

ANNUAL FINANCIAL REPORT
OBION COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2006

**Comptroller of the Treasury
Department of Audit
Division of County Audit
Nashville, Tennessee**

ANNUAL FINANCIAL REPORT
OBION COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2006

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

ARTHUR L. ALEXANDER
Director

NORMAN R. NORMENT
Audit Manager

NOLAN R. BRADFORD, CPA, CGFM
Auditor 4

SHAREE BREWER, CPA, CGFM, CFE
MICHAEL C. HULME, CPA, CGFM
MARVIN BOND, CGFM
ELISHA CROWELL, CFE
State Auditors

This financial report is available at www.comptroller.state.tn.us

OBION COUNTY, TENNESSEE

TABLE OF CONTENTS

	Exhibit	Page(s)
Audit Highlights		1-2
<u>INTRODUCTORY SECTION</u>		3
Obion County Officials		5-6
<u>FINANCIAL SECTION</u>		7
Independent Auditor's Report		9-11
BASIC FINANCIAL STATEMENTS:		13
Government-wide Financial Statements:		
Statement of Net Assets	A	15
Statement of Activities	B	16-17
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C-1	18-19
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	C-2	20
Statement of Revenues, Expenditures, and Changes in Fund Balances	C-3	21-22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C-4	23
Proprietary Funds:		
Statement of Revenues, Expenses, and Changes in Net Assets	D-1	24
Statement of Cash Flows	D-2	25
Fiduciary Funds:		
Statement of Fiduciary Net Assets	E-1	26
Statement of Changes in Fiduciary Net Assets	E-2	27
Notes to the Financial Statements		29-77
REQUIRED SUPPLEMENTARY INFORMATION:		79
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Fund	F-1	81-83
Special Purpose Fund	F-2	84
Highway/Public Works Fund	F-3	85
Notes to the Required Supplementary Information		87

	Exhibit	Page(s)
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		89
Nonmajor Governmental Funds:		91-92
Combining Balance Sheet	G-1	93
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	G-2	94
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
Urban Services Fund	G-3	95
Public Library Fund	G-4	96
Solid Waste/Sanitation Fund	G-5	97
Drug Control Fund	G-6	98
Major Governmental Fund:		99
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
General Debt Service Fund	H	101
Fiduciary Funds:		103
Combining Statement of Fiduciary Assets and Liabilities	I-1	105
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	I-2	106-107
Component Unit:		
Discretely Presented Obion County School Department:		109
Statement of Activities	J-1	111
Balance Sheet – Governmental Funds	J-2	112
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	J-3	113
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	J-4	114
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	J-5	115
Combining Balance Sheet – Nonmajor Governmental Funds	J-6	116
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	J-7	117
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Purpose School Fund	J-8	118-119
School Federal Projects Fund	J-9	120
Central Cafeteria Fund	J-10	121

	Exhibit	Page(s)
Miscellaneous Schedules:		123
Schedule of Changes in Other Loans and Bonds	K-1	125
Schedule of Bond Principal and Interest Requirements by Year	K-2	126
Schedule of Investments	K-3	127
Schedule of Notes Receivable	K-4	128
Schedule of Transfers – Primary Government and Discretely Presented Obion County School Department	K-5	129
Schedule of Salaries and Official Bonds of Principal Officials – Primary Government and Discretely Presented Obion County School Department	K-6	130
Schedule of Detailed Revenues – All Governmental Fund Types	K-7	131-140
Schedule of Detailed Revenues – All Governmental Fund Types – Discretely Presented Obion County School Department	K-8	141-142
Schedule of Detailed Expenditures – All Governmental Fund Types	K-9	143-161
Schedule of Detailed Expenditures – All Governmental Fund Types – Discretely Presented Obion County School Department	K-10	162-174
Schedule of Detailed Receipts, Disbursements, and Changes in Cash Balances – City Agency Funds	K-11	175
 <u>SINGLE AUDIT SECTION</u>		 177
Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>		179-180
Auditor’s Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With <u>OMB Circular A-133</u>		181-183
Other Auditor’s Report on Obion County Public Library: Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>		184-185

	Page(s)
Other Auditor's Report on Everett-Stewart Airport: Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>	186-188
Other Auditor's Report on Obion County Nursing Home: Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>	189-191
Other Auditor's Report on Obion County Emergency Communications District: Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>	192-193
Schedule of Expenditures of Federal Awards and State Grants	195-196
Schedule of Audit Findings Not Corrected	197
Schedule of Findings and Questioned Costs	199-203
Auditee Reporting Responsibilities	205

Audit Highlights

Annual Financial Report
Obion County, Tennessee
For the Year Ended June 30, 2006

Scope

We have audited the basic financial statements of Obion County as of and for the year ended June 30, 2006.

Results

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

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

Findings

The following are summaries of the audit findings:

OFFICE OF MAYOR

- ◆ The mechanical warrant-signing machine's counter could be reset; therefore, we could not ensure that the office had accounted for all warrants.

OFFICE OF HIGHWAY SUPERINTENDENT

- ◆ The Highway Department did not have a system to account for materials used on certain types of road projects.

OFFICE OF TRUSTEE

- ◆ Computer system backups were not stored off-site and a backup log was not maintained.
-

OTHER FINDINGS

- ◆ County officials had not adopted a central system of accounting, budgeting, and purchasing.
- ◆ Duties were not segregated adequately among the officials and employees in the Offices of Trustee; Circuit, General Sessions, and Juvenile Courts Clerk; Clerk and Master; Register; and Sheriff.

INTRODUCTORY SECTION

Obion County Officials
June 30, 2006

Officials

Gaylon Long, County Mayor
Gary Lofton, Highway Superintendent
Lonnie Grady, Director of Schools
Lori Seals, Trustee
Kathy Robertson, Assessor of Property
Vollie Jean Boehms, County Clerk
Harry Johnson, Circuit, General Sessions, and Juvenile Courts Clerk
Paula Rice, Clerk and Master
Vicky Long, Register
Jerry Vastbinder, Sheriff

Board of County Commissioners

Ralph Puckett, Chairman	Mike Hampton
Richard Arnold	Larry Henderson
Robert Barnes	Harold Dwayne Hensley
Ned Bigelow	Danny Jowers
Donnie Braswell	Larry McGuire
Kenneth Cheatham	Wes Miller
Tim Doyle	Henry Allen Nohsey
Norma Fowler	Steve Rice
Polk Glover	Jimmy Seals
Steve Goodrich	Trena Taylor
Jerry Grady	

Budget Committee

Danny Jowers, Chairman
Robert Barnes
Polk Glover
Jerry Grady
Harold Dwayne Hensley
Ralph Puckett
Steve Rice

Finance Committee

Tim Doyle, Chairman
Lori Seals, Trustee
Polk Glover
Gaylon Long
Jimmy Seals

Highway Commission

Benny McGuire, Chairman
Malcolm Cook, Vice-Chairman
Larry Gray
David Jacobs
Jerry Kendall
W. B. Netherland
Baxter Sanders

Board of Education

Roger Williams, Chairman
Rodney Taylor, Vice-Chairman
Allen Edmaiston
Greg Ferguson
Glynn Giffin
David Hart
Diane Sanderson

Indigent Care Board

Steve Vaughn, Chairman
Jim Glasgow, Jr.
Steve Goodrich
Gary Houston
Buddy Roberson
Jim Thorpe
Tom Wade

Public Library Board

Brenda Baker, Chairman
Susan Harris, Vice-Chairman
Wayne Bailey
Dr. Robert Gibson
Mary Ann Hime
Nina Pierce
David Searcy
Dr. Joel Shore

Nursing Home Board

Jimmy Greer, Chairman
Terry Council
Virginia Davidson
Timmy Gantt
Phyllis Jones

Airport Board

Chris Gooch, Chairman
Robert Barnes
Rick Boyd
Kenneth Cheatham
Bill Dean
Mike Holman
David James
Ralph Nichols
Tim Smith

FINANCIAL SECTION



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0269
PHONE (615) 401-7841**

INDEPENDENT AUDITOR'S REPORT

February 12, 2007

Obion County Mayor and
Board of County Commissioners
Obion County, Tennessee

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Obion County, Tennessee, as of and for the year ended June 30, 2006, which collectively comprise Obion County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Obion 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 Obion County Public Library which represent 3.8 percent and 44.7 percent, respectively, of the assets and revenues of the aggregate remaining fund information. Also, we did not audit the financial statements of the Everett-Stewart Airport, a major special revenue fund. Furthermore, we did not audit the financial statements of the Obion County Nursing Home, a major fund and the entire business-type activities, and we did not audit the financial statements of the discretely presented Obion County Emergency Communications District, which represent 1.9 percent and 1.4 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Obion County Public Library, the Everett-Stewart Airport, the Obion County Nursing Home, and the Obion County Emergency Communications District are based on the reports of the 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 reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Obion County, Tennessee, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 12, 2007, on our consideration of Obion County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note V.B., Obion County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.

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

The budgetary comparison information on pages 81 through 87 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Obion County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Obion County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic

financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Obion County School Department (a discretely presented component unit), and the miscellaneous schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the report of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,

A handwritten signature in cursive script that reads "John G. Morgan". The signature is written in black ink and is positioned above the typed name.

John G. Morgan
Comptroller of the Treasury

JGM/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

Obion County, Tennessee
Statement of Net Assets
June 30, 2006

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Obion County School Department	Emergency Communications District
<u>ASSETS</u>					
Cash	\$ 402,208	\$ 426,631	\$ 828,839	\$ 0	\$ 459,089
Equity in Pooled Cash and Investments	18,598,901	0	18,598,901	5,626,239	0
Inventories	338	4,441	4,779	0	0
Accounts Receivable	26,869	226,785	253,654	18,535	25,998
Due from Other Governments	1,334,026	0	1,334,026	623,318	0
Prepaid Items	109,998	0	109,998	0	62,039
Property Taxes Receivable	3,607,285	0	3,607,285	3,726,585	0
Allowance for Uncollectible Property Taxes	(121,165)	0	(121,165)	(125,173)	0
Accrued Interest Receivable	51,367	0	51,367	0	0
Deferred Charges - Debt Issuance Costs	140,886	0	140,886	0	0
Notes Receivable - Long-term	2,073,406	0	2,073,406	0	0
Capital Assets:					
Assets Not Depreciated:					
Land	3,449,382	0	3,449,382	630,281	178,453
Construction in Progress	810,282	0	810,282	15,953,621	0
Assets Net of Accumulated Depreciation:					
Buildings and Improvements	7,953,147	250,477	8,203,624	15,056,958	0
Infrastructure	8,354,503	0	8,354,503	105,315	0
Other Capital Assets	1,539,148	84,678	1,623,826	2,623,825	119,841
Total Assets	\$ 48,330,581	\$ 993,012	\$ 49,323,593	\$ 44,239,504	\$ 845,420
<u>LIABILITIES</u>					
Accounts Payable	\$ 617,387	\$ 17,771	\$ 635,158	\$ 55,377	\$ 5,831
Payroll Deductions Payable	130	0	130	0	0
Accrued Payroll	0	43,745	43,745	0	0
Accrued Leave	0	18,627	18,627	0	0
Contracts Payable	285,212	0	285,212	863,442	0
Retainage Payable	0	0	0	272,858	0
Accrued Interest Payable	59,822	0	59,822	0	0
Patients' Trust Fund	0	1,868	1,868	0	0
Other Current Liabilities	0	85,831	85,831	0	0
Deferred Revenue - Current Property Taxes	3,363,554	0	3,363,554	3,474,793	0
Noncurrent Liabilities:					
Due Within One Year	1,916,617	0	1,916,617	3,871	0
Due in More Than One Year (net of unamortized premium on debt)	18,280,254	0	18,280,254	73,550	0
Total Liabilities	\$ 24,522,976	\$ 167,842	\$ 24,690,818	\$ 4,743,891	\$ 5,831
<u>NET ASSETS</u>					
Invested in Capital Assets, Net of Related Debt	\$ 19,906,462	\$ 0	\$ 19,906,462	\$ 0	\$ 0
Invested in Capital Assets Restricted for:	0	335,155	335,155	34,370,000	298,294
Capital Projects	23,807	0	23,807	96,661	0
Debt Service	3,567,832	0	3,567,832	0	0
Public Library	283,387	0	283,387	0	0
Solid Waste/Sanitation	207,130	0	207,130	0	0
Special Purpose	172,222	0	172,222	0	0
Drug Control	56,191	0	56,191	0	0
Other Special Revenue	2,073,406	0	2,073,406	0	0
Highway/Public Works	1,989,913	0	1,989,913	0	0
Central Cafeteria	0	0	0	566,850	0
Reserved for Computer System - Register	120,576	0	120,576	0	0
Reserved for Capital Outlay	900,000	0	900,000	0	0
Other Purposes	69,406	0	69,406	30,723	0
Unrestricted	(5,562,727)	490,015	(5,072,712)	4,431,379	541,295
Total Net Assets	\$ 23,807,605	\$ 825,170	\$ 24,632,775	\$ 39,495,613	\$ 839,589

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

Exhibit B

Obion County, Tennessee
 Statement of Activities
 For the Year Ended June 30, 2006

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets					
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units		
					Governmental Activities	Business-type Activities	Total	Obion County School Department	Emergency Communications District	
Primary Government:										
Governmental Activities:										
General Government	\$ 713,602	\$ 165,852	\$ 21,380	\$ 0	\$ (526,370)	\$ 0	\$ (526,370)	\$ 0	\$ 0	
Finance	591,864	722,392	11,962	0	142,490	0	142,490	0	0	
Administration of Justice	881,346	683,159	108,535	0	(89,652)	0	(89,652)	0	0	
Public Safety	3,022,710	961,840	66,069	0	(1,994,801)	0	(1,994,801)	0	0	
Public Health and Welfare	322,282	121,389	87,562	130,792	17,461	0	17,461	0	0	
Social, Cultural, and Recreational Services	672,171	21,962	194,316	14,900	(440,993)	0	(440,993)	0	0	
Agriculture and Natural Resources	142,474	0	0	0	(142,474)	0	(142,474)	0	0	
Other Operations	796,506	119,734	72,500	628,361	24,089	0	24,089	0	0	
Highways/Public Works	3,626,244	1,463	1,879,443	201,244	(1,544,094)	0	(1,544,094)	0	0	
Education	12,000,000	0	0	0	(12,000,000)	0	(12,000,000)	0	0	
Interest on Long-term Debt	545,873	0	0	0	(545,873)	0	(545,873)	0	0	
Other Debt Service	96,607	0	23,995	0	(72,612)	0	(72,612)	0	0	
Total Governmental Activities	\$ 23,411,679	\$ 2,797,791	\$ 2,465,762	\$ 975,297	\$ (17,172,829)	\$ 0	\$ (17,172,829)	\$ 0	\$ 0	
Business-type Activities:										
Nursing Home Fund	\$ 2,042,953	\$ 2,088,098	\$ 0	\$ 0	\$ 0	\$ 45,145	\$ 45,145	\$ 0	\$ 0	
Total Primary Government	\$ 25,454,632	\$ 4,885,889	\$ 2,465,762	\$ 975,297	\$ (17,172,829)	\$ 45,145	\$ (17,127,684)	\$ 0	\$ 0	
Component Units:										
Obion County School Department	\$ 27,561,428	\$ 904,466	\$ 2,720,049	\$ 12,000,000	\$ 0	\$ 0	\$ 0	\$ (11,936,913)	\$ 0	
Emergency Communications District	231,183	244,823	120,000	175,180	0	0	0	0	308,820	
Total Component Units	\$ 27,792,611	\$ 1,149,289	\$ 2,840,049	\$ 12,175,180	\$ 0	\$ 0	\$ 0	\$ (11,936,913)	\$ 308,820	

(Continued)

Exhibit B

Obion County, Tennessee
Statement of Activities (Cont.)

		Net (Expense) Revenue and Changes in Net Assets							
Functions/Programs	Expenses	Program Revenues			Primary Government			Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities	Total	Obion County School Department	Emergency Communications District
General Revenues:									
Taxes:									
Property Taxes Levied for General Purposes					\$ 1,663,115	\$ 0	\$ 1,663,115	\$ 4,157,214	\$ 0
Property taxes Levied for Debt Service					1,576,420	0	1,576,420	0	0
Local Option Sales Tax					448,650	0	448,650	3,288,168	0
Other Local Taxes					1,274,126	0	1,274,126	273,217	0
Grants and Contributions Not Restricted for Specific Programs					323,803	0	323,803	14,389,661	0
Unrestricted Investment Earnings					1,362,569	38,140	1,400,709	0	11,778
Miscellaneous					43,182	0	43,182	34,672	0
Total General Revenues					<u>\$ 6,691,865</u>	<u>\$ 38,140</u>	<u>\$ 6,730,005</u>	<u>\$ 22,142,932</u>	<u>\$ 11,778</u>
Transfers					\$ 900,000	\$ (900,000)	\$ 0	\$ 0	\$ 0
Change in Net Assets					\$ (9,580,964)	\$ (816,715)	\$ (10,397,679)	\$ 10,206,019	\$ 320,598
Net Assets, July 1, 2005					33,435,664	1,641,885	35,077,549	29,289,594	518,991
Prior Period Adjustment					(47,095)	0	(47,095)	0	0
Net Assets, June 30, 2006					<u>\$ 23,807,605</u>	<u>\$ 825,170</u>	<u>\$ 24,632,775</u>	<u>\$ 39,495,613</u>	<u>\$ 839,589</u>

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

Exhibit C-1

Obion County, Tennessee
 Balance Sheet
 Governmental Funds
 June 30, 2006

	Major Funds					Nonmajor Funds	Total Govern- mental Funds
	General	Special Purpose	Other Special Revenue	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
ASSETS							
Cash	\$ 0	\$ 56,435	\$ 0	\$ 0	\$ 0	\$ 345,773	\$ 402,208
Equity in Pooled Cash and Investments	2,999,047	0	9,926,594	1,954,809	3,540,949	177,502	18,598,901
Inventories	338	0	0	0	0	0	338
Accounts Receivable	12,651	930	0	3,101	9,966	221	26,869
Due from Other Governments	259,783	596,962	0	384,135	4,798	88,348	1,334,026
Due from Other Funds	28,456	0	0	0	0	0	28,456
Property Taxes Receivable	980,240	0	0	621,297	2,005,748	0	3,607,285
Allowance for Uncollectible Property Taxes	(32,925)	0	0	(19,012)	(69,228)	0	(121,165)
Prepaid Items	0	109,998	0	0	0	0	109,998
Accrued Interest Receivable	50,520	0	0	0	0	847	51,367
Notes Receivable - Long-term	0	0	2,073,406	0	0	0	2,073,406
Total Assets	\$ 4,298,110	\$ 764,325	\$ 12,000,000	\$ 2,944,330	\$ 5,492,233	\$ 612,691	\$ 26,111,689
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts Payable	\$ 11,694	\$ 592,103	\$ 0	\$ 0	\$ 0	\$ 13,590	\$ 617,387
Payroll Deductions Payable	0	0	0	0	0	130	130
Contracts Payable	0	0	0	285,212	0	0	285,212
Due to Other Funds	0	0	0	0	0	28,456	28,456
Deferred Revenue - Current Property Taxes	914,009	0	0	584,966	1,864,579	0	3,363,554
Deferred Revenue - Delinquent Property Taxes	30,477	0	0	15,848	65,831	0	112,156
Other Deferred Revenues	95,098	528,001	0	167,482	0	87,079	877,660
Total Liabilities	\$ 1,051,278	\$ 1,120,104	\$ 0	\$ 1,053,508	\$ 1,930,410	\$ 129,255	\$ 5,284,555
Fund Balances							
Reserved for Encumbrances	\$ 9,303	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,877	\$ 11,180
Reserved for Alcohol and Drug Treatment	24,887	0	0	0	0	0	24,887
Reserved for Drug Court	12,521	0	0	0	0	0	12,521
Reserved for Computer System - Register	120,576	0	0	0	0	0	120,576
Reserved for Automation Purposes - Circuit Court	1,515	0	0	0	0	0	1,515
Reserved for Automation Purposes - General Sessions Court	19,757	0	0	0	0	0	19,757

