurance	\$ 2,999	
Trustee's Commission	13,827	
Vehicle and Equipment Insurance	26,544	

(Continued)

Exhibit K-8

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Other Charges (Cont.)

Workers' Compensation Insurance	\$ 26,309	
Total Other Charges		\$ 69,679

Employee Benefits

Medical Insurance	\$ 73,771	
Unemployment Compensation	<u>3,350</u>	
Total Employee Benefits		77,121

Capital Outlay

Engineering Services	\$ 31,406	
Bridge Construction	155,493	
Building Improvements	889	
Highway Equipment	12,500	
State Aid Projects	<u>449,296</u>	
Total Capital Outlay		<u>649,584</u>

Total Highway/Public Works Fund		\$ 2,324,620
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General Debt Service Fund

Principal on Debt

General Government

Principal on Notes	\$ 192,084	
Principal on Other Loans	<u>477,164</u>	
Total General Government		\$ 669,248

Education

Principal on Other Loans	<u>\$ 485,000</u>	
Total Education		485,000

Interest on Debt

General Government

Interest on Notes	<u>\$ 14,553</u>	
Total General Government		14,553

Education

Interest on Other Loans	<u>\$ 12,448</u>	
Total Education		12,448

(Continued)

Exhibit K-8

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

<u>General Debt Service Fund (Cont.)</u>			
<u>Other Debt Service</u>			
<u>General Government</u>			
Trustee's Commission	\$	<u>7,742</u>	
Total General Government			\$ <u>7,742</u>
Total General Debt Service Fund			\$ 1,188,991
 <u>General Capital Projects Fund</u>			
<u>Capital Projects</u>			
<u>Administration of Justice Projects</u>			
Engineering Services	\$	1,922	
Legal Services		500	
Building Improvements		132,782	
Heating and Air Conditioning Equipment		<u>42,483</u>	
Total Administration of Justice Projects			\$ <u>177,687</u>
Total General Capital Projects Fund			<u>177,687</u>
Total Governmental Funds - Primary Government			<u>\$ 10,461,104</u>

Exhibit K-9

Cannon County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Cannon County School Department
For the Year Ended June 30, 2012

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 4,048,260	
Career Ladder Program	46,332	
Career Ladder Extended Contracts	24,338	
Homebound Teachers	23,406	
Educational Assistants	112,047	
Other Salaries and Wages	2,280	
Certified Substitute Teachers	10,038	
Non-certified Substitute Teachers	85,222	
Social Security	291,742	
State Retirement	438,124	
Medical Insurance	579,615	
Unemployment Compensation	34,822	
Employer Medicare	68,253	
Other Contracted Services	612	
Instructional Supplies and Materials	78,235	
Textbooks	196,116	
Other Supplies and Materials	1,782	
Regular Instruction Equipment	212,241	
Total Regular Instruction Program		\$ 6,253,465

Alternative Instruction Program

Teachers	\$ 44,322	
Social Security	2,622	
State Retirement	4,011	
Medical Insurance	6,004	
Employer Medicare	613	
Total Alternative Instruction Program		57,572

Special Education Program

Teachers	\$ 672,984	
Career Ladder Program	3,800	
Educational Assistants	19,183	
Speech Pathologist	139,990	
Social Security	49,452	
State Retirement	75,413	
Medical Insurance	102,213	
Employer Medicare	11,569	
Other Contracted Services	100,000	
Total Special Education Program		1,174,604

(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	\$	350,132	
Career Ladder Program		4,000	
Educational Assistants		12,840	
Other Salaries and Wages		23,406	
Social Security		22,043	
State Retirement		35,367	
Medical Insurance		56,289	
Employer Medicare		5,155	
Instructional Supplies and Materials		17,859	
Total Vocational Education Program			\$ 527,091

Support Services

Attendance

Supervisor/Director	\$	63,967	
Other Salaries and Wages		2,373	
Social Security		4,031	
State Retirement		6,016	
Medical Insurance		5,287	
Employer Medicare		943	
Travel		1,464	
Other Supplies and Materials		5,880	
Total Attendance			89,961

Health Services

Supervisor/Director	\$	51,141	
Medical Personnel		59,585	
Educational Assistants		6,430	
Non-certified Substitute Teachers		192	
Social Security		6,946	
State Retirement		10,723	
Medical Insurance		14,911	
Employer Medicare		1,625	
Travel		7,115	
Other Contracted Services		559	
Other Supplies and Materials		6,788	
Total Health Services			166,015

Other Student Support

Career Ladder Program	\$	1,000	
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(Continued)

Exhibit K-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Guidance Personnel	\$ 166,219	
Career Ladder Extended Contracts	3,480	
Social Security	10,510	
State Retirement	15,448	
Medical Insurance	13,534	
Employer Medicare	2,458	
Evaluation and Testing	19,293	
Other Contracted Services	11,800	
Other Charges	3,229	
Total Other Student Support		\$ 246,971