Exhibit C-1

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

	Major Funds					Nonmajor Funds	Total Govern- mental Funds
	General	Special Purpose	Other Special Revenue	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
LIABILITIES AND FUND BALANCES (Cont.)							
Fund Balances (Cont.)							
Reserved for Automation Purposes - Chancery Court	\$ 4,850	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,850
Reserved for Automation Purposes - Sheriff	5,876	0	0	0	0	0	5,876
Reserved for Endowments	0	0	0	0	0	244,983	244,983
Reserved for Long-term Notes Receivable	0	0	2,073,406	0	0	0	2,073,406
Reserved for Capital Outlay	900,000	0	0	0	0	0	900,000
Unreserved, Reported In:							
General Fund	2,147,547	0	0	0	0	0	2,147,547
Special Revenue Funds (Deficit)	0	(355,779)	9,926,594	1,890,822	0	212,769	11,674,406
Debt Service Funds	0	0	0	0	3,561,823	0	3,561,823
Capital Projects Funds	0	0	0	0	0	23,807	23,807
Total Fund Balances	\$ 3,246,832	\$ (355,779)	\$ 12,000,000	\$ 1,890,822	\$ 3,561,823	\$ 483,436	\$ 20,827,134
Total Liabilities and Fund Balances	\$ 4,298,110	\$ 764,325	\$ 12,000,000	\$ 2,944,330	\$ 5,492,233	\$ 612,691	\$ 26,111,689

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

Exhibit C-2

Obion County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
June 30, 2006

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)		\$ 20,827,134	
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	3,449,382	
Add: construction in progress		810,282	
Add: buildings and improvements net of accumulated depreciation		7,953,147	
Add: infrastructure net of accumulated depreciation		8,354,503	
Add: other capital assets net of accumulated depreciation		<u>1,539,148</u>	22,106,462
(2) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			989,816
(3) Long-term liabilities are not due in the current period and therefore are not reported in the funds.			
Less: other loans payable	\$	(17,619,000)	
Less: bonds payable		(2,335,000)	
Add: deferred charges - debt issuance costs		140,886	
Less: compensated absences payable		(197,280)	
Less: accrued interest on bonds		(59,822)	
Less: other deferred revenue - premium on debt		<u>(45,591)</u>	<u>(20,115,807)</u>
Net assets of governmental activities (Exhibit A)			<u>\$ 23,807,605</u>

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

Exhibit C-3

Obion County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006

	Major Funds						Nonmajor Funds	Total Governmental Funds
	General	Special Purpose	Other Special Revenue	Highway / Public Works	General Debt Service	General Capital Projects	Other Govern- mental Funds	
<u>Revenues</u>								
Local Taxes	\$ 2,080,593	\$ 0	\$ 0	\$ 1,301,265	\$ 1,763,010	\$ 0	\$ 0	\$ 5,144,868
Licenses and Permits	12,384	0	0	0	0	0	0	12,384
Fines, Forfeitures, and Penalties	160,355	0	0	0	0	0	27,116	187,471
Charges for Current Services	32,200	0	0	433	0	0	61,184	93,817
Other Local Revenues	1,425,986	122,476	0	11,012	57,570	0	20,076	1,637,120
Fees Received from County Officials	1,375,226	0	0	0	0	0	0	1,375,226
State of Tennessee	1,053,252	12,500	0	2,073,982	0	0	122,700	3,262,434
Federal Government	202,909	83,868	0	0	0	0	16,492	303,269
Other Governments and Citizens Groups	51,374	0	0	0	0	0	205,831	257,205
Total Revenues	\$ 6,394,279	\$ 218,844	\$ 0	\$ 3,386,692	\$ 1,820,580	\$ 0	\$ 453,399	\$ 12,273,794
<u>Expenditures</u>								
Current:								
General Government	\$ 679,181	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 679,181
Finance	497,547	0	0	0	0	0	0	497,547
Administration of Justice	735,677	0	0	0	0	0	5,635	741,312
Public Safety	2,382,250	0	0	0	0	0	35,532	2,417,782
Public Health and Welfare	213,952	0	0	0	0	0	95,727	309,679
Social, Cultural, and Recreational Services	26,500	0	0	0	0	0	548,357	574,857
Agricultural and Natural Resources	136,872	0	0	0	0	0	0	136,872
Other Operations	907,363	708,198	0	0	0	0	16,875	1,632,436
Highways	0	0	0	3,320,234	0	0	0	3,320,234
Debt Service:								
Principal on Debt	0	0	0	0	1,405,000	0	0	1,405,000
Interest on Debt	0	0	0	0	505,785	0	0	505,785
Other Debt Service	0	0	0	0	76,441	0	0	76,441
Capital Projects	0	0	0	0	0	12,000,000	312,525	12,312,525
Total Expenditures	\$ 5,579,342	\$ 708,198	\$ 0	\$ 3,320,234	\$ 1,987,226	\$ 12,000,000	\$ 1,014,651	\$ 24,609,651
Excess (Deficiency) of Revenues								
Over Expenditures	\$ 814,937	\$ (489,354)	\$ 0	\$ 66,458	\$ (166,646)	\$ (12,000,000)	\$ (561,252)	\$ (12,335,857)

(Continued)

Exhibit C-3

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

	Major Funds						Nonmajor	Total
	General	Special Purpose	Other Special Revenue	Highway / Public Works	General Debt Service	General Capital Projects	Other Governmental Funds	
<u>Other Financing Sources (Uses)</u>								
Other Loans Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 12,000,000	\$ 0	\$ 12,000,000
Proceeds from Sale of Capital Assets	15,000	0	0	0	0	0	0	15,000
Insurance Recovery	18,922	0	0	0	0	0	0	18,922
Transfers In	900,000	60,000	0	0	71,935	0	418,583	1,450,518
Transfers Out	(550,518)	0	0	0	0	0	0	(550,518)
Total Other Financing Sources (Uses)	\$ 383,404	\$ 60,000	\$ 0	\$ 0	\$ 71,935	\$ 12,000,000	\$ 418,583	\$ 12,933,922
Net Change in Fund Balances	\$ 1,198,341	\$ (429,354)	\$ 0	\$ 66,458	\$ (94,711)	\$ 0	\$ (142,669)	\$ 598,065
Fund Balance, July 1, 2005	2,048,491	120,670	12,000,000	1,824,364	3,656,534	0	626,105	20,276,164
Prior Period Adjustment	0	(47,095)	0	0	0	0	0	(47,095)
Fund Balance, June 30, 2006	\$ 3,246,832	\$ (355,779)	\$ 12,000,000	\$ 1,890,822	\$ 3,561,823	\$ 0	\$ 483,436	\$ 20,827,134

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

Exhibit C-4

Obion 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, 2006

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)		\$ 598,065
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those 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	\$ 1,993,269	
Less: current year depreciation expense	<u>(2,122,584)</u>	(129,315)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.		
Less: proceeds received from the disposal of assets	\$ (30,718)	
Less: loss on disposal of capital assets	<u>(10,181)</u>	(40,899)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2006	\$ 989,816	
Less: deferred delinquent property taxes and other deferred June 30, 2005	<u>(356,840)</u>	632,976
(4) The issuance of long-term debt (e.g. notes, capital 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: other loans proceeds	\$ (12,000,000)	
Add: change in premium on debt issuances	23,995	
Less: change in deferred debt issuance costs	(20,166)	
Add: principal payments on other loans	305,000	
Add: principal payments on bonds	<u>1,100,000</u>	(10,591,171)
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Change in accrued interest payable	\$ (40,088)	
Change in compensated absences payable	<u>(10,532)</u>	<u>(50,620)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ (9,580,964)</u>

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

Exhibit D-1

Obion County, Tennessee
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2006

	Business-type Activities
	<u>Major Fund</u>
	Nursing Home
<u>Operating Revenues</u>	
Medicaid Patients	\$ 1,467,984
Private Patients	617,483
Other Revenue	2,631
Total Operating Revenues	<u>\$ 2,088,098</u>
<u>Operating Expenses</u>	
Salaries	\$ 1,242,820
Insurance	156,815
Taxes and Licenses	125,650
Payroll Taxes	95,935
Food	86,018
Utilities	84,023
Legal and Audit Fees	18,411
Medical Supplies	25,592
Retirement Plan	30,309
Miscellaneous Expense	4,309
Repairs and Maintenance	27,055
Medical Directors and Advisory Board Fees	12,600
Dietary Supplies	6,424
Travel and Seminars	8,163
Minor Equipment	25,750
Linen and Laundry Supplies	7,387
Contract Services	8,860
Housekeeping Supplies	5,331
Administrative Supplies and Expenses	9,288
Other Departmental Supplies and Expense	3,741
Dues and Subscriptions	3,768
Extra Labor	45
Maintenance Supplies	1,318
Advertising and Promotion	803
Depreciation	52,538
Total Operating Expenses	<u>\$ 2,042,953</u>
Operating Income	<u>\$ 45,145</u>
<u>Nonoperating Revenues</u>	
Investment Income	<u>\$ 38,140</u>
Total Nonoperating Revenues	<u>\$ 38,140</u>
Income Before Contributions	\$ 83,285
Transfers Out	(900,000)
Change in Net Assets	<u>\$ (816,715)</u>
Net Assets, July 1, 2005	<u>1,641,885</u>
Net Assets, June 30, 2006	<u>\$ 825,170</u>

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

Exhibit D-2

Obion County, Tennessee
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2006

	Business-type Activities <u>Major Fund</u> Nursing Home
<u>Cash Flows from Operating Activities</u>	
Cash Received from Patients	\$ 2,063,682
Cash Paid to Suppliers	(782,111)
Cash Paid to Employees	(1,259,778)
Other Operating Revenue	2,631
Net Cash Provided By (Used In) Operating Activities	<u>\$ 24,424</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Purchase of Capital Assets	\$ (44,849)
Transfers to Other Funds	(900,000)
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>\$ (944,849)</u>
<u>Cash Flows from Investing Activities</u>	
Interest on Investments	\$ 38,140
Principal Liquidations	900,000
Net Cash Provided By (Used In) Investing Activities	<u>\$ 938,140</u>
Increase (Decrease) in Cash	\$ 17,715
Cash, July 1, 2005	<u>308,916</u>
Cash, June 30, 2006	<u>\$ 326,631</u>
<u>Reconciliation of Operating Income</u>	
<u>To Net Cash Provided By Operating Activities</u>	
Operating Income	\$ 45,145
Adjustments to Reconcile Net Operating Income to Net Cash Provided By (Used In) Operating Activities:	
Depreciation	52,538
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(13,216)
(Increase) Decrease in Inventory	(2,188)
Increase (Decrease) in Accounts Payable	(32,328)
Increase (Decrease) in Patients' Trust Fund	479
Increase (Decrease) in Salaries Payable	8,066
Increase (Decrease) in Accrued Annual and Sick Leave	(25,024)
Increase (Decrease) in Advances from Medicaid	<u>(9,048)</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ 24,424</u>
<u>Reconciliation of Cash with Statement of Net Assets</u>	
Equity in Pooled Cash and Investments	<u>\$ 24,424</u>
Cash, June 30, 2006	<u>\$ 24,424</u>

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

Exhibit E-1

Obion County, Tennessee
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2006

	Other Trust Fund	
	Indigent Care Trust	Agency Funds
<u>ASSETS</u>		
Equity in Pooled Cash and Investments	\$ 0	\$ 40,587
Cash	0	1,722,685
Investments	3,525,302	21,780
Accounts Receivable	0	7,567
Due from Other Governments	0	891,170
Property Taxes Receivable	0	1,292,247
Allowance for Uncollectible Property Taxes	0	(43,406)
Notes Receivable - Long-term	0	197,455
Total Assets	<u>\$ 3,525,302</u>	<u>\$ 4,130,085</u>
<u>LIABILITIES</u>		
Due to Other Taxing Units	\$ 0	\$ 2,187,379
Due to Litigants, Heirs, and Others	0	1,942,706
Total Liabilities	<u>\$ 0</u>	<u>\$ 4,130,085</u>
<u>NET ASSETS</u>		
Held in Trust for Indigent Patients' Medical Claims	<u>\$ 3,525,302</u>	

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

Exhibit E-2

Obion County, Tennessee
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Year Ended June 30, 2006

	Other Trust Fund
	<u>Indigent Care Trust</u>
<u>ADDITIONS</u>	
<u>Other Local Revenues</u>	
Investment Income	\$ 54,777
Contributions and Gifts	52,769
Total Additions	<u>\$ 107,546</u>
<u>DEDUCTIONS</u>	
<u>Employee Benefits</u>	
Fiscal Agent Charges	\$ 7,275
Medical Claims	84,621
Total Deductions	<u>\$ 91,896</u>
Change in Net Assets	\$ 15,650
Net Assets, July 1, 2005	<u>3,509,652</u>
Net Assets, June 30, 2006	<u><u>\$ 3,525,302</u></u>

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

OBION COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Obion 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 Obion County:

A. Reporting Entity

Obion County is a public municipal corporation governed by an elected 21-member board. As required by GAAP, these financial statements present Obion County (the primary government) and its component units. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

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

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

The Obion County School Department operates the public school system in the county, and the voters of Obion 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 Obion County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Obion County, and the Obion 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 Obion County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the Obion County School Department are included in this report as listed in the table of contents. Complete financial statements of the Obion County

Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

Obion County Emergency Communications District
P.O. Box 866
Union City, TN 38261-0866

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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The Obion County School Department component unit only reports governmental activities in the government-wide financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Obion County issues all debt for the discretely presented Obion County School Department. Net debt issues (\$12,000,000) were contributed by the county to the School Department during the year ended June 30, 2006.

Separate financial statements are provided for governmental funds, proprietary funds (enterprise), and fiduciary funds. The fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and the major enterprise fund are reported as separate columns in the fund financial statements.

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

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

Fund financial statements of Obion 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/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Obion County only reports one proprietary fund, an enterprise fund.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and the major enterprise fund 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 are reported in total 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. Obion 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.

Proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus (except for agency funds which have no measurement focus) and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Obion 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.

Special Purpose Fund – This fund is used to account for transactions involving the Everett-Stewart Airport.

Other Special Revenue Fund – This fund is used to account for the major portion of the proceeds received by the county from the sale of the county’s hospital. These proceeds may only be expended by a three-fourths majority vote of the County Commission. Interest earnings on these proceeds are to be used at the direction of the County Commission.

Highway/Public Works Fund – This fund accounts for transactions of the county’s Highway Department.

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

General Capital Projects Fund – This fund accounts for debt issued by Obion County that is subsequently contributed to the discretely presented Obion County School Department for construction and renovation projects.

Obion County reports the following major proprietary fund:

Nursing Home Fund – This fund accounts for the operations of the Obion County Nursing Home.

Additionally, Obion County reports the following fund types:

Other Trust Fund – The Indigent Care Trust Fund is used to account for a portion of the proceeds (corpus) received by the county from the sale of the county’s hospital. The income derived from the corpus is to be expended for medical claims of indigent patients of Obion County.

Agency Funds – These funds account for amounts collected in an agency capacity by the constitutional officers, local sales taxes received by the state to be forwarded to the various cities in Obion County, the city school system’s share of educational revenues, and assets held in a custodial capacity for a watershed and special school district. 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 Obion 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.

Education Capital Projects Fund – This fund is used to account for the receipt of debt issued by Obion County and contributed to the School Department for building construction and renovations.

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

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

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

The county trustee maintains a cash and internal investment pool that is used by all funds (excluding the Obion County Public Library, the Everett-Stewart Airport, and the Obion County Nursing Home) and the discretely presented Obion County School Department. 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. In addition, investments are held separately by two of the county's funds. Obion County and the Obion County School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value.

2. Receivables and Payables

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

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 1.7 percent of the total taxes levied.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to

liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. This date is January 1 and is referred to as the lien date. However, revenues from property taxes are recognized in the period for which the taxes are levied, which is the ensuing fiscal year. Since the receivable is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated allowance for uncollectible taxes, is reported as deferred revenue as of June 30.

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current fiscal year. These property taxes receivable are presented on the balance sheet with offsetting deferred revenue to reflect amounts not available as of June 30. Property taxes collected within 30 days of year-end are considered available and accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

Property taxes are levied as of the first Monday in October. Taxes become delinquent and begin accumulating interest and penalty the following March 1. Suit must be filed in Chancery Court between the following February 1 to April 1 for any remaining unpaid taxes. Additional costs attach to delinquent taxes after a court suit has been filed.

Retainage payable in the discretely presented Obion County School Department's Education Capital Projects Fund represents amounts withheld from payments made on construction contracts pending completion of the projects. These amounts are held by the county trustee as Equity in Pooled Cash and Investments.

3. Inventories

Inventories of the General Fund consist of expendable supplies held for consumption and are valued at cost based on the first-in, first out method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

4. 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 and business-type columns 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 one year. 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 and the discretely presented School Department are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	25
Other Capital Assets	5-15
Infrastructure:	
Roads	5-10
Bridges	15-30
Runways	25

Obion County has recognized infrastructure assets acquired after July 1, 2002, in the financial statements of this report, and plans to retroactively report infrastructure assets acquired between July 1, 1980, and June 30, 2002, by the fiscal year ending June 30, 2007.