Regular Instruction Program

Supervisor/Director	\$ 73,512	
Career Ladder Program	3,000	
Librarians	168,272	
Instructional Computer Personnel	158,075	
Educational Assistants	21,364	
Social Security	25,186	
State Retirement	37,718	
Medical Insurance	41,171	
Employer Medicare	5,890	
Travel	10,014	
Other Contracted Services	452	
Library Books/Media	20,962	
In Service/Staff Development	5,109	
Total Regular Instruction Program		570,725

Special Education Program

Supervisor/Director	\$ 31,243	
Career Ladder Program	1,000	
Psychological Personnel	51,679	
Social Security	4,805	
State Retirement	7,595	
Medical Insurance	8,378	
Employer Medicare	1,124	
Travel	1,749	
Other Contracted Services	315	
Total Special Education Program		107,888

(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	\$ 29,834	
Total Other Programs		\$ 29,834

Board of Education

Board and Committee Members Fees	\$ 7,200	
Social Security	372	
Employer Medicare	104	
Audit Services	6,350	
Dues and Memberships	7,057	
Legal Services	2,965	
Travel	3,228	
Building and Contents Insurance	50,825	
Liability Insurance	21,459	
Trustee's Commission	69,457	
Workers' Compensation Insurance	46,077	
Criminal Investigation of Applicants - TBI	375	
Other Charges	5,284	
Total Board of Education		220,753

Director of Schools

County Official/Administrative Officer	\$ 92,034	
Career Ladder Extended Contracts	2,000	
Social Security	5,494	
State Retirement	8,510	
Medical Insurance	9,217	
Employer Medicare	1,285	
Communication	10,757	
Dues and Memberships	2,268	
Postal Charges	4,211	
Travel	3,636	
Office Supplies	569	
Total Director of Schools		139,981

Office of the Principal

Principals	\$ 437,350	
Career Ladder Program	5,000	
Assistant Principals	58,199	
Secretary(ies)	222,496	
Social Security	41,019	

(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	\$ 66,399	
Medical Insurance	115,358	
Employer Medicare	9,593	
Communication	83,238	
Travel	4,869	
Other Contracted Services	800	
Office Supplies	685	
Other Charges	1,200	
Total Office of the Principal		\$ 1,046,206

Fiscal Services

Accountants/Bookkeepers	\$ 53,403	
Secretary(ies)	30,757	
Clerical Personnel	40,337	
Social Security	6,499	
State Retirement	10,542	
Medical Insurance	15,021	
Employer Medicare	1,708	
Data Processing Services	9,989	
Travel	778	
Other Contracted Services	7,734	
Data Processing Supplies	732	
Office Supplies	7,167	
Administration Equipment	950	
Total Fiscal Services		185,617

Operation of Plant

Custodial Personnel	\$ 238,493	
Social Security	14,053	
State Retirement	21,607	
Medical Insurance	49,078	
Employer Medicare	3,287	
Other Contracted Services	33,806	
Electricity	439,046	
Natural Gas	55,036	
Water and Sewer	40,648	
Other Supplies and Materials	64,808	
Boiler Insurance	3,490	
Total Operation of Plant		963,352

(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	\$ 87,108	
Social Security	5,106	
State Retirement	8,319	
Medical Insurance	19,942	
Employer Medicare	1,194	
Communication	1,572	
Other Contracted Services	39,811	
Other Supplies and Materials	31,166	
Maintenance Equipment	112	
Total Maintenance of Plant		\$ 194,330

Transportation

Supervisor/Director	\$ 16,164	
Bus Drivers	130,207	
Other Salaries and Wages	20,735	
Social Security	10,252	
State Retirement	13,847	
Employer Medicare	2,398	
Communication	1,656	
Contracts with Vehicle Owners	254,518	
Travel	1,347	
Gasoline	119,302	
Tires and Tubes	5,353	
Vehicle Parts	59,862	
Vehicle and Equipment Insurance	12,105	
Other Charges	608	
Transportation Equipment	78,112	
Total Transportation		726,466

Operation of Non-Instructional Services

Early Childhood Education

Teachers	\$ 177,775	
Educational Assistants	67,393	
Other Salaries and Wages	7,151	
Certified Substitute Teachers	440	
Non-certified Substitute Teachers	2,310	
Social Security	15,438	
State Retirement	21,728	
Medical Insurance	13,717	

(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	\$	3,619	
Travel		2,604	
Other Supplies and Materials		129,052	
In Service/Staff Development		3,856	
Total Early Childhood Education			\$ 445,083

Capital Outlay

Regular Capital Outlay

Architects	\$	25,769	
Building Improvements		154,233	
Total Regular Capital Outlay			180,002

Other Debt Service

Education

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

Total General Purpose School Fund \$ 13,575,916

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	784,998	
Clerical Personnel		2,950	
Educational Assistants		18,879	
Non-certified Substitute Teachers		8,910	
Social Security		13,540	
State Retirement		19,627	
Medical Insurance		31,958	
Unemployment Compensation		820	
Employer Medicare		3,205	
Other Contracted Services		26,380	
Instructional Supplies and Materials		90,864	
Regular Instruction Equipment		31,808	
Total Regular Instruction Program			\$ 1,033,939

Special Education Program

Teachers	\$	48,804	
Homebound Teachers		7,200	

(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	\$	206,301	
Speech Pathologist		2,800	
Non-certified Substitute Teachers		2,221	
Social Security		14,959	
State Retirement		21,976	
Medical Insurance		64,638	
Unemployment Compensation		3,273	
Employer Medicare		3,507	
Evaluation and Testing		534	
Other Contracted Services		40,968	
Instructional Supplies and Materials		17,716	
Other Supplies and Materials		9,085	
Special Education Equipment		9,610	
Total Special Education Program			\$ 453,592

Vocational Education Program

Non-certified Substitute Teachers	\$	656	
Instructional Supplies and Materials		4,000	
Vocational Instruction Equipment		23,186	
Total Vocational Education Program			27,842

Support Services

Other Student Support

Evaluation and Testing	\$	106,480	
Travel		11,164	
Other Contracted Services		188	
Other Supplies and Materials		6,449	
In Service/Staff Development		4,381	
Other Charges		686	
Total Other Student Support			129,348

Regular Instruction Program

Supervisor/Director	\$	36,689	
Other Salaries and Wages		10,013	
Non-certified Substitute Teachers		275	
Social Security		2,741	
State Retirement		4,225	
Medical Insurance		4,137	
Unemployment Compensation		74	

(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.)

Employer Medicare	\$	642	
Travel		10,678	
Other Contracted Services		47,995	
Other Supplies and Materials		6,463	
In Service/Staff Development		12,764	
Total Regular Instruction Program			\$ 136,696

Special Education Program

Supervisor/Director	\$	31,243	
Clerical Personnel		2,935	
Social Security		1,890	
State Retirement		3,108	
Medical Insurance		3,509	
Unemployment Compensation		95	
Employer Medicare		442	
Maintenance and Repair Services - Equipment		1,085	
Travel		9,530	
Other Supplies and Materials		3,153	
In Service/Staff Development		5,688	
Total Special Education Program			62,678

Vocational Education Program

Supervisor/Director	\$	1,429	
Social Security		89	
State Retirement		129	
Employer Medicare		21	
Total Vocational Education Program			1,668

Transportation

Supervisor/Director	\$	800	
Bus Drivers		1,614	
Other Salaries and Wages		13,682	
Social Security		998	
State Retirement		100	
Employer Medicare		198	
Maintenance and Repair Services - Vehicles		3,708	
Total Transportation			21,100

Total School Federal Projects Fund \$ 1,866,863

(Continued)

Exhibit K-9

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

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	44,833	
Accountants/Bookkeepers		20,035	
Cafeteria Personnel		370,100	
Social Security		25,571	
State Retirement		37,265	
Medical Insurance		72,402	
Unemployment Compensation		912	
Employer Medicare		5,980	
Communication		2,861	
Data Processing Services		922	
Maintenance and Repair Services - Equipment		12,994	
Travel		849	
Other Contracted Services		3,039	
Food Supplies		465,570	
Office Supplies		1,754	
USDA - Commodities		50,588	
Other Supplies and Materials		58,993	
Other Charges		744	
Food Service Equipment		7,559	
Total Food Service			\$ 1,182,971

Total Central Cafeteria Fund \$ 1,182,971

Total Governmental Funds - Cannon County School Department \$ 16,625,750

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, 2012

General Fund

Other Operations

Industrial Development

Audit Services	\$ 441	
Dues and Memberships	20	
Legal Notices, Recording, and Court Costs	38	
Maintenance and Repair Services - Buildings	32	
Trustee's Commission	592	
Total Industrial Development		\$ 1,123

Principal on Debt

General Government

Principal on Other Loans	\$ 44,278	
Total General Government		44,278

Interest on Debt

General Government

Interest on Other Loans	\$ 14,894	
Total General Government		14,894

Total General Fund \$ 60,295

Total Governmental Funds - Cannon County Industrial Development Board \$ 60,295

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, 2012

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 390,497
	<hr/>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 386,600
Trustee's Commission	3,897
Total Cash Disbursements	<hr/> \$ 390,497 <hr/>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0
Cash Balance, July 1, 2011	<hr/> 0 <hr/>
Cash Balance, June 30, 2012	<hr/> \$ 0 <hr/> <hr/>

SINGLE AUDIT SECTION



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT 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

January 30, 2013

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, 2012, which collectively comprise Cannon County's basic financial statements and have issued our report thereon dated January 30, 2013. 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

The management of Cannon County is responsible for establishing and maintaining effective 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: 12.01 and 12.08.