5. Compensated Absences

It is the policy of the Obion County general government to permit employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to employees upon separation from service. 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 statements for the county. A liability for vacation benefits is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

It is the policy of the discretely presented Obion County School Department to permit the unlimited accumulation of unused sick leave for professional personnel (teachers). There is no liability for unpaid accumulated sick leave since the Obion County School Department does not have a policy to pay any amounts when employees separate from service with the department. Central office, bus garage, and maintenance employees are allowed to accumulate a limited amount of earned but unused vacation benefits, which will be paid to these employees upon separation of service. All vacation pay is accrued when incurred in the government-wide statements for the School Department. A liability for vacation pay is reported in the governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

6. Long-term Obligations

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

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

7. 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.

At June 30, 2006, Obion County had \$17,754,000 in outstanding debt for capital purposes for the discretely presented Obion County School Department. The debt is a liability of Obion County, but the capital assets acquired are reported in the financial statements of the Obion County School Department. Therefore, Obion County has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the county's capital assets.

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Primary Government

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

Discretely Presented Obion County School Department

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

Discretely Presented Obion County School Department

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 Other Special Revenue Fund (special revenue fund) and the Constitutional Officers – Fees Fund (special revenue fund) which are not budgeted, and the capital projects funds, which adopt project length budgets. All annual appropriations lapse at fiscal year end.

The county is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the Obion County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, County Mayor, County Attorney, etc.). Management may make revisions within major categories, but only the Obion 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 the GAAP basis is presented on the face of each budgetary schedule.

B. Fund Deficits

The Education Capital Projects Fund of the discretely presented Obion County School Department had a fund deficit of \$1,287,437 at June 30, 2006. This fund deficit resulted from the unperformed portions of construction contracts of \$1,384,098 being reserved as encumbrances. Funding for these future expenditures is expected to be received from the issuance of debt.

Also, the Special Purpose Fund had a fund deficit of \$355,779 at June 30, 2006. This fund deficit resulted from capital improvement expenditures that exceeded current year revenues. This fund deficit is expected to be liquidated by the receipt of grant funds subsequent to June 30, 2006.

C. Expenditures Exceeded Appropriations

Expenditures exceeded total appropriations approved by the County Commission in the Public Library Fund by \$18,378. Such overexpenditures are a violation of state statute. These overexpenditures were funded from available fund balance.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Obion County (excluding the Obion County Public Library, the Everett-Stewart Airport, and the Obion County Nursing Home) and the Obion County School Department 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 and investments reflected on the balance sheets or statements of net assets represent nonpooled amounts held separately by individual funds.

Deposits

Legal Provisions. All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members

of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

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

Investments

Legal Provisions. Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and the county’s own legally issued bonds or notes. These investments may not have a maturity of greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer’s Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state director of Local Finance and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the market value of the securities on the day of purchase.

Investment Balances. As of June 30, 2006, Obion County had the following investments carried at fair value or cost:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value Or Cost</u>
Other Trust - Indigent Care Trust:		
U.S. Treasury Money Market Fund	On Demand \$	88,238
Federal Home Loan Bank	3-23-07	539,347
Federal Home Loan Bank	12-10-07	494,221
Federal Home Loan Mortgage Corporation	3-3-08	479,220
Federal Farm Credit Bank	4-23-08	387,500
Federal Home Loan Bank	5-20-08	336,766
Federal Home Loan Bank	2-6-10	44,283
Federal Home Loan Bank	3-30-10	126,100
Federal National Mortgage Association	1-28-11	477,446

Investment	Maturities	Fair Value Or Cost
Other Trust - Indigent Care Trust: (Cont.)		
Federal Home Loan Bank	4-18-11	\$ 470,103
Federal Home Loan Bank	3-28-12	82,078
Constitutional Officers - Agency Fund:		
U.S. Savings Bonds - Series EE	On Demand	<u>21,780</u>
Total		<u>\$ 3,547,082</u>

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State statutes limit the maturities of certain investments as previously disclosed. Obion County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Obion County has no investment policy that would further limit its investment choices. Obion County's investments with the Federal Home Loan Bank, Federal National Mortgage Association, Federal Farm Credit Bank, and Federal Home Loan Mortgage Corporation are government sponsored enterprises that are independent organizations not backed by the full faith and credit of the federal government and, therefore the county could lose its investments if these enterprises were to fail. These investments were rated Aaa by Moody's Investor's Service and AAA by Standard & Pors.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the county's investment in a single issuer. Obion County places no limit on the amount the county may invest in one issuer. More than five percent of the county's investments are in the Federal Home Loan Bank (60%), the Federal National Mortgage Association (13%), the Federal Farm Credit Bank (11%), and the Federal Home Loan Mortgage Corporation (14%).

Custodial Credit Risk. Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the county will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Obion County does not have a formal policy that limits custodial credit risk for investments. Of the county's \$3,547,082 in investments, the underlying securities for \$3,437,064 have a custodial credit risk exposure because the securities are uninsured, unregistered, and held by the county's financial agent which is also the

counterparty for these investments.

B. Notes Receivable

Notes receivable in the Constitutional Officers - Agency Fund (fiduciary fund) consist of scholarship loans of \$197,455 in the Clerk and Master's Office.

During the 1996-97 fiscal year, the Obion County Commission authorized a \$3.5 million loan to the Union City Industrial Development Board for the construction of a project for Tyson Foods, Inc., to build a hatchery, chicken processor, waste water treatment plant, and other facilities. This loan was made from the Other Special Revenue Fund, which is used to account for the major portion of the proceeds received by the county from the sale of the Obion County Hospital. The Union City Industrial Development Board signed a promissory note to repay Obion County the loan plus interest at 9.395 percent per annum over a period of 18 years. The notes receivable of \$2,073,406 in the Other Special Revenue Fund represent the outstanding balance on this loan at June 30, 2006.

C. Capital Assets

Capital asset activity for the year ended June 30, 2006, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-05	Increases	Decreases	Balance 6-30-06
Capital Assets Not Depreciated:				
Land	\$ 3,469,951	\$ 4,663	\$ (25,232)	\$ 3,449,382
Construction in Progress	387,790	810,282	(387,790)	810,282
Total Capital Assets Not Depreciated	\$ 3,857,741	\$ 814,945	\$ (413,022)	\$ 4,259,664
Capital Assets Depreciated:				
Buildings and Improvements	\$ 10,551,579	\$ 700,032	\$ 0	\$ 11,251,611
Infrastructure	27,728,642	7,290	0	27,735,932
Other Capital Assets	5,464,193	858,792	(181,060)	6,141,925
Total Capital Assets Depreciated	\$ 43,744,414	\$ 1,566,114	\$ (181,060)	\$ 45,129,468

Governmental Activities: (Cont.)

	Balance 7-1-05	Increases	Decreases	Balance 6-30-06
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 2,883,002	\$ 415,462	\$ 0	\$ 3,298,464
Infrastructure	18,256,507	1,124,922	0	19,381,429
Other Capital Assets	4,185,970	582,200	(165,393)	4,602,777
Total Accumulated Depreciation	<u>\$ 25,325,479</u>	<u>\$ 2,122,584</u>	<u>\$ (165,393)</u>	<u>\$ 27,282,670</u>
Total Capital Assets Depreciated, Net	<u>\$ 18,418,935</u>	<u>\$ (556,470)</u>	<u>\$ (15,667)</u>	<u>\$ 17,846,798</u>
Governmental Activities Capital Assets, Net	<u>\$ 22,276,676</u>	<u>\$ 258,475</u>	<u>\$ (428,689)</u>	<u>\$ 22,106,462</u>

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

Governmental Activities:

General Administration	\$ 53,327
Finance	3,386
Administration of Justice	12,458
Public Safety	320,231
Public Health and Welfare	14,044
Social, Cultural, and Recreational Services	133,740
Other Operations	366,193
Highways/Public Works	<u>1,219,205</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 2,122,584</u></u>

Discretely Presented Obion County School Department

Governmental Activities:

	Balance 7-1-05	Increases	Balance 6-30-06
Capital Assets Not Depreciated:			
Land	\$ 630,281	\$ 0	\$ 630,281
Construction in Progress	4,071,568	11,882,053	15,953,621
Total Capital Assets Not Depreciated	\$ 4,701,849	\$ 11,882,053	\$ 16,583,902
Capital Assets Depreciated:			
Buildings and Improvements	\$ 35,209,917	\$ 0	\$ 35,209,917
Infrastructure	719,098	13,700	732,798
Other Capital Assets	4,767,559	258,220	5,025,779
Total Capital Assets Depreciated	\$ 40,696,574	\$ 271,920	\$ 40,968,494
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 18,780,155	\$ 1,372,804	\$ 20,152,959
Infrastructure	616,073	11,410	627,483
Other Capital Assets	2,099,571	302,383	2,401,954
Total Accumulated Depreciation	\$ 21,495,799	\$ 1,686,597	\$ 23,182,396
Total Capital Assets Depreciated, Net	\$ 19,200,775	\$ (1,414,677)	\$ 17,786,098
Governmental Activities Capital Assets, Net	\$ 23,902,624	\$ 10,467,376	\$ 34,370,000

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

Governmental Activities:

Instruction	\$ 1,232,956
Support Services	373,956
Operation of Non-Instructional Services	<u>79,685</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,686,597</u>

D. Construction Commitments

At June 30, 2006, the county had uncompleted construction contracts of \$1,384,098 in the Education Capital Projects Fund for the school building program in the discretely presented Obion County School Department. Funding is expected to be received for these future expenditures from the issuance of debt.

E. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2006, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
Primary Government:		
General	Nonmajor governmental	\$ 28,456
Discretely Presented Obion County School Department:		
General Purpose School	Nonmajor governmental	21,428
Nonmajor governmental	General Purpose School	4,336

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

Interfund Transfers:

Interfund transfers for the year ended June 30, 2006, consisted of the following amounts:

Primary Government

Transfers Out	Transfers In			
	General Fund	Special Purpose Fund	General Debt Service Fund	Nonmajor Governmental Funds
General Fund	\$ 0	\$ 60,000	\$ 71,935	\$ 418,583
Nursing Home Fund	900,000	0	0	0
Total	\$ 900,000	\$ 60,000	\$ 71,935	\$ 418,583

Discretely Presented Obion County School Department

	<u>Transfers In</u>
Transfers Out	General Purpose School Fund
Nonmajor Governmental Funds	\$ 341
Total	<u>\$ 341</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

F. Long-term Debt

Primary Government

General Obligation Bonds, Notes, and Other Loans

The county issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities. In addition, general obligation bonds have been issued to refund other general obligation bonds.

General obligation bonds and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds and other loans outstanding were issued for original terms of up to five years for bonds and up to 27 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 general obligation bonds and other loans included in long-term debt as of June 30, 2006, will be retired from the General Debt Service Fund.

General obligation bonds and other loans outstanding as of June 30, 2006, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-06
General Obligation Bonds - Refunding	2 to 3.5%	\$ 5,195,000	\$ 2,335,000
Other Loans	variable	19,919,000	17,619,000

In prior years, Obion County entered into loan agreements with the Public Building Authority of Sevier County and the Montgomery County Public Building Authority. These loan agreements provided for the authorities to make \$4,500,000 and \$17,000,000 available for loan to Obion County on an as-needed basis for various renovation and construction projects. Obion County has borrowed the entire amount of the \$4,500,000 loan and has borrowed \$15,419,000 of the \$17,000,000 loan. These loans are repayable at interest rates that are tax-exempt variable rates determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the county pays various other fees (trustee, letter of credit, and debt remarketing) in connection with these loans. At June 30, 2006, the variable interest rates were four and 3.7 percent, respectively, and other fees amounted to approximately .49 percent and .36 percent, respectively, of the outstanding loan principal.

The annual requirements to amortize all general obligation bonds and other loans outstanding as of June 30, 2006, including interest payments and other fees, are presented in the following table:

Year Ending June 30	Bonds	
	Principal	Interest
2007	\$ 1,145,000	\$ 67,188
2008	1,190,000	35,700
Total	<u>\$ 2,335,000</u>	<u>\$ 102,888</u>

Year Ending June 30	Other Loans (\$4,500,000)			
	Principal	Interest	Other Fees	Total
2007	\$ 325,000	\$ 88,000	\$ 10,780	\$ 423,780
2008	340,000	75,000	9,188	424,188
2009	355,000	61,400	7,522	423,922
2010	375,000	47,200	5,782	427,982
2011	395,000	32,200	3,945	431,145
2012	410,000	16,400	2,009	428,409
Total	<u>\$ 2,200,000</u>	<u>\$ 320,200</u>	<u>\$ 39,226</u>	<u>\$ 2,559,426</u>

Year Ending June 30	Other Loans (\$15,419,000)			Total
	Principal	Interest	Other Fees	
2007	\$ 436,000	\$ 570,503	\$ 55,508	\$ 1,062,011
2008	452,000	554,371	53,939	1,060,310
2009	468,000	537,647	52,312	1,057,959
2010	484,000	520,331	50,627	1,054,958
2011	501,000	502,423	48,884	1,052,307
2012-2016	2,779,000	2,220,925	216,090	5,216,015
2017-2021	3,302,000	1,669,329	162,421	5,133,750
2022-2026	3,921,000	1,014,281	98,687	5,033,968
2027-2031	3,076,000	257,964	25,099	3,359,063
Total	\$ 15,419,000	\$ 7,847,774	\$ 763,567	\$ 24,030,341

There is \$3,561,823 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$72, based on the 2000 federal census. Debt per capita, including bonds and other loans, totaled \$615, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2006, was as follows:

Governmental Activities:

	Bonds	Other Loans
Balance, July 1, 2005	\$ 3,435,000	\$ 5,924,000
Additions	0	12,000,000
Deductions	(1,100,000)	(305,000)
Balance, June 30, 2006	<u>\$ 2,335,000</u>	<u>\$ 17,619,000</u>
Balance Due Within One Year	<u>\$ 1,145,000</u>	<u>\$ 761,000</u>
		Compensated Absences
Balance, July 1, 2005		\$ 186,748
Additions		268,050
Deductions		(257,518)
Balance, June 30, 2006		<u>\$ 197,280</u>
Balance Due Within One Year		<u>\$ 10,617</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2006	\$ 20,151,280
Less: Balance Due Within One Year	(1,916,617)
Add: Unamortized debt premium	<u>45,591</u>
Noncurrent Liabilities - Due In More Than One Year - Exhibit A	<u><u>\$ 18,280,254</u></u>

Compensated absences will be paid from the employing funds, primarily the General Fund and the Highway/Public Works Fund.

Discretely Presented Obion County School Department

Changes in Long-term Liabilities

Long-term liability activity for the discretely presented Obion County School Department for the year ended June 30, 2006, was as follows:

Governmental Activities:

	<u>Compensated Absences</u>
Balance, July 1, 2005	\$ 68,984
Additions	90,501
Deductions	<u>(82,064)</u>
Balance, June 30, 2006	<u><u>\$ 77,421</u></u>
Balance Due Within One Year	<u><u>\$ 3,871</u></u>

Compensated absences will be paid from the employing funds, primarily the General Purpose School Fund.

G. Extraordinary Item

During the 2005-06 year, the discretely presented Obion County General Purpose School Fund received insurance recovery funds totaling \$163,439 due to hail damage.

V. OTHER INFORMATION

A. Risk Management

The county and the discretely presented Obion County School Department are exposed to various risks related to general liability, property, casualty,

workers' compensation, health, and accident. Obion County, except for the airport, library and nursing home, decided it was more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for general liability, property, casualty, and workers' compensation coverage. Obion County and the discretely presented School Department joined the Tennessee School Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by an association of member school districts. Obion County and the discretely presented School Department pay annual premiums to the TSB-RMT for their general liability, property, casualty, and workers' compensation insurance coverage. The creation of TSB-RMT provides for it to be self-sustaining through member premiums. Obion County and the discretely presented School Department also participate in the Tennessee State Insurance System public entity risk pools as opposed to purchasing commercial health insurance for these risks. This pool is to be self-sustaining through member premiums.

B. Accounting Changes

For the year ended June 30, 2006, Obion County adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries. GASB Statement No. 42 requires governments to report the effects of capital asset impairments in their financial statements when they occur rather than as a part of the ongoing depreciation expense for the capital asset or upon disposal of the capital asset. In addition, GASB Statement No. 42 clarifies and establishes accounting requirements for insurance recoveries.

The provisions of GASB Statement No. 44, Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1) became effective for the year ended June 30, 2006. GASB Statement No. 44 applies to the preparation of the statistical section. State and local governments may, but are not required to, prepare a statistical section to accompany basic financial statements. However, a statistical section is required to accompany a comprehensive annual financial report. Since Obion County is not presenting a comprehensive annual financial report, it has elected not to prepare a statistical section. A limited statistical section was presented in the prior year's report. GASB Statement No. 44 amends guidance related to the preparation of the statistical section. This statement improves the understandability and usefulness of statistical information by addressing the comparability problems that have developed in practice and by adding information from the new financial reporting model for state and local governments required by GASB Statement No. 34. GASB Statement No. 44 establishes the objectives of the statistical section and the five categories it contains: financial trends, revenue capacity, debt capacity, demographic and economic, and operating. It is reasonably expected that Obion County will prepare and present a statistical section in subsequent years that follows the requirements of GASB Statement No. 44.

The provisions of GASB Statement No. 46, Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34 became effective for the year ended June 30, 2006. GASB Statement No. 46 provides guidance to determine when net assets have been restricted to a particular use by the passage of enabling legislation and specifies how those net assets should be reported in financial statements when there are changes in the circumstances surrounding such legislation. The statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation as of the end of the reporting period. Obion County had no net assets restricted by enabling legislation to disclose as of June 30, 2006. But it is reasonably expected that Obion County will be required to disclose net assets restricted by enabling legislation in subsequent years.

The provisions of GASB Statement No. 47, Accounting for Termination Benefits became effective for the year ended June 30, 2006. GASB Statement No. 47 provides accounting and reporting guidance for state and local governments that offer benefits such as early retirement incentives or severance to employees who are involuntarily terminated. Statement No. 47 specifies when governments should recognize the cost of termination benefits they offer in accrual basis financial statements. Obion County was not offering any termination benefits to employees as of June 30, 2006. But it is reasonably expected that Obion County will offer termination benefits in subsequent years subject to the accounting and reporting requirements of GASB Statement No. 47.

C. Subsequent Events

On July 1, 2006, Lonnie Grady left the Office of Director of Schools and was succeeded by Vinson Thompson.

On August 1, 2006, Vinson Thompson left the Office of Director of Schools and was succeeded by David Huss.

On August 1, 2006, Obion County drew \$1,200,000 in additional loans from the Montgomery County Public Building Authority on the \$17,000,000 issue that was approved for school construction.

On August 21, 2006, the Obion County Board of County Commissioners approved guaranteeing a \$410,000 rural development loan for the Northwest Tennessee Regional Port Authority. The funds are expected to be borrowed in the next few months with no interest or payments due for two years from the date of indebtedness. If the port is not operational in that period of time, Obion County has guaranteed to pay 25 percent of the debt payments with Lake County paying 50 percent and Dyer County paying 25 percent.