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: 12.07, 12.09, 12.10, and 12.11.

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 12.02, 12.03, 12.04, 12.05, and 12.06.

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 initial "J" and "W".

Justin P. Wilson
Comptroller of the Treasury

JPW/yu



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT 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

INDEPENDENT AUDITOR'S REPORT

January 30, 2013

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

To the County Executive and Board of County Commissioners:

Compliance

We have audited Cannon County's compliance 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, 2012. 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, 2012.

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 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the county's internal control over compliance 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 discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 12.01, 12.12, and 12.13 to be material weaknesses.

Schedule of Expenditures of Federal Awards

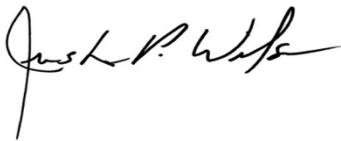
We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Cannon County as of and for the year ended June 30, 2012, and have issued our report thereon dated January 30, 2013. 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,

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/yu

Cannon County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2012

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	\$ 215,956
National School Lunch Program	10.555	N/A	503,957 (3)
Fresh Fruit and Vegetable Program	10.582	N/A	13,497
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	50,588 (3)
Child and Adult Care Food Program	10.558	N/A	6,976
Total U.S. Department of Agriculture			\$ 790,974
U.S. Department of Housing and Urban Development:			
Passed-through Tennessee Housing Development Agency:			
Home Investment Partnership Program	14.239	HM-09-09	\$ 316,025
U.S. Department of Justice:			
Passed-through State Office of Criminal Justice Programs:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	(2)	\$ 18,750
U.S. Department of Labor:			
Passed-through Upper Cumberland Human Resource Agency:			
WIA Youth Activities	17.259	(2)	\$ 11,000
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Highway Planning and Construction	20.205	STP-EN-800(30)	\$ 15,570
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 528,976
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	529,784
Special Education - Preschool Grants	84.173	N/A	12,617
Special Education - Preschool Grants, Recovery Act	84.392	N/A	3,402
Career and Technical Education - Basic Grants to States	84.048	N/A	37,357
Education of Homeless Children and Youth, Recovery Act	84.196	N/A	970
Twenty-first Century Community Learning Centers	84.287	N/A	96,756
Education Technology State Grants	84.318	(2)	1,947
Rural Education	84.358	N/A	19,391
Improving Teacher Quality State Grants	84.367	N/A	87,666
State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	(4)	34,799
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	85.395	(2)	56,533
Education Jobs Fund	84.410	(2)	582,787
Total U.S. Department of Education			\$ 1,992,985

(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:			
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2008-FF-00869	\$ 17,918
Assistance to Firefighters Grant	97.044	EMW-2009-FV-07024	190,000
Passed-through State Department of Military:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	(2)	6,617
Homeland Security Grant Program	97.067	(5)	<u>205,512</u>
Total U.S. Department of Homeland Security			<u>\$ 420,047</u>
Total Expenditures of Federal Awards			<u>\$ 3,565,351</u>

<u>State Grants</u>		<u>Contract Number</u>	
Juvenile Services Program - State Department of Children's Services	N/A	(2)	\$ 9,000
Litter Program - State Department of Transportation	N/A	(2)	41,343
Lottery for Education Afterschool Programs (LEAPs) - State Department of Education	N/A	(2)	56,224
Early Childhood Education - State Department of Education	N/A	(2)	405,360
Internet Connectivity - State Department of Education	N/A	(2)	7,471
Art Student Ticket Subsidy - State Department of Education	N/A	(2)	1,200
Coordinated School Health - State Department of Education	N/A	(2)	90,000
Safe Schools - State Department of Education	N/A	(2)	13,073
TENNder Care - State Department of Health	N/A	(2)	29,608
Volunteer Fire Assistance (VFA) Grant Program - State Department of Agriculture	N/A	(2)	2,893
Waste Tire Grant - State Department of Environment and Conservation	N/A	Z-08-212948-2	4,941
High Schools That Work - State Department of Education	N/A	(2)	<u>4,499</u>
Total State Grants			<u>\$ 665,612</u>

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

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Number not available.
- (3) Total for CFDA No. 10.555 is \$554,545.
- (4) Statewide Student Management Systems (\$5,526), and Career Ladder - Extended Contract (\$29,273).
- (5) 2008-GE-T8-0048 (\$22,597); 2009-SS-T9-0086 (\$182,915).

Cannon County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2012

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, 2011, which have not been corrected.