On August 31, 2006, Gaylon Long left the Office of County Mayor and was succeeded by Benny McGuire.

On October 5, 2006, Obion County drew the remaining \$381,000 in loans from the Montgomery County Public Building Authority on the \$17,000,000 issue that was approved for school construction.

On February 2, 2007, Obion County issued capital outlay notes totaling \$1,000,000 for school construction.

D. Contingent Liabilities

The county is involved in two pending lawsuits. The county's attorney estimates that the potential claims not covered by insurance resulting from such litigation would not materially affect the county's financial statements.

E. Joint Venture

Obion County is a participant with Lake and Dyer counties in a multi-county entity known as the Northwest Tennessee Regional Port Authority. This entity was created to operate and maintain a port to be located in Lake County on the Mississippi River. A board is appointed by the participating counties with the mayors of each county serving as ex-officio members. The board comprises eight members, four of whom are appointed by the Lake County Commission, two by the Obion County Commission, and two by the Dyer County Commission. Obion County has control over budgeting and financing of the joint venture only to the extent of representation by the two board members appointed. In May 2004, the port authority approved borrowing \$2.2 million for the construction of the port. In August 2006, the port authority approved borrowing an additional \$410,000 for additional construction costs. The Obion County Commission has approved paying the interest payments on 25 percent of this debt until such time as the port authority has revenue to make the payments, estimated to be at least two years. This entity has yet to begin operations or issue this debt; therefore, there is no financial activity to report.

F. Retirement Commitments

Plan Description

Employees of Obion 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 Obion 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 www.treasury.state.tn.us. Copies of footnotes in PDF format can be accessed at <http://www.treasury.state.tn.us/tcrs/PS/>.

Funding Policy

Obion County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2006, was 3.89 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Obion County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2006, Obion County's annual pension cost of \$318,403 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2003, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), and (c) projected 3.5 percent annual increase in the Social Security wage base. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Obion County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was ten years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-06	\$318,403	100%	\$0
6-30-05	317,225	100	0
6-30-04	198,419	100	0

Schedule of Funding Progress

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll ((b-a)/c)
	(a)	(b)	(b) - (a)	(a/b)	(c)	
6-30-05	\$14,565	\$15,050	\$485	96.78%	\$8,103	5.99%
6-30-03	13,357	13,903	546	96.07	7,602	7.18
6-30-01	12,272	12,920	648	94.98	7,103	9.12

SCHOOL TEACHERS

Plan Description

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

Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.treasury.state.tn.us. Copies of footnotes in PDF format can be accessed at <http://www.treasury.state.tn.us/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, 2006, was 5.5 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, 2006, 2005, and 2004, were \$680,661, \$684,026, and \$398,819, respectively, equal to the required contributions for each year.

G. Purchasing Laws

Office of County Mayor

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

Office of Highway Superintendent

Purchasing procedures for the Highway Department are governed by provisions of the Uniform Road Law, Section 54-7-113, TCA, which provides for purchases exceeding \$10,000 to be made after public advertisement and solicitation of competitive bids.

Office of Director of Schools

Purchasing procedures for the discretely presented Obion County School Department are governed by purchasing laws applicable to schools as set forth in Section 49-2-203, TCA, which provides for the Board of Education, through its executive committee (director of schools and 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.

VI. OTHER NOTES – OBION COUNTY PUBLIC LIBRARY (SPECIAL REVENUE FUND)

A. Summary of Significant Accounting Policies

The Obion County Public Library is a public library, which receives its funding from Union City and Obion County, Tennessee, governments.

The Obion County Public Library is considered to be a fund of the primary government of Obion County, Tennessee, according to criteria set forth in Governmental Accounting Standards Board Statement No. 14.

The financial statements of the library have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below.

1. Reporting Entity

The library, for financial reporting purposes, includes all of the funds relevant to the operations of the Obion County Public Library. The financial statements presented herein do not include any other agencies, organizations, or component units.

2. Government-Wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the library as a whole. Individual funds are not displayed but the statements include governmental activities generally supported by local government appropriations.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include revenues from city and county appropriations, fines and fees, memorials and gifts, capital grants, and gifts. The memorials and gifts include operating – specific and discretionary (either operating or capital) grants while the capital

grants and gifts reflect capital-specific grants and gifts. Other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental funds.

3. Measurement Focus, Basis of Accounting, and Financial Statements Presentation

The financial statements of the library are prepared in accordance with generally accepted accounting principles (GAAP). The library's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The library considers revenues to be available if they are collected within 30 days after fiscal year end. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest, if any, which are reported as expenditures in the year due.

The library reports the following funds:

Governmental Funds:

Public Library Fund – This fund accounts for all financial resources applicable to the general operations of the library that are not properly accounted for in another fund. Revenues are derived primarily from appropriations from Union City, Tennessee, and Obion County, Tennessee.

Public Library Capital Projects Fund – This fund accounts for the acquisition or construction of capital projects. Revenues are derived primarily from public donations.

4. **Budget Policy and Budgetary Data**

The library follows these procedures in establishing the budgetary data reflected in the financial statements:

The library adopts an annual budget for the Public Library Fund which is prepared in accordance with the basis of accounting used by that fund. Any revisions that alter total expenditures must be approved by the board. The budget, as originally approved and amended, is presented in the Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual.

Major capital facilities and improvements, which are accounted for by the library within the Public Library Capital Projects Fund, are subject to budgetary control on a project basis. Appropriations for a specific project do not lapse until completion of the project. Because of the project nature of these funds, budgetary comparison statements on an annual basis do not provide meaningful information and, accordingly, are not presented in the accompanying financial statements.

5. **Assets, Liabilities, and Fund Equity**

a. **Cash**

Cash includes cash on hand, amounts due from banks, interest-bearing deposits at various financial institutions, and short-term investments with an original maturity of three months or less.

b. **Investments**

Investments are stated at cost or carrying value, which approximate fair value and are made up of certificates of deposit with original maturities or more than three months.

c. **Restricted Assets**

Gifts and donations given for specific purposes have been invested in certificates of deposit and are classified as restricted because their use is limited by the terms of the gift.

d. **Fund Balance**

Governmental funds report reservations of fund balance in the fund financial statements for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent management plans that are subject to change.

6. Revenues and Expenditures

Substantially all governmental fund revenues are accrued. Expenditures are recognized when the related fund liability is incurred.

a. Compensated Absences

Compensation for accumulated vacation days was not considered material and has not been recorded as a liability.

The library permits the accumulation of a maximum of 30 days sick leave for employees. Employees are not paid for unused sick days upon termination of employment. Accordingly, sick pay is charged to expenditures when taken. No provision has been made in the financial statements for unused sick leave.

b. 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, liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

7. Net Assets

The government-wide fund financial statements utilize a net asset presentation. Net assets are categorized as invested in capital assets, restricted and unrestricted.

Invested in Capital Assets – is intended to reflect the portion of net assets that is associated with non-liquid capital assets.

Restricted Net Assets – represent net assets that have third party limitations on their use. The library's policy is generally to use restricted net assets first, as appropriate opportunities arise.

Unrestricted Net Assets – represent unrestricted net assets. While management may have categorized and segmented portions for various purposes, the library has the unrestricted authority to revisit or alter these managerial decisions.

B. Stewardship, Compliance, and Accountability

Compliance with Finance Related Legal and Contractual Provisions

Except as noted below, the library incurred no material violations of finance related legal and contractual provisions.

Excess of Expenditures Over Appropriations in Individual Funds

For the year ended June 30, 2006, the Public Library Fund's expenditures exceeded appropriations approved by the Obion County Commission by \$18,378. Such overexpenditures are a violation of state statute.

C. Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the library's deposits may not be returned or the library will not be able to recover collateral securities in the possession of an outside party. The library requires deposits to be secured by collateral valued at market or par, whichever is lower, less the amount covered by the Federal Deposit Insurance Corporation (FDIC).

At year end the book balance of the library's deposits was \$317,538 and the bank balance was \$341,244. Of the bank balance, \$219,431 is covered by federal depository insurance and \$121,813 by collateral held by the Tennessee Bank Collateral Pool.

D. Employee Retirement Plan

A salary reduction 403(b)(7) retirement plan has been adopted by the Library Board. The library does not contribute to the plan and participation in the plan is voluntary. Two employees participate in the plan.

E. Retirement Commitments

1. Plan Description

Certain employees of the Obion County Public Library are members of the Tennessee Consolidated Retirement System (TCRS), an agent multiple-employer public employee retirement system (PERS) that acts as a common investment and administrative agent for political subdivisions in the state. Obion County Public Library's payroll for employees covered by the TCRS for the year ended June 30, 2006, was \$173,052.

The TCRS is a defined benefit retirement plan covering teachers and general employees of the state as well as employees of political subdivisions that have elected coverage. Membership in the system is

mandatory for state employees, teachers, and employees of participating political subdivisions. The TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's highest five-year average salary and years of service. Members become eligible to retire at the age of 60 with ten years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at age 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 on or after July 1, 1979, become vested after ten years of service and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established and amended by state statute.

Obion County Public Library is contributory whereby the employee contributes five percent of his/her earnable compensation and the employer is responsible for the remaining contribution.

State statutes allow a political subdivision to become noncontributory if its governing body passes a resolution to that effect.

2. Funding Status

The Obion County Public Library contributed \$6,731 which is 3.89 percent of the total covered payroll. The employees contributed \$8,653 which is five percent of the total covered payroll.

For the year ended June 30, 2005, Obion County Public Library contributed \$6,697, which is 3.65 percent of the total covered payroll, and for the year ended June 30, 2004, \$3,913 was contributed, which was 2.48 percent.

F. Risk Management

Significant losses are covered by commercial insurance for all major programs. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

VII. OTHER NOTES – EVERETT-STEWART AIRPORT (SPECIAL REVENUE FUND)

A. Summary of Significant Accounting Policies

1. Reporting Entity

The Everett-Stewart Airport is a special revenue fund of Obion County, Tennessee. It is governed by a separate board which is appointed by the County Commission.

2. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of Everett-Stewart Airport are presented as a special revenue fund. As a special revenue fund, the Everett-Stewart Airport falls under the governmental fund category. Special revenue funds account for the proceeds of specific revenue sources that are legally restricted for specified purposes.

The accompanying 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 are 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. The airport has determined a period of availability of 60 days after the end of the current fiscal period. Grant funds, where expenditure is the prime factor for determining eligibility, are recognized as revenue when the expenditure is made. Grant proceeds received after the 60-day period of availability were recorded as deferred revenue. Expenditures are recorded when the related liability is incurred, as under modified accrual accounting.

Revenues from local sources consist primarily of rental income from land leased to farmers and hangar space rented to various individuals. Proceeds from leased farm land are based on crop production; thus, they are recognized when received because they are not generally measurable until actually received. Hangar rental income is recognized when susceptible to accrual.

The airport's Board of Directors approves and submits a budget to the Obion County Commission for their ratification. The county is required by state statute to adopt annual budgets. The airport budget, as a special revenue fund, is prepared on the premise that current available funds must be sufficient to meet current expenditures. Expenditures may not legally exceed appropriations authorized by the County Commission, including any authorized revisions. Unexpended appropriations lapse at the end of each year. The budgetary level of

control is at the major category level. Management may make revisions within major categories, but only the Obion County Commission may transfer appropriations between major categories. The airport's budgetary basis of accounting is the cash basis, which is common for governmental funds. The difference in the budgetary basis and the modified accrual basis (GAAP) have been noted on the face of the budgetary comparison schedule.

3. Assets, Liabilities, and Fund Balance

a. Deposits and Investments

State statutes authorize the airport to invest in certificates of deposit, obligations of the U.S. Treasury, agencies and instrumentalities, obligations by the U.S. government or its agencies, repurchase agreements, as approved by the state director of Local Finance, and the state's local government investment pool.

b. Accounts Receivable and Due From Grantor

Accounts receivable represent amounts due for fuel and electric services. Due from grantor includes amounts requested from the grantor for expenditures incurred prior to year end but not received.

c. Compensated Absences

The airport's obligation for employees' rights to receive compensation for future absences, such as vacation, was not material as of June 30, 2006, and thus, is not recognized in the accompanying financial statements.

d. Fund Balance

Governmental funds report all funds that have not been restricted or designated as unreserved.

B. Detailed Notes on Accounts

1. Deposits and Investments

Custodial Credit Risk – The airport's policies limit deposits and investments to those instruments allowed by applicable state laws as described in VII.A.1. State statute require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105 percent of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance of the Tennessee Bank Collateral Pool, by collateral held by the airport's agent in the airport's name, or by the Federal Reserve

Banks acting as third party agents. State statutes also authorize the airport to invest in bonds, notes, or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, the state pooled investment fund, and mutual funds. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2006, all bank deposits were fully collateralized or insured.

2. Deficit Fund Balance

The airport began a large construction project financed with a reimbursement type grant. Most of the expenditures were incurred at the end of the fiscal year which resulted in the accrual of payables to the contractors. In accordance with GASB 33, the corresponding grant receivables were recorded as due from grantor; however, most of the funds were not received during the 60-day period of availability determined by the entity. The requests that were determined to be unavailable to pay current expenditures were recorded as deferred revenue. The deferral resulted in a deficit fund balance of \$355,779. Prior to the issue of this audit report, most of the funds had been received.

3. Expenditures in Excess of Appropriations

Airport expenditures exceeded the appropriated amounts for several line items. The total expenditures, however, did not exceed total appropriations.

C. Other Information

1. Grant Contracts

There was a grant contract between Obion County and the Tennessee Department of Transportation during the year ended June 30, 2006. This contract was related to airport maintenance and obligated the State of Tennessee to reimburse 50 percent of the cost of qualified expenditures up to a maximum of \$13,500. The airport incurred eligible expenses to receive reimbursement of \$11,788 during the year ended June 30, 2006.

During the year, Obion County also had a contract with the Tennessee Department of Transportation to pay for engineering design and construction for taxiway improvements, commencing October 1, 2004, and ending September 30, 2009. The State of Tennessee would reimburse 90 percent of expenses incurred during the current year,

federal expenses for this contract totaled \$549,342, and local expenditures were \$60,940.

2. Operating Leases

Farm Land - The airport leases 614 acres of farm land to six area farmers and charges a flat rental fee. The rental income for the year ended June 30, 2006, was \$87,672. The farm land is leased on a year-to-year basis; therefore, no long-term lease commitments are presented.

Land - The airport entered into an agreement on May 18, 1999, to lease land to Vaughn Electric Company, Inc., for the construction of a private hanger. The term of the lease is 20 years, with an option to renew the lease for an additional term of ten years. At the expiration of the lease agreement or the option period, the building will become the property of the Obion County Airport Commission. Lease income for the year ended June 30, 2006, was \$300. The future minimum lease payment to be received for the remaining term of the lease is \$300 per fiscal year.

Buildings - On September 14, 1992, Obion County, Tennessee, acting through the Obion County Airport Commission, entered into a general fixed base operator's lease agreement and contract with West Tennessee Aviation, Inc. This agreement was modified in May 2002, which terminated West Tennessee Aviation's right to operate as a general fixed base operator and the right to dispense fuel. The agreement allows the corporation to lease space in the maintenance hangar with lean-to until December 31, 2007, with the option to renew the lease for two terms of five years each. The monthly rent of \$1,400 was effective January 1, 2006.

The airport entered into a lease agreement with Jo-Aire, LLC. This agreement allows the company (1) the use of the fuel dispensing equipment and the right to dispense fuel and (2) the right to operate as a general fixed based operator for a period of ten years with a ten-year option for renewal at that time. Jo-Aire, LLC also began leasing a portion of one of the airport's north hangars. Beginning July 2004, Jo-Aire, LLC began paying a \$200 per month lease fee. This amount will be negotiated at the end of the third year and again at the end of the ten years.

Larry Russell of Russell's Flying Service entered into an agreement to lease a portion of the north hangar for \$350 per month. The lease is in effect from January 1, 2004, to January 31, 2009, with an option to renew for an additional five years.

Lease income from these buildings for the year ended June 30, 2006, was \$23,765. The future minimum lease payments to be received under the operating leases described above for the next five fiscal years are:

Year Ending June 30	Amount
2007	\$ 15,286
2008	6,900
2009	5,150
2010	2,700
2011	2,700

3. Long-term Agreements

Obion County, Tennessee, entered into a contract with the State of Tennessee on September 12, 1988, for the establishment and maintenance of an Automated Weather Observation System (AWOS) at Everett-Stewart Airport. The state agreed to purchase, install, and maintain the equipment necessary for the AWOS, and the county agreed to provide the site, electrical power source, electrical power service, telephone service installation and telephone service, for a period of 20 years at no cost to the state.

Obion County, Tennessee, entered into a contract with the Federal Aviation Administration on March 10, 2000, for the installment and maintenance of an Instrument Landing System (ILS) at Everett-Stewart Airport. The FAA agreed to purchase, install, and maintain the equipment necessary for the ILS, and the county agreed to provide the site.

4. Risk Management

The airport is exposed to various risks related to general liability, property, casualty losses, and workers' compensation. The airport carries commercial insurance to limit its risks from liability. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. All other risks of loss are covered through the general policies of Obion County. The county bills the airport for its proportionate share of the premiums.

5. Prior-period Adjustment

A prior-period adjustment was made to record grant expenditures that should have been recorded in the prior year. The adjustment included a reduction to fund balance for \$37,271 for grant receipts that should have been recognized as revenue in the previous year and a reduction

to fund balance for \$12,500 for revenue that was recognized that should not have been. There was also an increase in fund balance of \$2,676 for prepaid matching funds that should have been recognized in the prior year.

6. Subsequent Events

Obion County entered into an agreement with Weakley County to establish a jointly operated regional airport. As authorized by Tennessee Code Annotated 42-5-201, the Everett-Stewart Regional Airport was established December 1, 2006. The agreement states that the land and other capital assets, including improvements, will continue to be owned by Obion County; however, the funding of airport operations will be jointly funded and managed by both counties.

VIII. OTHER NOTES – OBION COUNTY NURSING HOME (ENTERPRISE FUND)

A. Summary of Significant Accounting Policies

1. Reporting Entity

The Obion County Nursing Home is an enterprise fund of Obion County, Tennessee.

2. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Obion County Nursing Home accounts for its financial position and results of operations in accordance with generally accepted accounting principles applicable to governmental units. Generally accepted accounting principles for proprietary fund types are those applicable to similar businesses in the private sector; and the measurement focus is on the determination of net income, financial position, and cash flows. Proprietary fund types are accounted for on the accrual basis, whereby income is recognized as it is earned, and expenses are recognized as they are incurred, whether or not cash is received or paid out at that time. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB Statement No. 20 gives governments the option of applying all Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989, to its proprietary funds, unless they conflict with or contradict GASB pronouncements. The county has elected not to implement FASB statements and interpretations issued thereafter, unless they are adopted by GASB.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally

result from providing services and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the nursing home are charges for patient services. Operating expenses for the enterprise funds include general and administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The nursing home's Board of Directors approves a nonappropriatory budget annually as a management tool. Proprietary funds are not required to adopt annual budgets.

3. Assets, Liabilities, and Fund Balance

a. Deposits and Investments

The nursing home's cash on hand and in bank is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of inception.

State statutes authorize the nursing home to invest in certificates of deposit, obligations of the U.S. Treasury, agencies and instrumentalities, obligations by the U.S. government or its agencies, repurchase agreements, as approved by the state director of Local Finance, and the state's local government investment pool.

b. Accounts Receivable

An allowance for doubtful accounts has not been recorded in these financial statements. The direct write-off of bad accounts is made at intervals during each fiscal year. This method, although not recognized by generally accepted accounting principles, does not materially distort the presentation of the financial statements. There was no bad debt expense for the year ended June 30, 2006.

c. Inventory

At June 30, 2006, inventory was counted and valued at current replacement cost by management. Although this method is not recognized by generally accepted accounting principles, it does not materially distort the presentation of the financial statements.

d. Capital Assets

Capital assets are stated at cost, with the exception of the original building, which is recorded at estimated cost. The original building had an estimated cost of \$93,392, which was fully depreciated at June 30, 2006. Depreciation of capital assets is computed using

the straight-line method over the estimated useful lives of the assets. A summary of capital assets appears on the statement of net assets.

e. Compensated Absences

Accumulated unpaid annual leave and sick leave are accrued at fiscal year end. At June 30, 2006, annual leave totaled \$11,473, with all considered current. All sick leave accumulated as of June 30 will be taken or paid by November 30; consequently, the entire balance of \$7,154 accrued as of June 30, 2006, was classified as short-term.

f. Net Assets

Equity is classified as net assets and displayed in the following components:

Invested in capital assets, net of related debt – Consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any payables that are attributable to the acquisition, construction, or improvement of those assets.

Unrestricted – All other net assets that do not meet the description of the above categories.

B. Detailed Notes on Accounts

1. Deposits and Investments

The nursing home has implemented Governmental Accounting Standards Board (GASB) Statement No. 40, Deposit and Investment Risk Disclosures for financial reporting of deposit and investment risks.

Custodial Credit Risk - The nursing home's policies limit deposits and investments to those instruments allowed by applicable state laws and described in VIII.A.1. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105 percent of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the nursing home's agent in the nursing home's name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the nursing home to invest in bonds, notes, or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan association, repurchase agreements utilizing obligations of the United States or its

agencies as the underlying securities, the state pooled investment fund, and mutual funds. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2006, all bank deposits were fully collateralized or insured.

2. Capital Assets

Capital assets activity during the year was as follows:

Description	Balance 7-1-05	Additions	Balance 6-30-06
Capital Assets Being Depreciated			
Land Improvements	\$ 12,745	\$ 0	\$ 12,745
Buildings and Improvements	911,928	0	911,928
Moveable Equipment	150,070	44,849	194,919
Other Assets	107,764	0	107,764
Total Capital Assets Being Depreciated	\$ 1,182,507	\$ 44,849	\$ 1,227,356
Less Accumulated Depreciation			
Land Improvements	\$ 12,745	\$ 0	\$ 12,745
Buildings and Improvements	631,251	30,200	661,451
Moveable Equipment	128,955	9,839	138,794
Other Assets	66,712	12,499	79,211
Total Accumulated Depreciation	\$ 839,663	\$ 52,538	\$ 892,201
Total Capital Assets Being Depreciated, Net	\$ 342,844	\$ (7,689)	\$ 335,155

3. Operating Lease

The Obion County Nursing Home signed a lease agreement for farmland adjacent to the nursing home. Rent income under the lease for the year ended June 30, 2006, was \$1,660. The farmland was turned over to Obion County after the lease expired.

C. Other Information

1. Pension Plan

Since the Obion County Nursing Home is an enterprise fund of Obion County, Tennessee, the nursing home's pension information has been reported with the county's information. The total covered payroll for the nursing home was \$779,153, and the pension contribution was \$30,309.

2. Risk Management

It is the policy of the Obion County Nursing Home to purchase commercial insurance for the risk of losses to which it is exposed. These risks include general liability, property and automobile coverage, and fidelity position bonds. Employee health and accident insurance is purchased through the county's commercial insurance policy. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. The nursing home carries its workers' compensation coverage through the Tennessee Health Care Association (THCA), a self-insured trust fund. The THCA was established to be self-sustaining through member premiums. All members of the THCA must be approved for coverage and are jointly and severally liable for all claims of the association.

D. Litigation

The former administrator of the nursing home filed a lawsuit in March 2006, seeking damages of \$2,000,000. The suit names Obion County and the former county mayor. The suit is set for trial in March 2007, and the outcome of the suit cannot be determined at this time.

IX. OTHER NOTES – DISCRETELY PRESENTED OBION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

A. Significant Accounting Policies

1. Reporting Entity

The Obion County Emergency Communications District was created on May 16, 1988, by the legislative body of Obion County, Tennessee, to be an emergency communications district as defined by Tennessee state law. As such, it is considered to be a municipality or public corporation in perpetuity under its corporate name and shall be a body politic and corporate with power of perpetual succession, but without power to levy or collect taxes. All Tennessee emergency communications districts are required to follow the Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts developed by the Office of the Comptroller of the Treasury, Division of County Audit, pursuant to Section 7-86-304, Tennessee Code Annotated.

In evaluating how to define the Obion County Emergency Communications District for financial reporting purposes, management has considered whether the district is a primary government or a component unit of another primary government. The decision to be included as a component unit of another reporting entity is made by applying the criteria set forth in Governmental Accounting

Standards Board Statement 14, The Financial Reporting Entity. The district must obtain the approval of the Obion County Commission before issuance of most debt instruments. The county has determined that this constitutes fiscal dependency by the district, and has, therefore, included the district as a component unit of Obion County.

The district is deemed to be a municipality under Tennessee state law and, as such, is exempt from federal income taxes.

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

The Obion County Emergency Communications District accounts for its financial position and results of operations in accordance with generally accepted accounting principles as defined in the Statements of Governmental Accounting Standards Board (GASB). Generally accepted accounting principles for proprietary fund types are those applicable to similar businesses in the private sector, and the measurement focus is on the determination of net income, financial position, and cash flows. Proprietary fund types are accounted for on the accrual basis, whereby income is recognized as it is earned, and expenses are recognized as they are incurred, whether or not cash is received or paid out at that time. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB Statement No. 20 gives governments the option of applying all Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989, to its proprietary funds, unless they conflict with or contradict GASB pronouncements. The Office of the Comptroller of the Treasury requires Tennessee emergency communications districts not to implement FASB statements and interpretations issued thereafter, unless they are adopted by GASB.

The district's Board of Directors approves an appropriatory budget annually. The budget is prepared on a basis which differs from generally accepted accounting principles pertaining to proprietary funds, in that capital expenditures are budgeted as operating expenses rather than being capitalized as capital assets, and expenses are on the cash basis rather than the accrual basis. It is only necessary to present budgetary revenues and expenses compared to actual. The legal level of control is at each line item of expense; therefore, each line item must be amended prior to expending funds.

3. **Assets, Liabilities, and Net Assets**

a. **Deposits and Investments**

The district's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments

with original maturities of three months or less from the date of inception.

State statutes authorize the system to invest in certificates of deposit, obligations of the U.S. Treasury, agencies and instrumentalities, obligations by the U.S. government or its agencies; repurchase agreements, as approved by the state director of Local Finance; and the state's local government investment pool.

b. Accounts Receivable

Accounts receivable represent amounts due from various phone companies.

c. Capital Assets

All capital assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from three to 30 years. Interest costs incurred on financing during the construction or installation period of capital assets are capitalized as part of the cost of the assets. For the year under review, there were no interest costs capitalized.

d. Compensated Absences

Employees are entitled to paid vacation based on term of employment and other factors. Any accumulated vacation time earned must be taken within one year of the employment anniversary date; no carryover to future years is permitted. Due to this policy, the cost of future absences at the balance sheet date is not material; and therefore, no accrual has been recorded in the financial statements. It is the district's practice to expense these costs when paid to the employees.

e. Net Assets

Equity is classified as net assets and displayed in the following components:

Invested in capital assets, net of related debt – Consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any payables that are attributable to the acquisition, construction, or improvement of those assets.

Unrestricted – All other net assets that do not meet the description of the above category.

B. Detailed Notes on Accounts

1. Deposits and Investments

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. Cash in bank on the balance sheet as of June 30, 2006, consisted of checking and savings accounts with balances totaling \$59,225. The investment account consists of various certificates of deposit with maturities in excess of three months totaling \$399,864. At June 30, 2006, the bank balances of the district’s demand deposits equaled \$462,103. All deposits are insured to a maximum of \$100,000 by federal depository insurance at each institution and the remaining was covered by collateral held by the district’s agent in the district’s name. The district’s deposits at year end were covered entirely by insurance and collateral held by the district’s agent in the district’s name.

2. Capital Assets

Capital assets activity during the year was as follows:

	Balance		Balance	
	7-1-05	Additions	Deductions	6-30-06
Capital assets depreciated:				
Furniture and fixtures	\$ 2,159	\$ 0	\$ 0	\$ 2,159
Office equipment	42,087	0	(14,955)	27,132
Vehicles	14,617	0	0	14,617
Communications equipment	185,153	117,500	0	302,653
Land	0	178,453	0	178,453
Leasehold improvements	21,208	0	(21,208)	0
Total capital assets depreciated	<u>\$ 265,224</u>	<u>\$ 295,953</u>	<u>\$ (36,163)</u>	<u>\$ 525,014</u>
Less: accumulated depreciation				
Furniture and fixtures	\$ 2,150	\$ 9	\$ 0	\$ 2,159
Office equipment	34,106	1,765	(14,955)	20,916
Vehicles	14,617	0	0	14,617
Communications equipment	181,828	5,713	0	187,541
Building	0	1,487	0	1,487
Leasehold improvements	16,453	1,482	(17,935)	0
Total accumulated depreciation	<u>\$ 249,154</u>	<u>\$ 10,456</u>	<u>\$ (32,890)</u>	<u>\$ 226,720</u>
Total capital assets, net	<u>\$ 16,070</u>	<u>\$ 285,497</u>	<u>\$ (3,273)</u>	<u>\$ 298,294</u>

C. **Stewardship, Compliance, and Accountability**

Budgetary Information

The district's Board of Directors approved an appropriatory budget annually. The budget is prepared on a basis which differs from generally accepted accounting principles (GAAP) pertaining to proprietary funds, in that capital expenditures are budgeted as operating expenses rather than being capitalized as capital assets, and expenses are on the cash basis rather than the accrual basis. It is only necessary to present budgetary revenues and expenses compared to actual. The legal level of control is at each line item of expense; therefore, each line item must be amended prior to expending funds. A reconciliation of the differences between the budgetary basis of operating expenses and the GAAP basis is presented below:

Operating expenses - GAAP basis	\$ 231,183
Capital expenditures	<u>126,096</u>
Operating expenses - budgetary basis	<u><u>\$ 357,279</u></u>

D. **Other Information**

1. **Commitments**

The Obion County Emergency Communications District signed a three-year prepaid lease agreement for communication equipment in April 2006 with BellSouth for \$59,864. The lease is being amortized using the straight-line method over the term of the lease, which is three years. Amortization expense for the year ended June 30, 2006, is \$4,989.

2. **Risk Management**

The district is exposed to various risks related to general and public official's liability, officer's/director's omissions liability, automobile liability, property and casualty losses, and workers' compensation. To cover these risks, the district joined the Tennessee Municipal League (TML), which is a public entity risk pool established to provide insurance coverage to local governments in Tennessee and is self-sustaining through member premiums. The pool is a cooperative risk sharing arrangement that works in many ways like a traditional insurer. The district pays annual premiums to the pool based on its prior claims history. The pool provides the specified coverage and pays all claims from its member premiums

charged or through its reinsurance policies. In addition, the district has purchased commercial insurance to provide for employee health insurance. Settlements have not exceeded insurance coverage in any of the prior three years.

3. Unemployment Taxes

Effective for the quarter ended June 30, 1989, the Obion County Emergency Communications District agreed with the Tennessee Department of Labor and Workforce Development (formerly Employment Security) to be a reimbursing employer. Under this agreement, the district elected to reimburse the department for all disbursements made on valid claims for unemployment insurance charged to the district during the effective period of the election. Current claims are being paid from the operating account and charged to unemployment expense. Amounts calculated quarterly were deposited in a certificate of deposit account to meet future claims. As of June 30, 2006, the balance in the account was \$19,174, and the board determined that this account was fully funded and all quarterly deposits have been suspended.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit F-1

Obion County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Fund
For the Year Ended June 30, 2006

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 2,080,593	\$ 0	\$ 0	\$ 2,080,593	\$ 1,942,494	\$ 1,942,494	\$ 138,099
Licenses and Permits	12,384	0	0	12,384	11,200	11,200	1,184
Fines, Forfeitures, and Penalties	160,355	0	0	160,355	113,900	113,900	46,455
Charges for Current Services	32,200	0	0	32,200	36,650	36,650	(4,450)
Other Local Revenues	1,425,986	0	0	1,425,986	1,023,250	1,043,050	382,936
Fees Received from County Officials	1,375,226	0	0	1,375,226	1,245,000	1,245,000	130,226
State of Tennessee	1,053,252	0	0	1,053,252	1,018,806	1,016,306	36,946
Federal Government	202,909	0	0	202,909	229,650	244,650	(41,741)
Other Governments and Citizens Groups	51,374	0	0	51,374	92,783	92,783	(41,409)
Total Revenues	\$ 6,394,279	\$ 0	\$ 0	\$ 6,394,279	\$ 5,713,733	\$ 5,746,033	\$ 648,246
<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 51,857	\$ 0	\$ 0	\$ 51,857	\$ 61,350	\$ 61,350	\$ 9,493
Board of Equalization	644	0	0	644	3,200	3,200	2,556
Beer Board	1,223	0	0	1,223	1,400	1,400	177
Budget and Finance Committee	10,591	0	0	10,591	14,200	14,200	3,609
County Mayor/Executive	171,777	(20)	0	171,757	174,229	175,729	3,972
Election Commission	156,904	(10,014)	0	146,890	171,222	171,722	24,832
Register of Deeds	109,711	0	0	109,711	114,878	114,878	5,167
County Buildings	176,474	0	355	176,829	159,011	197,511	20,682
Preservation of Records	0	0	0	0	3,000	3,000	3,000
<u>Finance</u>							
Property Assessor's Office	167,061	0	0	167,061	170,985	171,485	4,424
Reappraisal Program	7,493	0	0	7,493	26,800	26,800	19,307
County Trustee's Office	118,632	0	0	118,632	124,477	124,477	5,845
County Clerk's Office	204,361	0	0	204,361	208,419	208,419	4,058

(Continued)

Exhibit F-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Administration of Justice</u>							
Circuit Court	\$ 159,516	\$ 0	\$ 0	\$ 159,516	\$ 204,757	\$ 211,257	\$ 51,741
General Sessions Court	208,465	0	0	208,465	223,294	223,294	14,829
Drug Court	132,713	0	0	132,713	137,783	137,783	5,070
Chancery Court	118,656	0	532	119,188	139,043	139,043	19,855
Juvenile Court	115,586	0	300	115,886	118,256	122,256	6,370
Other Administration of Justice	741	0	0	741	1,300	1,300	559
<u>Public Safety</u>							
Sheriff's Department	1,348,127	(895)	2,602	1,349,834	1,555,507	1,503,547	153,713
Jail	988,123	(229)	3,489	991,383	1,073,058	1,138,058	146,675
Rescue Squad	6,000	0	0	6,000	6,000	6,000	0
Other Emergency Management	6,000	0	0	6,000	6,000	6,000	0
Public Safety Grant Programs	29,000	0	0	29,000	10,000	30,000	1,000
Other Public Safety	5,000	0	0	5,000	5,000	5,000	0
<u>Public Health and Welfare</u>							
Local Health Center	106,327	(7,228)	2,025	101,124	111,236	137,236	36,112
Other Local Health Services	6,000	0	0	6,000	6,000	6,000	0
Appropriation to State	69,553	0	0	69,553	75,553	69,553	0
General Welfare Assistance	2,050	0	0	2,050	3,850	3,850	1,800
Sanitation Education/Information	30,022	0	0	30,022	37,201	34,701	4,679
<u>Social, Cultural, and Recreational Services</u>							
Senior Citizens Assistance	15,000	0	0	15,000	15,000	15,000	0
Parks and Fair Boards	4,000	0	0	4,000	4,000	4,000	0
Other Social, Cultural, and Recreational	7,500	0	0	7,500	7,500	7,500	0
<u>Agriculture & Natural Resources</u>							
Agriculture Extension Service	89,679	0	0	89,679	91,895	91,895	2,216
Soil Conservation	22,193	0	0	22,193	22,193	22,193	0

(Continued)

Exhibit F-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Agriculture & Natural Resources (Cont.)</u>							
Flood Control	\$ 25,000	\$ 0	\$ 0	\$ 25,000	\$ 25,000	\$ 25,000	\$ 0
<u>Other Operations</u>							
Tourism	34,117	0	0	34,117	30,900	34,117	0
Industrial Development	130,956	0	0	130,956	132,293	131,576	620
Veterans' Services	12,036	0	0	12,036	12,036	12,036	0
Other Charges	121,365	0	0	121,365	142,100	142,100	20,735
Contributions to Other Agencies	1,674	0	0	1,674	1,674	1,674	0
Employee Benefits	591,841	0	0	591,841	676,100	676,100	84,259
Miscellaneous	15,374	0	0	15,374	46,000	44,691	29,317
<u>Instruction</u>							
Vocational Education Program	0	0	0	0	70,626	0	0
Total Expenditures	\$ 5,579,342	\$ (18,386)	\$ 9,303	\$ 5,570,259	\$ 6,224,326	\$ 6,256,931	\$ 686,672
Excess (Deficiency) of Revenues							
Over Expenditures	\$ 814,937	\$ 18,386	\$ (9,303)	\$ 824,020	\$ (510,593)	\$ (510,898)	\$ 1,334,918
<u>Other Financing Sources (Uses)</u>							
Proceeds from Sale of Capital Assets	\$ 15,000	\$ 0	\$ 0	\$ 15,000	\$ 0	\$ 15,000	\$ 0
Insurance Recovery	18,922	0	0	18,922	0	18,240	682
Transfers In	900,000	0	0	900,000	0	900,000	0
Transfers Out	(550,518)	0	0	(550,518)	(296,033)	(550,518)	0
Total Other Financing Sources (Uses)	\$ 383,404	\$ 0	\$ 0	\$ 383,404	\$ (296,033)	\$ 382,722	\$ 682
Net Change in Fund Balance							
Fund Balance, July 1, 2005	\$ 1,198,341	\$ 18,386	\$ (9,303)	\$ 1,207,424	\$ (806,626)	\$ (128,176)	\$ 1,335,600
	2,048,491	(18,386)	0	2,030,105	1,685,473	1,685,473	344,632
Fund Balance, June 30, 2006							
	\$ 3,246,832	\$ 0	\$ (9,303)	\$ 3,237,529	\$ 878,847	\$ 1,557,297	\$ 1,680,232