OFFICE OF COUNTY EXECUTIVE

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
11.01	158	Cannon County does not require all eligible employees to participate in the Tennessee Consolidated Retirement System
11.02(A)	158	Appropriations exceeded estimated available funding in the Solid Waste/Sanitation Fund
11.02(C)	159	Expenditures exceeded appropriations
11.03(C)	160	REACH officials did not always deposit funds within three days of collection
11.04(C)	161	Competitive bids were not solicited for hauling waste collections to a landfill

OFFICES OF COUNTY CLERK AND CIRCUIT AND GENERAL SESSIONS COURTS CLERK

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
11.11	166	Multiple employees operated from the same cash drawer

CANNON COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2012

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 is required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555); the Home Investment Partnership Program (CFDA No. 14.239); Title I Grants to Local Educational Agencies (CFDA No. 84.010); the Special Education Cluster: Special Education - Grants to States, Special Education – Preschool Grants, and Special Education – Preschool Grants, Recovery Act (CFDA Nos. 84.027, 84.173, and 84.392); and the Education Jobs Fund (CFDA No 84.410) 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, road supervisor, clerk and master, sheriff, and chairman of the Industrial Development Board are included in this report. Other management officials did not provide responses for inclusion in this report.

OFFICE OF COUNTY EXECUTIVE

FINDING 12.01 **MATERIAL AUDIT ADJUSTMENTS WERE REQUIRED IN THE COUNTY'S CAPITAL ASSETS RECORDS FOR PROPER FINANCIAL STATEMENT PRESENTATION**
(Internal Control – Material Weakness Under *Government Auditing Standards* and OMB Circular A-133)

At June 30, 2012, the county's capital assets records were not materially correct due to several significant errors and omissions, and audit adjustments were required for the financial statements to be materially correct at year-end. These errors included omitting a fire truck (\$190,000) and a communications tower (\$182,915), each of which had been purchased with funds received from separate Homeland Security Grants. Generally accepted accounting principles require Cannon County to have adequate internal controls over the maintenance of its accounting records. Material audit adjustments were required because the county's financial reporting system did not prevent, detect, or correct potential misstatements in the accounting records. It is a strong indicator of a material weakness in internal controls if the county has ineffective controls over the maintenance of its accounting records, which are used to prepare the financial statements, including the related notes to the financial statements. 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 capital assets records and general ledgers are materially correct.

MANAGEMENT'S RESPONSE – COUNTY EXECUTIVE

We concur. At the time of the audit, all assets listed in the finding had not been recorded as county assets. Currently, all assets have been added to the capital assets records. The County Executive's Office will notify all departments to report any assets immediately to our office so they can be added to the capital assets records.

FINDING 12.02 CANNON COUNTY DOES NOT REQUIRE ALL ELIGIBLE EMPLOYEES TO PARTICIPATE IN THE TENNESSEE CONSOLIDATED RETIREMENT SYSTEM
(Material Noncompliance Under *Government Auditing Standards*)

As of June 30, 2012, the county’s payroll records revealed that several eligible employees were not participating in the Tennessee Consolidated Retirement System (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 is the result of management’s failure to correct the finding noted in the prior-year audit report. 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

Upon notification by last year’s audit, the county executive sent a letter to all department heads informing them that all full-time employees were required to participate in the Tennessee Consolidated Retirement System. All employees under the direction of the county executive are now participating in TCRS. The employees who do not participate are not under the control of the county executive. The county executive will work with the Audit Committee in an attempt to rectify this audit finding.

FINDING 12.03 THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS
(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 finding noted in the prior-year audit report.

- A. The budget and subsequent amendments approved by the County Commission for the General and Solid Waste/Sanitation funds resulted in appropriations exceeding estimated available funding by \$97,229 and \$5,920, respectively. Sound budgetary principles dictate that appropriations be held within estimated available funding.
- B. Expenditures exceeded appropriations approved by the County Commission in the following major appropriation categories (the legal level of control) in the General Fund:

<u>Major Appropriation Category</u>	<u>Amount Overspent</u>
Victims Assistance Programs	\$ 124
Ambulance/Emergency Medical Services	20,148
Sanitation Management	1,200
Other Agriculture and Natural Resources	1,004

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

- A. The Budget Committee made the decision to spend funds from the fund balance to balance the budget. The estimated year-end fund balance was not sufficient to cover all budget amendments. During the next budget hearings, the county executive will stress the importance of a proper fund balance.
- B. The findings in the audit for Victims Assistance, Sanitation Management, and Agriculture and Natural Resources were expenditures paid after July 1 but charged to the 2011-12 budget year. All of these accounts had funds to cover the expenditures; however the budget was not amended. The Ambulance/Emergency Medical Services receipted \$102,727 more in revenue than was originally budgeted. There was sufficient revenue to amend the ambulance budget but again, expenditures were made after July 1.

FINDING 12.04 THE REACH AFTER-SCHOOL PROGRAM DID NOT DEPOSIT SOME FUNDS WITHIN THREE DAYS OF COLLECTION
(Noncompliance Under *Government Auditing Standards*)

REACH after-school program officials did not deposit some 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. This deficiency is a result of management’s failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

Funds should be deposited within three days of collection in accordance with state statute.

MANAGEMENT'S RESPONSE – COUNTY EXECUTIVE

The number of times that funds were not deposited within three days of collection from remote sites dropped dramatically during the audit year. However, there were three or four instances that REACH personnel failed to deposit funds within the proper timeframe for various reasons. The REACH director has been informed of these incidents and instructed to find a solution. The Audit Committee will be asked for help and advice concerning this matter.

FINDING 12.05 **COMPETITIVE BIDS WERE NOT SOLICITED FOR HAULING WASTE COLLECTIONS TO A LANDFILL**
(Noncompliance Under *Government Auditing Standards*)

Competitive bids were not solicited for hauling waste collections to a landfill (\$137,980). 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. This deficiency is a result of management's failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – COUNTY EXECUTIVE

With assistance from the county attorney, the solid waste hauling was advertised according to state law and awarded to the low bidder. This audit finding has been corrected.

OFFICES OF COUNTY EXECUTIVE AND SHERIFF

FINDING 12.06 **THE DRUG CONTROL FUND PAID THE SALARY OF AN EMPLOYEE NOT EMPLOYED SOLELY IN DRUG ENFORCEMENT**
(Noncompliance Under *Government Auditing Standards*)

The county used Drug Control Fund monies to pay the annual salary of an investigator whose duties included work other than drug enforcement. Section 39-17-420, *Tennessee Code Annotated*, provides that drug control funds can only be expended for (1) the local drug enforcement program, (2) the local drug education program, (3) the local drug

treatment program, and (4) nonrecurring general law enforcement expenditures. The state Comptroller's Office issued guidelines in 1997 stating that short-term salary payments meet the criteria for nonrecurring expenses; however, short-term salaries are defined by those guidelines as being less than 12 months. This deficiency can be attributed to a lack of management oversight.

RECOMMENDATION

Drug Control Fund monies should only be expended for items that comply with the criteria as provided by state statute.

MANAGEMENT'S RESPONSE – COUNTY EXECUTIVE

During the last year's budget hearings, the county executive informed the Budget Committee that salaries could not be paid from the Drug Fund. However, the committee approved the expenditure based on some incorrect advice. Every effort will be made to correct this finding during the next budget hearings.

MANAGEMENT'S RESPONSE – SHERIFF

At the time we budgeted this for 2011-2012, we had planned to have a full-time drug enforcement person as the K-9 (drug dog) handler. It worked for a while, but because of several turnovers, I had to send officers to the academy, which left the department short-handed. Therefore, I had to use the officer for regular duties as well as maintaining care of the drug dog. I feel that this county needs a full-time drug enforcement officer and had plans for this, but since there have been several turnovers due to low salaries and affordable insurance, there is no way I can make it work. Since then, the officer's salary has been put back into the regular deputy line-item payroll account and is no longer expensed from the drug fund. This action should correct the audit finding in the future.

INDUSTRIAL DEVELOPMENT BOARD AND OFFICE OF COUNTY EXECUTIVE

FINDING 12.07

DEFICIENCIES WERE NOTED IN THE ADMINISTRATION OF THE INDUSTRIAL DEVELOPMENT BOARD

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

Our examination of the fund maintained by the Cannon County Industrial Development Board (the Board) and administered by the county executive revealed the following deficiencies:

- A. The Board did not exercise sufficient oversight for its financial transactions. During the year ended June 30, 2012, the Board held only two meetings. The Board minutes dated October 2011, reflected no details of any discussions held or actions taken. On June 12, 2012, the County Commission appointed new board members, and the new board met for the first time that same night. The only significant actions resulting from that meeting were the

election of officers, setting a regular meeting time, and approval of the budget for 2012-13. This lack of oversight resulted in financial transactions and certain decisions being made and carried out by the county executive without the knowledge of the Board.

- B. Our review of the financial statements and the minutes of subsequent Board meetings revealed that three companies occupied buildings owned by the Board during the year examined. At June 30, 2012, all three of these companies were delinquent in rent payments owed to the Board as noted in the following schedule:

Company	Monthly Rent	Rent Due FYE 6-30-12	Rent Collected	Delinquent Rent 6-30-12
Crane Industries	\$ 7,200	\$ 86,400	\$ 69,553	\$ 16,847
PC Disposal	500	6,000	5,000 (2)	1,000
THC Select (1)	5,500	33,000	0	33,000

(1) Rent payments began in January 2012.

(2) Of the amount collected, \$1,500 was deposited into the General Fund and is reflected in the financial statements as a receivable from that fund at year-end.

Of the uncollected amounts noted above, only the amount due from PC Disposal is reflected as a receivable in the financial statements of the Board at June 30. The failure to collect rent due resulted in a significant loss of revenue for the Board.