Exhibit F-2

Obion County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Special Purpose Fund
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 122,476	\$ 74,305	\$ 74,305	\$ 48,171
State of Tennessee	12,500	12,500	12,500	0
Federal Government	83,868	949,939	949,939	(866,071)
Total Revenues	<u>\$ 218,844</u>	<u>\$ 1,036,744</u>	<u>\$ 1,036,744</u>	<u>\$ (817,900)</u>
<u>Expenditures</u>				
<u>Other Operations</u>				
Airport	\$ 708,198	\$ 1,140,699	\$ 1,140,699	\$ 432,501
Total Expenditures	<u>\$ 708,198</u>	<u>\$ 1,140,699</u>	<u>\$ 1,140,699</u>	<u>\$ 432,501</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (489,354)</u>	<u>\$ (103,955)</u>	<u>\$ (103,955)</u>	<u>\$ (385,399)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 60,000	\$ 60,000	\$ 60,000	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 60,000</u>	<u>\$ 60,000</u>	<u>\$ 60,000</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (429,354)	\$ (43,955)	\$ (43,955)	\$ (385,399)
Fund Balance, July 1, 2005	120,670	120,670	120,670	0
Prior Period Adjustment	(47,095)	0	0	(47,095)
Fund Balance, June 30, 2006	<u>\$ (355,779)</u>	<u>\$ 76,715</u>	<u>\$ 76,715</u>	<u>\$ (432,494)</u>

Exhibit F-3

Obion County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,301,265	\$ 1,337,474	\$ 1,337,474	\$ (36,209)
Charges for Current Services	433	500	500	(67)
Other Local Revenues	11,012	1,200	1,200	9,812
State of Tennessee	2,073,982	2,835,731	2,835,731	(761,749)
Total Revenues	<u>\$ 3,386,692</u>	<u>\$ 4,174,905</u>	<u>\$ 4,174,905</u>	<u>\$ (788,213)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 156,838	\$ 187,780	\$ 187,780	\$ 30,942
Highway and Bridge Maintenance	1,687,225	2,581,882	2,581,882	894,657
Operation and Maintenance of Equipment	435,362	560,708	560,708	125,346
Other Charges	163,807	270,850	270,850	107,043
Employee Benefits	223,312	273,500	273,500	50,188
Capital Outlay	653,690	1,474,649	1,474,649	820,959
Total Expenditures	<u>\$ 3,320,234</u>	<u>\$ 5,349,369</u>	<u>\$ 5,349,369</u>	<u>\$ 2,029,135</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 66,458</u>	<u>\$ (1,174,464)</u>	<u>\$ (1,174,464)</u>	<u>\$ 1,240,922</u>
Net Change in Fund Balance	\$ 66,458	\$ (1,174,464)	\$ (1,174,464)	\$ 1,240,922
Fund Balance, July 1, 2005	<u>1,824,364</u>	<u>1,482,373</u>	<u>1,482,373</u>	<u>341,991</u>
Fund Balance, June 30, 2006	<u>\$ 1,890,822</u>	<u>\$ 307,909</u>	<u>\$ 307,909</u>	<u>\$ 1,582,913</u>

OBION COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2006

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 Obion County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, Beer Board, Budget and Finance Committee, County Mayor, etc.). Management may make revisions within major categories, but only the Obion 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.

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

Nonmajor Governmental Funds

Special Revenue Funds

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

Urban Services Fund – The Urban Services Fund is used to account for Hazard Mitigation Grant revenues, which were used for the purchase and removal of eligible houses in a flood zone.

Public Library Fund – The Public Library Fund is used to account for transactions of the Obion County Public Library, which is jointly funded by Obion County and Union City.

Solid Waste/Sanitation Fund – The Solid Waste/Sanitation Fund is used to account for Obion County's waste tire disposal operations.

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 financial resources to be used for the acquisition or construction of major capital facilities.

Public Library Capital Projects Fund – The Public Library Capital Projects Fund is used to account for the contributions and gifts used to fund the construction of a new Obion County Public Library.

Exhibit G-1

Obion County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006

	Special Revenue Funds					Capital Projects Fund	Total Nonmajor Governmental Funds
	Public Library	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	Total	Public Library Capital Projects	
<u>ASSETS</u>							
Cash	\$ 292,526	\$ 0	\$ 0	\$ 28,235	\$ 320,761	\$ 25,012	\$ 345,773
Equity in Pooled Cash and Investments	0	121,311	56,191	0	177,502	0	177,502
Accounts Receivable	0	0	0	221	221	0	221
Due from Other Governments	0	88,348	0	0	88,348	0	88,348
Accrued Interest Receivable	847	0	0	0	847	0	847
Total Assets	\$ 293,373	\$ 209,659	\$ 56,191	\$ 28,456	\$ 587,679	\$ 25,012	\$ 612,691
<u>LIABILITIES AND FUND BALANCES</u>							
<u>Liabilities</u>							
Accounts Payable	\$ 9,856	\$ 2,529	\$ 0	\$ 0	\$ 12,385	\$ 1,205	\$ 13,590
Payroll Deductions Payable	130	0	0	0	130	0	130
Due to Other Funds	0	0	0	28,456	28,456	0	28,456
Other Deferred Revenues	0	87,079	0	0	87,079	0	87,079
Total Liabilities	\$ 9,986	\$ 89,608	\$ 0	\$ 28,456	\$ 128,050	\$ 1,205	\$ 129,255
<u>Fund Balances</u>							
Reserved for Encumbrances	\$ 0	\$ 1,877	\$ 0	\$ 0	\$ 1,877	\$ 0	\$ 1,877
Reserved for Endowments	244,983	0	0	0	244,983	0	244,983
Unreserved	38,404	118,174	56,191	0	212,769	23,807	236,576
Total Fund Balances	\$ 283,387	\$ 120,051	\$ 56,191	\$ 0	\$ 459,629	\$ 23,807	\$ 483,436
Total Liabilities and Fund Balances	\$ 293,373	\$ 209,659	\$ 56,191	\$ 28,456	\$ 587,679	\$ 25,012	\$ 612,691

Exhibit G-2

Obion County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2006

	Special Revenue Funds						Capital Projects Fund	Total Nonmajor Governmental Funds
	Urban Services	Public Library	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	Total	Public Library Capital Projects	
<u>Revenues</u>								
Fines, Forfeitures, and Penalties	\$ 0	\$ 0	\$ 0	\$ 27,116	\$ 0	\$ 27,116	\$ 0	\$ 27,116
Charges for Current Services	0	21,962	33,587	0	5,635	61,184	0	61,184
Other Local Revenues	0	19,025	447	346	0	19,818	258	20,076
State of Tennessee	0	3,385	119,315	0	0	122,700	0	122,700
Federal Government	16,492	0	0	0	0	16,492	0	16,492
Other Governments and Citizens Groups	0	190,931	0	0	0	190,931	14,900	205,831
Total Revenues	\$ 16,492	\$ 235,303	\$ 153,349	\$ 27,462	\$ 5,635	\$ 438,241	\$ 15,158	\$ 453,399
<u>Expenditures</u>								
Current:								
Administration of Justice	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,635	\$ 5,635	\$ 0	\$ 5,635
Public Safety	0	0	0	35,532	0	35,532	0	35,532
Public Health and Welfare	0	0	95,727	0	0	95,727	0	95,727
Social, Cultural, and Recreational Services	0	505,873	0	0	0	505,873	42,484	548,357
Other Operations	16,875	0	0	0	0	16,875	0	16,875
Capital Projects	0	0	312,525	0	0	312,525	0	312,525
Total Expenditures	\$ 16,875	\$ 505,873	\$ 408,252	\$ 35,532	\$ 5,635	\$ 972,167	\$ 42,484	\$ 1,014,651
Excess (Deficiency) of Revenues Over Expenditures	\$ (383)	\$ (270,570)	\$ (254,903)	\$ (8,070)	\$ 0	\$ (533,926)	\$ (27,326)	\$ (561,252)
<u>Other Financing Sources (Uses)</u>								
Transfers In	\$ 0	\$ 296,033	\$ 122,550	\$ 0	\$ 0	\$ 418,583	\$ 0	\$ 418,583
Total Other Financing Sources (Uses)	\$ 0	\$ 296,033	\$ 122,550	\$ 0	\$ 0	\$ 418,583	\$ 0	\$ 418,583
Net Change in Fund Balances	\$ (383)	\$ 25,463	\$ (132,353)	\$ (8,070)	\$ 0	\$ (115,343)	\$ (27,326)	\$ (142,669)
Fund Balance, July 1, 2005	383	257,924	252,404	64,261	0	574,972	51,133	626,105
Fund Balance, June 30, 2006	\$ 0	\$ 283,387	\$ 120,051	\$ 56,191	\$ 0	\$ 459,629	\$ 23,807	\$ 483,436

Exhibit G-3

Obion County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Urban Services Fund
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 16,492	\$ 116,601	\$ 116,601	\$ (100,109)
Total Revenues	\$ 16,492	\$ 116,601	\$ 116,601	\$ (100,109)
<u>Expenditures</u>				
<u>Other Operations</u>				
Housing and Urban Development	\$ 16,875	\$ 116,601	\$ 116,601	\$ 99,726
Total Expenditures	\$ 16,875	\$ 116,601	\$ 116,601	\$ 99,726
Excess (Deficiency) of Revenues Over Expenditures	\$ (383)	\$ 0	\$ 0	\$ (383)
Net Change in Fund Balance	\$ (383)	\$ 0	\$ 0	\$ (383)
Fund Balance, July 1, 2005	383	0	0	383
Fund Balance, June 30, 2006	\$ 0	\$ 0	\$ 0	\$ 0

Exhibit G-4

Obion County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Public Library Fund
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 21,962	\$ 15,650	\$ 15,650	\$ 6,312
Other Local Revenues	19,025	9,000	9,000	10,025
State of Tennessee	3,385	5,000	5,000	(1,615)
Other Governments and Citizens Groups	190,931	454,049	157,986	32,945
Total Revenues	<u>\$ 235,303</u>	<u>\$ 483,699</u>	<u>\$ 187,636</u>	<u>\$ 47,667</u>
<u>Expenditures</u>				
<u>Social, Cultural, and Recreational Services</u>				
Libraries	\$ 505,873	\$ 487,495	\$ 487,495	\$ (18,378)
Total Expenditures	<u>\$ 505,873</u>	<u>\$ 487,495</u>	<u>\$ 487,495</u>	<u>\$ (18,378)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (270,570)</u>	<u>\$ (3,796)</u>	<u>\$ (299,859)</u>	<u>\$ 29,289</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 296,033	\$ 0	\$ 296,033	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 296,033</u>	<u>\$ 0</u>	<u>\$ 296,033</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 25,463	\$ (3,796)	\$ (3,826)	\$ 29,289
Fund Balance, July 1, 2005	<u>257,924</u>	<u>12,406</u>	<u>12,436</u>	<u>245,488</u>
Fund Balance, June 30, 2006	<u>\$ 283,387</u>	<u>\$ 8,610</u>	<u>\$ 8,610</u>	<u>\$ 274,777</u>

Exhibit G-5

Obion County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2006

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Charges for Current Services	\$ 33,587	\$ 0	\$ 0	\$ 33,587	\$ 182,000	\$ 32,450	\$ 1,137
Other Local Revenues	447	0	0	447	0	2,000	(1,553)
State of Tennessee	119,315	0	0	119,315	215,000	223,000	(103,685)
Total Revenues	\$ 153,349	\$ 0	\$ 0	\$ 153,349	\$ 397,000	\$ 257,450	\$ (104,101)
<u>Expenditures</u>							
<u>Public Health and Welfare</u>							
Sanitation Management	\$ 52,537	\$ (628)	\$ 1,600	\$ 53,509	\$ 73,000	\$ 73,000	\$ 19,491
Problem Waste Centers	15,909	0	0	15,909	31,000	31,000	15,091
Recycling Center	27,281	(10,500)	277	17,058	45,000	37,000	19,942
<u>Capital Projects</u>							
Public Health and Welfare Projects	312,525	0	0	312,525	317,500	325,500	12,975
Total Expenditures	\$ 408,252	\$ (11,128)	\$ 1,877	\$ 399,001	\$ 466,500	\$ 466,500	\$ 67,499
Excess (Deficiency) of Revenues Over Expenditures	\$ (254,903)	\$ 11,128	\$ (1,877)	\$ (245,652)	\$ (69,500)	\$ (209,050)	\$ (36,602)
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 122,550	\$ 0	\$ 0	\$ 122,550	\$ 0	\$ 122,550	\$ 0
Total Other Financing Sources (Uses)	\$ 122,550	\$ 0	\$ 0	\$ 122,550	\$ 0	\$ 122,550	\$ 0
Net Change in Fund Balance	\$ (132,353)	\$ 11,128	\$ (1,877)	\$ (123,102)	\$ (69,500)	\$ (86,500)	\$ (36,602)
Fund Balance, July 1, 2005	252,404	(11,128)	0	241,276	225,233	225,233	16,043
Fund Balance, June 30, 2006	\$ 120,051	\$ 0	\$ (1,877)	\$ 118,174	\$ 155,733	\$ 138,733	\$ (20,559)

Exhibit G-6

Obion County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 27,116	\$ 7,250	\$ 7,250	\$ 19,866
Other Local Revenues	346	1,300	1,300	(954)
Total Revenues	<u>\$ 27,462</u>	<u>\$ 8,550</u>	<u>\$ 8,550</u>	<u>\$ 18,912</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 35,532	\$ 49,100	\$ 49,100	\$ 13,568
Total Expenditures	<u>\$ 35,532</u>	<u>\$ 49,100</u>	<u>\$ 49,100</u>	<u>\$ 13,568</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (8,070)</u>	<u>\$ (40,550)</u>	<u>\$ (40,550)</u>	<u>\$ 32,480</u>
Net Change in Fund Balance	\$ (8,070)	\$ (40,550)	\$ (40,550)	\$ 32,480
Fund Balance, July 1, 2005	<u>64,261</u>	<u>58,236</u>	<u>58,236</u>	<u>6,025</u>
Fund Balance, June 30, 2006	<u>\$ 56,191</u>	<u>\$ 17,686</u>	<u>\$ 17,686</u>	<u>\$ 38,505</u>

Major Governmental Fund

General Debt Service Fund

The General Debt Service Fund is used to account for the accumulation of resources for, and the payment of, debt principal, interest, and related costs.

Exhibit H

Obion County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,763,010	\$ 1,722,392	\$ 1,722,392	\$ 40,618
Other Local Revenues	57,570	59,000	130,935	(73,365)
Total Revenues	<u>\$ 1,820,580</u>	<u>\$ 1,781,392</u>	<u>\$ 1,853,327</u>	<u>\$ (32,747)</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 305,000	\$ 305,000	\$ 305,000	\$ 0
Education	1,100,000	1,100,000	1,100,000	0
<u>Interest on Debt</u>				
General Government	72,503	70,000	80,000	7,497
Education	433,282	586,700	546,700	113,418
<u>Other Debt Service</u>				
General Government	45,736	61,000	61,000	15,264
Education	30,705	15,600	45,600	14,895
Total Expenditures	<u>\$ 1,987,226</u>	<u>\$ 2,138,300</u>	<u>\$ 2,138,300</u>	<u>\$ 151,074</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (166,646)</u>	<u>\$ (356,908)</u>	<u>\$ (284,973)</u>	<u>\$ 118,327</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 71,935	\$ 0	\$ 0	\$ 71,935
Total Other Financing Sources (Uses)	<u>\$ 71,935</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 71,935</u>
Net Change in Fund Balance	\$ (94,711)	\$ (356,908)	\$ (284,973)	\$ 190,262
Fund Balance, July 1, 2005	<u>3,656,534</u>	<u>3,616,537</u>	<u>3,616,537</u>	<u>39,997</u>
Fund Balance, June 30, 2006	<u>\$ 3,561,823</u>	<u>\$ 3,259,629</u>	<u>\$ 3,331,564</u>	<u>\$ 230,259</u>

Fiduciary Funds

Agency Funds are used to account for assets held by the county 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.

Watershed District Fund – The Watershed District Fund is used to account for acreage assessments collected on drainage district properties located in the county. These funds are held in trust for the watershed district.

Special School District Fund – The Special School District Fund is used to account for the collections of property taxes, which are held in trust for the Kenton Special School District.

City School ADA - Union City Fund – The City School ADA - Union City Fund is used to account for the city school system's share of education revenues collected by the county which must be apportioned between the various school systems on an average daily attendance basis. These collections are remitted to the city school system 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, general sessions, and juvenile courts clerk; clerk and master; register; and sheriff. Such collections include amounts due the state, cities, other county funds, litigants, heirs, and others.