- C. The uncollected amount of rent due from Crane Industries (\$16,847) was forgiven by a verbal agreement between the county executive and the company to accept the value of building repairs made by the company during the year in-lieu-of rental payments. This agreement was not approved by the Board, and the county could provide no documentation from the company to support expenditures for the repairs.
- D. The Board had no formal contract, lease agreement, or other documentation to support the terms of THC Select's occupation of the Board's building. The delinquent amount of rent due from THC Select is not reflected in the financial statements at June 30, 2012, because it was subsequently forgiven by the Board in October 2012 amid disputes with the company regarding the original agreement made with the Board and county executive.

RECOMMENDATION

The Board should implement policies and procedures to insure adequate oversight over all financial transactions including the collection of rent and processes for completing repairs to buildings owned by the Board. These policies and procedures should include provisions that all rental agreements are adequately documented and approved by the Board.

MANAGEMENT'S RESPONSE – INDUSTRIAL DEVELOPMENT BOARD CHAIRMAN

- A. In the spring of 2012, I approached the Cannon County Commission chairman and informed him of the fact that the county industrial development board had not had one meeting with a quorum for several years and therefore was having issues conducting business. Until I spoke with the commission chairman, the county commission had never been informed of this problem. The commission chairman contacted every member of the former board and attempted twice to call a meeting of this board. Both attempts to have a meeting failed due to lack of a quorum. On June 12, 2012, the county commission voted to completely replace the membership of the industrial board, except for myself, due to lack of meeting attendance. The newly formed board has met monthly, with a legal quorum, since their appointment in June and has dealt with numerous issues. I want the record to show that the current board, which is made up of unpaid volunteers, is exerting tremendous amounts of energy to exercise sufficient oversight of its financial transactions; however, years of inactivity by the previous board cannot be corrected in one meeting. As the one remaining member of the former board, I completely agree with the auditor's statement that the lack of oversight of the former board resulted in transactions and decisions being made and carried out by the county executive without the knowledge of the board. For increased internal control of industrial board funds, the current board has formally requested that the board chairman be required to cosign all checks written on the board's fund. However, the county executive has refused to allow this change.
- B. I concur that the failure to collect monies resulted in a significant loss of revenue. I would like to point out that the county executive was responsible for administering this fund, and he failed to collect these monies. It should be pointed out that two of the companies the audit points out as owing rent did not have written lease contracts nor a cost/benefit analysis performed to determine the correct PILOT amount to begin with. Upon formation, the current board discovered this and immediately had a cost/benefit analysis performed on both of these companies and sought to secure written PILOT agreements. One company chose to vacate the industrial park instead of sign a lease contract, and the other is currently in litigation with the board. As stated before, the previous board did not have a quorum when dealing with these companies.
- C. This issue took place prior to the current board being instated. The current board has initiated a policy that all future repair work, which is the responsibility of the board, be performed by the county instead of repairs in-lieu-of rent. In the defense of the company in question, the previous board had not had a quorum in years, so the company was having difficulty getting formal board approval for needed repairs.
- D. Due to ongoing litigation, I cannot comment except to say that I agree with the audit finding in that there was never an executed written contract or lease agreement between the industrial development board and this company.

I agree with the recommendation that the Industrial Board should implement policies and procedures to insure adequate oversight of financial transactions. The newly appointed board is in the process of doing just that. However, I do not believe that implementing

policies will address many of the issues this audit has identified plus the numerous other deficiencies that the current board has discovered. Policies adopted by the board are practically worthless if they are not followed by the entity's financial management.

MANAGEMENT'S RESPONSE – COUNTY EXECUTIVE

- A. No financial transactions or decisions concerning financial transactions were made by the county executive without approval from the chairman of the Industrial Board.

- B./C. It is the responsibility of the Industrial Board to ensure that companies occupying buildings owned by the Board stay current, and it is the responsibility of the County Executive's Office to collect such payments. The P.C. Disposal Company was two months delinquent as of June 30, 2012. The T.H.C. Select Company was delinquent due to a disagreement between company officials and county officials as to how much the company spent readying the building at the time the company took possession. Crane Interiors was not delinquent as of June 30, 2012, due to an agreement between the company, the county executive, and the chairman of the Industrial Board to allow rent abatement for much needed building repairs. The repairs consisted of drainage ditches, rock, and a concrete slab at the rear of the building. All repairs were visibly inspected by the county executive to ensure the work was completed.

- D. It is admitted that the Board had no formal contract with T.H.C. Select as of the June 30, 2012, date. There was a verbal agreement between T.H.C. Select, the Industrial Board, and the county executive at the time T.H.C. Select occupied the building. The county attorney had been asked to prepare a lease agreement, but some issues were not clear at the time and no lease agreement had been signed.

OFFICE OF ROAD SUPERVISOR

FINDING 12.08 **THE ACTUAL FUND BALANCE EXCEEDED THE ESTIMATED BEGINNING FUND BALANCE BY A MATERIAL AMOUNT**
(Internal Control – Material Weakness Under *Government Auditing Standards*)

The Highway/Public Works Fund's actual beginning fund balance at July 1, 2011, exceeded the estimated beginning fund balance presented to the County Commission by \$914,278. 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, 2011, and management's failure to correct the finding noted in the prior-year audit report. This deficiency resulted in materially understating the estimated beginning fund balance.

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.

MANAGEMENT RESPONSE – ROAD SUPERVISOR

We have worked to correct this finding.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 12.09 **THE ACCOUNTING SOFTWARE DID NOT IDENTIFY THE USER WHO PROCESSED EACH TRANSACTION**
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Although each employee had been assigned a unique username and password for accessing the office’s accounting software, the software did not record the user who processed each transaction. Since the vendor did not design the system with these controls, the employee responsible for this activity would not be easily identified if inappropriate activity were to occur. Sound business practices dictate that each transaction be identified to the individual creating the transaction.

RECOMMENDATION

Management should contact the software vendor concerning the addition of controls to the software that would identify the user who performed each transaction.

OFFICE OF CLERK AND MASTER

FINDING 12.10 **SUPPLEMENTAL PAYMENTS MADE TO A COUNTY EMPLOYEE WERE NOT MADE THROUGH THE COUNTY’S PAYROLL SYSTEM**
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

During the year examined, the clerk’s bookkeeper received \$2,000 for work performed in conjunction with several court ordered sales of property. These payments were not paid through the county’s payroll system and were in addition to the employee’s regular salary. The court orders did not specify that a portion of the proceeds should be paid to a named individual, but provided that specified amounts of the sale proceeds should be paid to the clerk and master for work performed by the office; however, the clerk and master issued checks in the amounts specified by the orders directed to the bookkeeper. There was no

documentation on file to support the time worked; however, the bookkeeper stated that the work was performed during regular work hours. Since these supplemental payments were not paid through the county's payroll system, the payments were not subjected to income tax, social security, and Medicare deductions. Also, the county did not report and pay its required matching portions of social security and Medicare associated with these supplemental payments. The clerk and master did not issue this employee a Form 1099 for federal reporting. This deficiency is the result of a management decision and resulted in unauthorized payments and unreported income.

RECOMMENDATION

All payroll related payments to county employees should be made through the county's payroll system to properly reflect the employee's total compensation. Also, all wages should be subject to the proper employee payroll taxes and the county's matching portions.

MANAGEMENT'S RESPONSE – CLERK AND MASTER

This issue deals with property tax sales handled in our office and is considered part of our required job duties. Time worked on these sales requires me and my deputy to perform the work required during both business and non-business hours. Monies paid to our office from the tax sales are entered into a state computer system and are governed and monitored by the State of Tennessee. All court orders are subject to review and approval by the presiding judge and signed off accordingly. We would like to point out that this has been an ongoing process for approximately 15 or more years, and we have never been made aware that it was a concern or issue. Per the recommendation of the auditor, beginning February 1, 2013, all future tax sales that generate income will have a specified individual named on the court order, signed by the presiding judge, and a Form 1099 for the year will be issued accordingly.

OFFICES OF COUNTY CLERK AND CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 12.11 **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 and Circuit and General Sessions Courts Clerk. 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.

BEST PRACTICE

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. The Division of Local Government Audit strongly believes that the adoption of a central system of accounting, budgeting, and purchasing is a best practice that would significantly improve accountability and the quality of services provided to the citizens of Cannon County. Therefore, we recommend the adoption of the County Financial Management System of 1981 or a private act, which would provide for a central system of accounting, budgeting, and purchasing covering all county departments.

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

Federal/Pass-through Agencies	Finding Number	Federal CFDA Number	Criteria	Explanation	Amount Questioned
U.S. Department of Homeland Security: Direct Program: Assistance to Firefighters Grant	12.12	97.044	Circular A-133, Section 500 (c)(3)	Material Weakness in Internal Control See Finding 12.01. A fire truck purchased with grant funds was not included on the county's capital assets records	\$ 0
Passed through the State Department of Military: Homeland Security Grant Program	12.13	97.067	Circular A-133, Section 500 (c)(3)	Material Weakness in Internal Control See Finding 12.01. A communications tower purchased with grant funds was not included on the county's capital assets records.	0

**CANNON COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2012**

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

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

FINDINGS 12.01, 12.12, and 12.13

Contact person: Mike Gannon.

Corrective action planned: The assets purchased with Homeland Security Grant funds will be added to the county's capital assets records.

Anticipated completion date: February 2013.

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

FINDINGS 11.03(A) and 11.13

Corrective action was approved by the Office of Criminal Justice Programs in April 2011, and the grant ended on June 30, 2011; therefore, no further action was necessary.