Exhibit I-1

Obion County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
For the Year Ended June 30, 2006

	Agency Funds					Total
	Cities - Sales Tax	Watershed District	Special School District	City School ADA - Union City	Constitu- tional Officers - Agency	
<u>ASSETS</u>						
Equity in Pooled Cash and Investments	\$ 0	\$ 1,655	\$ 553	\$ 38,379	\$ 0	\$ 40,587
Cash	0	0	0	0	1,722,685	1,722,685
Investments	0	0	0	0	21,780	21,780
Accounts Receivable	0	0	353	6,428	786	7,567
Due from Other Governments	690,201	0	0	200,969	0	891,170
Property Taxes Receivable	0	0	0	1,292,247	0	1,292,247
Allowance for Uncollectible Property Taxes	0	0	0	(43,406)	0	(43,406)
Notes Receivable - Long-term	0	0	0	0	197,455	197,455
Total Assets	<u>\$ 690,201</u>	<u>\$ 1,655</u>	<u>\$ 906</u>	<u>\$ 1,494,617</u>	<u>\$ 1,942,706</u>	<u>\$ 4,130,085</u>
<u>LIABILITIES</u>						
Due to Other Taxing Units	\$ 690,201	\$ 1,655	\$ 906	\$ 1,494,617	\$ 0	\$ 2,187,379
Due to Litigants, Heirs, and Others	0	0	0	0	1,942,706	1,942,706
Total Liabilities	<u>\$ 690,201</u>	<u>\$ 1,655</u>	<u>\$ 906</u>	<u>\$ 1,494,617</u>	<u>\$ 1,942,706</u>	<u>\$ 4,130,085</u>

Exhibit I-2

Obion County, Tennessee
Combining Statement of Changes in Assets and Liabilities - All Agency Funds
For the Year Ended June 30, 2006

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 4,019,882	\$ 4,019,882	\$ 0
Due from Other Governments	722,087	690,201	722,087	690,201
Total Assets	\$ 722,087	\$ 4,710,083	\$ 4,741,969	\$ 690,201
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 722,087	\$ 4,710,083	\$ 4,741,969	\$ 690,201
Total Liabilities	\$ 722,087	\$ 4,710,083	\$ 4,741,969	\$ 690,201
<u>Watershed District Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 1,630	\$ 1,689	\$ 1,664	\$ 1,655
Total Assets	\$ 1,630	\$ 1,689	\$ 1,664	\$ 1,655
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 1,630	\$ 1,689	\$ 1,664	\$ 1,655
Total Liabilities	\$ 1,630	\$ 1,689	\$ 1,664	\$ 1,655
<u>Special School District Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 484	\$ 70,891	\$ 70,822	\$ 553
Accounts Receivable	441	353	441	353
Total Assets	\$ 925	\$ 71,244	\$ 71,263	\$ 906
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 925	\$ 71,244	\$ 71,263	\$ 906
Total Liabilities	\$ 925	\$ 71,244	\$ 71,263	\$ 906
<u>City School ADA - Union City Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 37,182	\$ 2,766,676	\$ 2,765,479	\$ 38,379
Accounts Receivable	5,082	6,428	5,082	6,428
Due from Other Governments	204,017	200,969	204,017	200,969
Property Taxes Receivable	1,356,688	1,292,247	1,356,688	1,292,247
Allowance for Uncollectible Property Taxes	(37,127)	(43,406)	(37,127)	(43,406)
Total Assets	\$ 1,565,842	\$ 4,222,914	\$ 4,294,139	\$ 1,494,617

(Continued)

Exhibit I-2

Obion County, Tennessee

Combining Statement of Changes in Assets and Liabilities - All Agency Funds (Cont.)

	Beginning Balance	Additions	Deductions	Ending Balance
<u>City School ADA - Union City Fund (Cont.)</u>				
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 1,565,842	\$ 4,222,914	\$ 4,294,139	\$ 1,494,617
Total Liabilities	\$ 1,565,842	\$ 4,222,914	\$ 4,294,139	\$ 1,494,617
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 1,452,321	\$ 7,967,582	\$ 7,697,218	\$ 1,722,685
Investments	21,216	21,780	21,216	21,780
Accounts Receivable	1,280	786	1,280	786
Notes Receivable - Long-term	196,430	197,455	196,430	197,455
Total Assets	\$ 1,671,247	\$ 8,187,603	\$ 7,916,144	\$ 1,942,706
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 1,671,247	\$ 8,187,603	\$ 7,916,144	\$ 1,942,706
Total Liabilities	\$ 1,671,247	\$ 8,187,603	\$ 7,916,144	\$ 1,942,706
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 39,296	\$ 6,859,138	\$ 6,857,847	\$ 40,587
Cash	1,452,321	7,967,582	7,697,218	1,722,685
Investments	21,216	21,780	21,216	21,780
Accounts Receivable	6,803	7,567	6,803	7,567
Due from Other Governments	926,104	891,170	926,104	891,170
Property Taxes Receivable	1,356,688	1,292,247	1,356,688	1,292,247
Allowance for Uncollectible Property Taxes	(37,127)	(43,406)	(37,127)	(43,406)
Notes Receivable - Long-term	196,430	197,455	196,430	197,455
Total Assets	\$ 3,961,731	\$ 17,193,533	\$ 17,025,179	\$ 4,130,085
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 2,290,484	\$ 9,005,930	\$ 9,109,035	\$ 2,187,379
Due to Litigants, Heirs, and Others	1,671,247	8,187,603	7,916,144	1,942,706
Total Liabilities	\$ 3,961,731	\$ 17,193,533	\$ 17,025,179	\$ 4,130,085

Obion County School Department

This section presents fund financial statements for the Obion County School Department, a discretely presented component unit. The Obion County School Department uses a General Fund, two Special Revenue Funds, and one Capital Projects Fund.

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.

Education Capital Projects Fund – The Education Capital Projects Fund is used to account for building construction and renovations of the School Department.

Exhibit J-1

Obion County, Tennessee
Statement of Activities
Discretely Presented Obion County School Department
For the Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets Total Governmental Activities
Governmental Activities:					
Instruction	\$ 17,489,015	\$ 1,653	\$ 1,531,997	\$ 12,000,000	\$ (3,955,365)
Support Services	7,923,708	31	47,990	0	(7,875,687)
Operation of Non-Instructional Services	2,148,705	902,782	1,140,062	0	(105,861)
Total Governmental Activities	\$ 27,561,428	\$ 904,466	\$ 2,720,049	\$ 12,000,000	\$ (11,936,913)
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes					\$ 4,157,214
Local Option Sales Tax					3,288,168
Other Local Taxes					273,217
Grants and Contributions Not Restricted for Specific Programs					14,389,661
Miscellaneous					34,672
Total General Revenues					\$ 22,142,932
Change in Net Assets					\$ 10,206,019
Net Assets, July 1, 2005					29,289,594
Net Assets, June 30, 2006					\$ 39,495,613

Exhibit J-2

Obion County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Obion County School Department
June 30, 2006

	<u>Major Funds</u>		<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>Education</u>	<u>Other</u>	
	<u>Purpose</u>	<u>Capital</u>	<u>Govern-</u>	<u>ment-</u>
	<u>School</u>	<u>Projects</u>	<u>mental</u>	<u>mental</u>
			<u>Funds</u>	<u>Funds</u>
<u>ASSETS</u>				
Equity in Pooled Cash and Investments	\$ 3,736,759	\$ 1,236,336	\$ 653,144	\$ 5,626,239
Accounts Receivable	18,535	0	0	18,535
Due from Other Governments	622,843	0	475	623,318
Due from Other Funds	21,428	0	4,336	25,764
Property Taxes Receivable	3,726,585	0	0	3,726,585
Allowance for Uncollectible Property Taxes	(125,173)	0	0	(125,173)
Total Assets	<u>\$ 8,000,977</u>	<u>\$ 1,236,336</u>	<u>\$ 657,955</u>	<u>\$ 9,895,268</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 13,048	\$ 3,375	\$ 38,954	\$ 55,377
Contracts Payable	0	863,442	0	863,442
Retainage Payable	0	272,858	0	272,858
Due to Other Funds	4,336	0	21,428	25,764
Deferred Revenue - Current Property Taxes	3,474,793	0	0	3,474,793
Deferred Revenue - Delinquent Property Taxes	115,866	0	0	115,866
Other Deferred Revenues	323,585	0	4,336	327,921
Total Liabilities	<u>\$ 3,931,628</u>	<u>\$ 1,139,675</u>	<u>\$ 64,718</u>	<u>\$ 5,136,021</u>
<u>Fund Balances</u>				
Reserved for Encumbrances	\$ 198,424	\$ 1,384,098	\$ 0	\$ 1,582,522
Reserved for Innovative Education Program Strategies	0	0	9,122	9,122
Other Federal Reserves	0	0	17,265	17,265
Unreserved, Reported In:				
General Fund	3,870,925	0	0	3,870,925
Special Revenue Funds	0	0	566,850	566,850
Capital Projects Funds (Deficit)	0	(1,287,437)	0	(1,287,437)
Total Fund Balances	<u>\$ 4,069,349</u>	<u>\$ 96,661</u>	<u>\$ 593,237</u>	<u>\$ 4,759,247</u>
Total Liabilities and Fund Balances	<u>\$ 8,000,977</u>	<u>\$ 1,236,336</u>	<u>\$ 657,955</u>	<u>\$ 9,895,268</u>

Exhibit J-3

Obion County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
Discretely Presented Obion County School Department
June 30, 2006

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)		\$ 4,759,247
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 630,281	
Add: construction in progress	15,953,621	
Add: buildings and improvements net of accumulated depreciation	15,056,958	
Add: infrastructure net of accumulated depreciation	105,315	
Add: other capital assets net of accumulated depreciation	<u>2,623,825</u>	34,370,000
(2) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		443,787
(3) Long-term compensated absences payable balance is not due in the current period and therefore is not reported in the funds.		<u>(77,421)</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 39,495,613</u>

Exhibit J-4

Obion County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Discretely Presented Obion County School Department
For the Year Ended June 30, 2006

	Major Funds		Nonmajor Funds	Total Governmental Funds
	General Purpose School	Education Capital Projects	Other Govern- mental Funds	
<u>Revenues</u>				
Local Taxes	\$ 7,948,321	\$ 0	\$ 0	\$ 7,948,321
Licenses and Permits	2,018	0	0	2,018
Charges for Current Services	153,209	0	751,663	904,872
Other Local Revenues	34,978	0	30,563	65,541
State of Tennessee	14,143,293	0	23,429	14,166,722
Federal Government	377,938	0	2,323,935	2,701,873
Other Governments and Citizens Groups	0	12,000,000	0	12,000,000
Total Revenues	<u>\$ 22,659,757</u>	<u>\$ 12,000,000</u>	<u>\$ 3,129,590</u>	<u>\$ 37,789,347</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 13,655,379	\$ 0	\$ 1,349,997	\$ 15,005,376
Support Services	7,783,287	0	210,772	7,994,059
Operation of Non-Instructional Services	215,834	0	1,741,075	1,956,909
Capital Outlay	279,364	0	0	279,364
Capital Projects	0	12,881,630	0	12,881,630
Total Expenditures	<u>\$ 21,933,864</u>	<u>\$ 12,881,630</u>	<u>\$ 3,301,844</u>	<u>\$ 38,117,338</u>
Excess (Deficiency) of Revenues Over Expenditures				
	<u>\$ 725,893</u>	<u>\$ (881,630)</u>	<u>\$ (172,254)</u>	<u>\$ (327,991)</u>
<u>Other Financing Sources (Uses)</u>				
Extraordinary Item - Hail Damage	\$ 163,439	\$ 0	\$ 0	\$ 163,439
Insurance Recovery	17,243	23,286	0	40,529
Transfers In	341	0	0	341
Transfers Out	0	0	(341)	(341)
Total Other Financing Sources (Uses)	<u>\$ 181,023</u>	<u>\$ 23,286</u>	<u>\$ (341)</u>	<u>\$ 203,968</u>
Net Change in Fund Balances				
	<u>\$ 906,916</u>	<u>\$ (858,344)</u>	<u>\$ (172,595)</u>	<u>\$ (124,023)</u>
Fund Balance, July 1, 2005	<u>3,162,433</u>	<u>955,005</u>	<u>765,832</u>	<u>4,883,270</u>
Fund Balance, June 30, 2006	<u>\$ 4,069,349</u>	<u>\$ 96,661</u>	<u>\$ 593,237</u>	<u>\$ 4,759,247</u>

Exhibit J-5

Obion County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Discretely Presented Obion County School Department
For the Year Ended June 30, 2006

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)		\$ (124,023)
<p>(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those 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	\$ 12,153,973	
Less: current year depreciation expense	<u>(1,686,597)</u>	10,467,376
<p>(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Add: deferred delinquent property taxes and other deferred June 30, 2006	\$ 443,787	
Less: deferred delinquent property taxes and other deferred June 30, 2005	<u>(572,684)</u>	(128,897)
<p>(3) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
Change in compensated absences		<u>(8,437)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 10,206,019</u>

Exhibit J-6

Obion County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Obion County School Department
June 30, 2006

	<u>Special Revenue Funds</u>		
	School Federal Projects	Central Cafeteria	Total Nonmajor Governmental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 52,312	\$ 600,832	\$ 653,144
Due from Other Governments	475	0	475
Due from Other Funds	4,336	0	4,336
Total Assets	<u>\$ 57,123</u>	<u>\$ 600,832</u>	<u>\$ 657,955</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 4,972	\$ 33,982	\$ 38,954
Due to Other Funds	21,428	0	21,428
Other Deferred Revenues	4,336	0	4,336
Total Liabilities	<u>\$ 30,736</u>	<u>\$ 33,982</u>	<u>\$ 64,718</u>
<u>Fund Balances</u>			
Reserved for Innovative Education Program Strategies	\$ 9,122	\$ 0	\$ 9,122
Other Federal Reserves	17,265	0	17,265
Unreserved	0	566,850	566,850
Total Fund Balances	<u>\$ 26,387</u>	<u>\$ 566,850</u>	<u>\$ 593,237</u>
Total Liabilities and Fund Balances	<u>\$ 57,123</u>	<u>\$ 600,832</u>	<u>\$ 657,955</u>

Exhibit J-7

Obion County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Nonmajor Governmental Funds
Discretely Presented Obion County School Department
For the Year Ended June 30, 2006

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 751,663	\$ 751,663
Other Local Revenues	0	30,563	30,563
State of Tennessee	0	23,429	23,429
Federal Government	1,416,888	907,047	2,323,935
Total Revenues	<u>\$ 1,416,888</u>	<u>\$ 1,712,702</u>	<u>\$ 3,129,590</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 1,349,997	\$ 0	\$ 1,349,997
Support Services	210,772	0	210,772
Operation of Non-Instructional Services	0	1,741,075	1,741,075
Total Expenditures	<u>\$ 1,560,769</u>	<u>\$ 1,741,075</u>	<u>\$ 3,301,844</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (143,881)</u>	<u>\$ (28,373)</u>	<u>\$ (172,254)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	\$ (341)	\$ 0	\$ (341)
Total Other Financing Sources (Uses)	<u>\$ (341)</u>	<u>\$ 0</u>	<u>\$ (341)</u>
Net Change in Fund Balances	\$ (144,222)	\$ (28,373)	\$ (172,595)
Fund Balance, July 1, 2005	170,609	595,223	765,832
Fund Balance, June 30, 2006	<u>\$ 26,387</u>	<u>\$ 566,850</u>	<u>\$ 593,237</u>

Exhibit J-8

Obion County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Obion County School Department
General Purpose School Fund
For the Year Ended June 30, 2006

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 7,948,321	\$ 0	\$ 0	\$ 7,948,321	\$ 7,840,978	\$ 7,840,978	\$ 107,343
Licenses and Permits	2,018	0	0	2,018	2,200	2,200	(182)
Charges for Current Services	153,209	0	0	153,209	83,000	83,000	70,209
Other Local Revenues	34,978	0	0	34,978	49,501	67,329	(32,351)
State of Tennessee	14,143,293	0	0	14,143,293	13,990,580	14,070,712	72,581
Federal Government	377,938	0	0	377,938	207,000	236,656	141,282
Total Revenues	\$ 22,659,757	\$ 0	\$ 0	\$ 22,659,757	\$ 22,173,259	\$ 22,300,875	\$ 358,882
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 11,321,912	\$ (64,888)	\$ 12,306	\$ 11,269,330	\$ 11,584,615	\$ 11,524,525	\$ 255,195
Alternative Instruction Program	54,809	0	0	54,809	58,145	59,345	4,536
Special Education Program	1,401,240	0	0	1,401,240	1,478,970	1,468,970	67,730
Vocational Education Program	827,033	(859)	0	826,174	873,055	863,055	36,881
Student Body Education Program	5,689	0	0	5,689	7,000	7,000	1,311
Adult Education Program	44,696	0	0	44,696	45,455	51,798	7,102
<u>Support Services</u>							
Attendance	94,978	0	0	94,978	98,410	98,590	3,612
Health Services	141,669	0	0	141,669	139,510	146,725	5,056
Other Student Support	508,820	0	0	508,820	539,825	541,035	32,215
Regular Instruction Program	833,645	(279)	3,804	837,170	891,315	891,315	54,145
Alternative Instruction Program	1,107	0	0	1,107	1,800	1,800	693
Special Education Program	115,624	0	0	115,624	115,190	116,290	666
Vocational Education Program	136,934	0	0	136,934	149,165	149,165	12,231
Adult Programs	94,055	0	0	94,055	95,957	96,707	2,652
Board of Education	529,952	0	0	529,952	521,165	543,165	13,213

(Continued)

Exhibit J-8

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Director of Schools	\$ 153,061	\$ 0	\$ 0	\$ 153,061	\$ 155,730	\$ 156,180	\$ 3,119
Office of the Principal	1,335,767	(55)	0	1,335,712	1,382,090	1,377,090	41,378
Fiscal Services	121,774	(260)	0	121,514	133,893	134,513	12,999
Operation of Plant	1,795,937	(8,083)	0	1,787,854	1,773,240	1,838,755	50,901
Maintenance of Plant	457,440	(4,060)	0	453,380	491,285	492,485	39,105
Transportation	1,462,524	0	0	1,462,524	1,456,250	1,530,987	68,463
<u>Operation of Non-Instructional Services</u>							
Food Service	46,368	0	0	46,368	49,390	50,990	4,622
Community Services	119,513	0	0	119,513	120,119	120,119	606
Early Childhood Education	49,953	0	0	49,953	0	94,460	44,507
<u>Capital Outlay</u>							
Regular Capital Outlay	279,364	(36,362)	182,314	425,316	294,975	493,674	68,358
Total Expenditures	\$ 21,933,864	\$ (114,846)	\$ 198,424	\$ 22,017,442	\$ 22,456,549	\$ 22,848,738	\$ 831,296
<u>Excess (Deficiency) of Revenues</u>							
Over Expenditures	\$ 725,893	\$ 114,846	\$ (198,424)	\$ 642,315	\$ (283,290)	\$ (547,863)	\$ 1,190,178
<u>Other Financing Sources (Uses)</u>							
Extraordinary Item - Hail Damage	\$ 163,439	\$ 0	\$ 0	\$ 163,439	\$ 0	\$ 163,439	\$ 0
Insurance Recovery	17,243	0	0	17,243	1,000	18,241	(998)
Transfers In	341	0	0	341	0	0	341
Total Other Financing Sources (Uses)	\$ 181,023	\$ 0	\$ 0	\$ 181,023	\$ 1,000	\$ 181,680	\$ (657)
<u>Net Change in Fund Balance</u>							
Fund Balance, July 1, 2005	\$ 906,916	\$ 114,846	\$ (198,424)	\$ 823,338	\$ (282,290)	\$ (366,183)	\$ 1,189,521
	3,162,433	(114,846)	0	3,047,587	2,532,799	2,532,799	514,788
<u>Fund Balance, June 30, 2006</u>							
	\$ 4,069,349	\$ 0	\$ (198,424)	\$ 3,870,925	\$ 2,250,509	\$ 2,166,616	\$ 1,704,309

Exhibit J-9

Obion County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Obion County School Department
School Federal Projects Fund
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 1,416,888	\$ 1,595,568	\$ 1,595,568	\$ (178,680)
Total Revenues	\$ 1,416,888	\$ 1,595,568	\$ 1,595,568	\$ (178,680)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 594,124	\$ 719,974	\$ 719,974	\$ 125,850
Special Education Program	700,852	817,916	817,916	117,064
Vocational Education Program	55,021	66,402	66,402	11,381
<u>Support Services</u>				
Health Services	14,408	14,414	14,414	6
Other Student Support	3,477	8,972	8,972	5,495
Regular Instruction Program	77,255	89,716	89,716	12,461
Special Education Program	97,330	109,277	109,277	11,947
Vocational Education Program	18,302	18,302	18,302	0
Total Expenditures	\$ 1,560,769	\$ 1,844,973	\$ 1,844,973	\$ 284,204
Excess (Deficiency) of Revenues Over Expenditures	\$ (143,881)	\$ (249,405)	\$ (249,405)	\$ 105,524
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (341)	\$ (341)	\$ (341)	\$ 0
Total Other Financing Sources (Uses)	\$ (341)	\$ (341)	\$ (341)	\$ 0
Net Change in Fund Balance	\$ (144,222)	\$ (249,746)	\$ (249,746)	\$ 105,524
Fund Balance, July 1, 2005	170,609	249,746	249,746	(79,137)
Fund Balance, June 30, 2006	\$ 26,387	\$ 0	\$ 0	\$ 26,387

Exhibit J-10

Obion County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Obion County School Department
Central Cafeteria Fund
For the Year Ended June 30, 2006

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Charges for Current Services	\$ 751,663	\$ 0	\$ 751,663	\$ 830,000	\$ 830,000	\$ (78,337)
Other Local Revenues	30,563	0	30,563	16,000	16,000	14,563
State of Tennessee	23,429	0	23,429	25,000	25,000	(1,571)
Federal Government	907,047	0	907,047	895,000	895,000	12,047
Total Revenues	<u>\$ 1,712,702</u>	<u>\$ 0</u>	<u>\$ 1,712,702</u>	<u>\$ 1,766,000</u>	<u>\$ 1,766,000</u>	<u>\$ (53,298)</u>
<u>Expenditures</u>						
<u>Operation of Non-Instructional Services</u>						
Food Service	\$ 1,741,075	\$ (31,508)	\$ 1,709,567	\$ 1,766,000	\$ 1,766,000	\$ 56,433
Total Expenditures	<u>\$ 1,741,075</u>	<u>\$ (31,508)</u>	<u>\$ 1,709,567</u>	<u>\$ 1,766,000</u>	<u>\$ 1,766,000</u>	<u>\$ 56,433</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (28,373)</u>	<u>\$ 31,508</u>	<u>\$ 3,135</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,135</u>
Net Change in Fund Balance	\$ (28,373)	\$ 31,508	\$ 3,135	\$ 0	\$ 0	\$ 3,135
Fund Balance, July 1, 2005	<u>595,223</u>	<u>(31,508)</u>	<u>563,715</u>	<u>572,332</u>	<u>572,332</u>	<u>(8,617)</u>
Fund Balance, June 30, 2006	<u>\$ 566,850</u>	<u>\$ 0</u>	<u>\$ 566,850</u>	<u>\$ 572,332</u>	<u>\$ 572,332</u>	<u>\$ (5,482)</u>

MISCELLANEOUS SCHEDULES

Exhibit K-1

Obion County, Tennessee
Schedule of Changes in Other Loans and Bonds
For the Year Ended June 30, 2006

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-05	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-06
<u>OTHER LOANS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Jail Construction	\$ 4,500,000	Variable	% 4-24-1997	6-1-12	\$ 2,505,000	\$ 0	\$ 305,000	\$ 2,200,000
School Construction/Renovation	(1)	Variable	8-25-04	5-25-31	3,419,000	12,000,000	0	15,419,000
Total Other Loans Payable					<u>\$ 5,924,000</u>	<u>\$ 12,000,000</u>	<u>\$ 305,000</u>	<u>\$ 17,619,000</u>
<u>BONDS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Rural School Refunding Bonds	5,195,000	2 to 3.5	12-1-03	6-1-08	\$ 3,435,000	\$ 0	\$ 1,100,000	\$ 2,335,000
Total Bonds Payable					<u>\$ 3,435,000</u>	<u>\$ 0</u>	<u>\$ 1,100,000</u>	<u>\$ 2,335,000</u>

(1) Total amount available under the loan agreement is \$17,000,000. The county has drawn \$15,419,000 of this amount.

Exhibit K-2

Obion County, Tennessee

Schedule of Bond Principal and Interest Requirements By Year

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2007	\$ 1,145,000	\$ 67,188	\$ 1,212,188
2008	1,190,000	35,700	1,225,700
Total	<u>\$ 2,335,000</u>	<u>\$ 102,888</u>	<u>\$ 2,437,888</u>

Exhibit K-3

Obion County, Tennessee
Schedule of Investments
June 30, 2006

Fund and Type	Amount
<u>Indigent Care Trust Fund</u>	
U.S. Treasury Money Market Fund	\$ 88,238
Federal Home Loan Bank	2,092,898
Federal National Mortgage Association	477,446
Federal Farm Credit Bank	387,500
Federal Home Loan Mortgage Corporation	479,220
Total Indigent Care Trust Fund	<u>\$ 3,525,302</u>
 <u>Constitutional Officers - Agency Fund</u>	
<u>Juvenile Court Clerk</u>	
U. S. Savings Bonds - Series EE	<u>\$ 21,780</u>
Total Constitutional Officers - Agency Fund	<u>\$ 21,780</u>
 Total Investments	 <u><u>\$ 3,547,082</u></u>

Exhibit K-4

Obion County, Tennessee
Schedule of Notes Receivable
June 30, 2006

<u>Description</u>	<u>Debtor</u>	<u>Original Amount of Issue</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance 6-30-06</u>
<u>Other Special Revenue Fund</u>						
Industrial Facilities - Tyson Foods, Inc.	Industrial Development Board of Union City	\$ 3,500,000	4-15-1997	1-1-15	9.395%	<u>\$ 2,073,406</u>
Total Other Special Revenue Fund						<u>\$ 2,073,406</u>
<u>Constitutional Officers - Agency Fund</u>						
<u>Clerk and Master</u>						
Ellen Wade Wiley Scholarship Loan Notes	Various Students	Various	Various	Various	0	<u>\$ 197,455</u>
Total Constitutional Officers - Agency Fund						<u>\$ 197,455</u>
Total Notes Receivable						<u>\$ 2,270,861</u>

Exhibit K-5

Obion County, Tennessee

Schedule of Transfers

Primary Government and Discretely Presented Obion County School Department

For the Year Ended June 30, 2006

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>Primary Government</u>			
General	Public Library	To provide funds for operations	\$ 296,033
General	General Debt Service	To close out note proceeds	71,935
General	Solid Waste/Sanitation	To provide funds for operations	122,550
General	Special Purpose	To provide funds for capital improvements	60,000
Nursing Home	General	To transfer accumulated nursing home funds	<u>900,000</u>
Total Transfers Primary Government			<u>\$ 1,450,518</u>
<u>Discretely Presented Obion</u>			
<u>County School Department</u>			
School Federal Projects	General Purpose School	Indirect costs	<u>\$ 341</u>
Total Transfers Discretely Presented Obion County School Department			<u>\$ 341</u>

Exhibit K-6

Obion County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Primary Government and Discretely Presented Obion County School Department
For the Year Ended June 30, 2006

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 62,424	\$ 50,000	RLI Insurance Company
Highway Superintendent	Section 8-24-102, <u>TCA</u>	59,449	100,000	United States Fidelity and Guaranty Company
Director of Schools	State Board of Education and County Board of Education	92,078 (1)	1,000,000	Tennessee School Boards Risk Management Trust
Trustee	Section 8-24-102, <u>TCA</u>	54,048	746,800	RLI Insurance Company
Assessor of Property	Section 8-24-102, <u>TCA</u>	54,048	10,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	54,048	60,000	"
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	54,048	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u>	59,683 (2)	70,000	United States Fidelity and Guaranty Company
Register	Section 8-24-102, <u>TCA</u>	54,048	25,000	RLI Insurance Company
Sheriff	Section 8-24-102, <u>TCA</u>	59,452	25,000	"
Employee Bonds:				
General County Employees			150,000	Tennessee School Boards Risk Management Trust
Director of School's Office			150,000	Tennessee School Boards Risk Management Trust
Highway Superintendent's Office			25,000	RLI Surety Division

(1) Includes chief executive officer training supplement of \$1,000, fringe benefits of \$340, and longevity pay of \$325.

(2) Includes special commissioner/special master fees of \$5,635.

Exhibit K-7

Obion County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
For the Year Ended June 30, 2006

	Special Revenue Funds				
	General	Urban Services	Public Library	Solid Waste / Sanitation	Special Purpose
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 1,043,529	\$ 0	\$ 0	\$ 0	0
Trustee's Collections - Prior Year	34,065	0	0	0	0
Circuit/Clerk & Master Collections - Prior Years	14,673	0	0	0	0
Interest and Penalty	6,342	0	0	0	0
Payments in-Lieu-of Taxes - T.V.A.	139	0	0	0	0
Payments in-Lieu-of Taxes - Local Utilities	1,054	0	0	0	0
Payments in-Lieu-of Taxes - Other	47,109	0	0	0	0
<u>County Local Option Taxes</u>					
Local Option Sales Tax	437,153	0	0	0	0
Hotel/Motel Tax	29,786	0	0	0	0
Wheel Tax	137,505	0	0	0	0
Litigation Tax - General	138,560	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0
Business Tax	152,665	0	0	0	0
Mineral Severance Tax	0	0	0	0	0
<u>Statutory Local Taxes</u>					
Bank Excise Tax	6,604	0	0	0	0
Wholesale Beer Tax	28,873	0	0	0	0
Interstate Telecommunications Tax	2,536	0	0	0	0
Total Local Taxes	\$ 2,080,593	\$ 0	\$ 0	\$ 0	0
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Cable TV Franchise	\$ 10,638	\$ 0	\$ 0	\$ 0	0
<u>Permits</u>					
Beer Permits	1,746	0	0	0	0
Total Licenses and Permits	\$ 12,384	\$ 0	\$ 0	\$ 0	0
<u>Fines, Forfeitures, and Penalties</u>					
<u>Circuit Court</u>					
Fines	\$ 1,121	\$ 0	\$ 0	\$ 0	0
Officers Costs	1,845	0	0	0	0

(Continued)

Exhibit K-7

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

	Special Revenue Funds				
	General	Urban Services	Public Library	Solid Waste / Sanitation	Special Purpose
<u>Fines, Forfeitures, and Penalties (Cont.)</u>					
<u>Circuit Court (Cont.)</u>					
Drug Control Fines	\$ 1,450	\$ 0	\$ 0	\$ 0	\$ 0
Drug Court Fees	1,596	0	0	0	0
Jail Fees	4,012	0	0	0	0
DUI Treatment Fines	475	0	0	0	0
Data Entry Fee - Circuit Court	384	0	0	0	0
<u>General Sessions Court</u>					
Fines	23,037	0	0	0	0
Officers Costs	28,010	0	0	0	0
Game and Fish Fines	176	0	0	0	0
Drug Control Fines	2,648	0	0	0	0
Drug Court Fees	5,158	0	0	0	0
Jail Fees	50,345	0	0	0	0
DUI Treatment Fines	8,640	0	0	0	0
Data Entry Fee - General Sessions Court	9,748	0	0	0	0
<u>Juvenile Court</u>					
Fines	998	0	0	0	0
Officers Costs	1,496	0	0	0	0
<u>Chancery Court</u>					
Officers Costs	18,150	0	0	0	0
Data Entry Fee - Chancery Court	1,066	0	0	0	0
<u>Judicial District Drug Program</u>					
Drug Task Force Forfeitures and Seizures	0	0	0	0	0
<u>Other Fines, Forfeitures, and Penalties</u>					
Proceeds from Confiscated Property	0	0	0	0	0
Total Fines, Forfeitures, and Penalties	\$ 160,355	\$ 0	\$ 0	\$ 0	\$ 0
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Surcharge - General	\$ 0	\$ 0	\$ 0	\$ 28,313	\$ 0
Solid Waste Disposal Fees	0	0	0	5,274	0
Work Release Charges for Board	6,870	0	0	0	0

(Continued)

Exhibit K-7

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

	Special Revenue Funds				
	General	Urban Services	Public Library	Solid Waste / Sanitation	Special Purpose
<u>Charges for Current Services (Cont.)</u>					
<u>Fees</u>					
Copy Fees	\$ 685	\$ 0	\$ 0	\$ 0	\$ 0
Library Fees	0	0	21,962	0	0
Telephone Commissions	8,502	0	0	0	0
Vending Machine Collections	261	0	0	0	0
Special Commissioner Fees/Special Master Fees	0	0	0	0	0
Data Processing Fee - Register	10,250	0	0	0	0
Data Processing Fee - Sheriff	1,532	0	0	0	0
Sexual Offender Registration Fees - Sheriff	4,100	0	0	0	0
Total Charges for Current Services	\$ 32,200	\$ 0	\$ 21,962	\$ 33,587	\$ 0
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 1,348,461	\$ 0	\$ 11,608	\$ 0	\$ 2,242
Lease/Rentals	0	0	0	0	111,437
Sale of Materials and Supplies	0	0	0	0	0
Commissary Sales	50,237	0	0	0	0
Sale of Gasoline	0	0	0	0	8,297
Sale of Recycled Materials	0	0	0	447	0
Miscellaneous Refunds	22,622	0	7,417	0	500
<u>Nonrecurring Items</u>					
Sale of Equipment	2,365	0	0	0	0
Damages Recovered from Individuals	452	0	0	0	0
<u>Other Local Revenues</u>					
Other Local Revenues	1,849	0	0	0	0
Total Other Local Revenues	\$ 1,425,986	\$ 0	\$ 19,025	\$ 447	\$ 122,476
<u>Fees Received from County Officials</u>					
<u>Fees-In-Lieu of Salary</u>					
County Clerk	\$ 344,291	\$ 0	\$ 0	\$ 0	\$ 0
Circuit Court Clerk	84,589	0	0	0	0
General Sessions Court Clerk	229,577	0	0	0	0

(Continued)

Exhibit K-7

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

	Special Revenue Funds				
	General	Urban Services	Public Library	Solid Waste / Sanitation	Special Purpose
<u>Fees Received from County Officials (Cont.)</u>					
<u>Fees-In-Lieu of Salary (Cont.)</u>					
Clerk and Master	\$ 148,006	\$ 0	\$ 0	\$ 0	\$ 0
Juvenile Court Clerk	32,230	0	0	0	0
Register	142,272	0	0	0	0
Sheriff	16,160	0	0	0	0
Trustee	378,101	0	0	0	0
Total Fees Received from County Officials	\$ 1,375,226	\$ 0	\$ 0	\$ 0	\$ 0
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0
Airport Maintenance Program	0	0	0	0	12,500
State Reappraisal Grant	11,962	0	0	0	0
Solid Waste Grants	0	0	0	119,315	0
<u>Health and Welfare Grants</u>					
Health Department Programs	37,085	0	0	0	0
<u>Public Works Grants</u>					
Bridge Program	0	0	0	0	0
Litter Program	27,090	0	0	0	0
<u>Other State Revenues</u>					
Income Tax	65,915	0	0	0	0
Beer Tax	17,212	0	0	0	0
Alcoholic Beverage Tax	46,332	0	0	0	0
Mixed Drink Tax	1,129	0	0	0	0
Contracted Prisoner Boarding	821,147	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	0
Petroleum Special Tax	0	0	0	0	0
Registrar's Salary Supplement	16,380	0	0	0	0
Other State Grants	0	0	3,385	0	0
Total State of Tennessee	\$ 1,053,252	\$ 0	\$ 3,385	\$ 119,315	\$ 12,500

(Continued)

Exhibit K-7

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

	Special Revenue Funds				
	General	Urban Services	Public Library	Solid Waste / Sanitation	Special Purpose
<u>Federal Government</u>					
<u>Federal Through State</u>					
Community Development	\$ 0	\$ 16,492	\$ 0	\$ 0	\$ 0
Law Enforcement Grants	14,642	0	0	0	0
Other Federal through State	99,535	0	0	0	83,868
<u>Direct Federal Revenue</u>					
Medicare	6,800	0	0	0	0
Public Safety Partnership and Community Policing - COPS	34,838	0	0	0	0
Other Direct Federal Revenue	47,094	0	0	0	0
Total Federal Government	<u>\$ 202,909</u>	<u>\$ 16,492</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 83,868</u>
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 5,000	\$ 0	\$ 148,006	\$ 0	\$ 0
Contracted Services	29,785	0	0	0	0
<u>Citizens Groups</u>					
Donations	0	0	42,925	0	0
<u>Other</u>					
Other	16,589	0	0	0	0
Total Other Governments and Citizens Groups	<u>\$ 51,374</u>	<u>\$ 0</u>	<u>\$ 190,931</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total	<u>\$ 6,394,279</u>	<u>\$ 16,492</u>	<u>\$ 235,303</u>	<u>\$ 153,349</u>	<u>\$ 218,844</u>

(Continued)

Exhibit K-7

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

	Special Revenue Funds			Debt Service Fund	Capital Projects Fund	Total
	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Public Library Capital Projects	
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 0	\$ 0	\$ 542,661	\$ 1,493,328	\$ 0	\$ 3,079,518
Trustee's Collections - Prior Year	0	0	12,166	44,766	0	90,997
Circuit/Clerk & Master Collections - Prior Years	0	0	8,196	31,129	0	53,998
Interest and Penalty	0	0	2,497	8,637	0	17,476
Payments in-Lieu-of Taxes - T.V.A.	0	0	0	0	0	139
Payments in-Lieu-of Taxes - Local Utilities	0	0	422	3,925	0	5,401
Payments in-Lieu-of Taxes - Other	0	0	25,175	89,474	0	161,758
<u>County Local Option Taxes</u>						
Local Option Sales Tax	0	0	0	0	0	437,153
Hotel/Motel Tax	0	0	0	0	0	29,786
Wheel Tax	0	0	671,725	0	0	809,230
Litigation Tax - General	0	0	0	0	0	138,560
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	44,428	0	44,428
Business Tax	0	0	8,690	33,059	0	194,414
Mineral Severance Tax	0	0	26,299	0	0	26,299
<u>Statutory Local Taxes</u>						
Bank Excise Tax	0	0	3,434	14,264	0	24,302
Wholesale Beer Tax	0	0	0	0	0	28,873
Interstate Telecommunications Tax	0	0	0	0	0	2,536
Total Local Taxes	\$ 0	\$ 0	\$ 1,301,265	\$ 1,763,010	\$ 0	\$ 5,144,868
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Cable TV Franchise	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,638
<u>Permits</u>						
Beer Permits	0	0	0	0	0	1,746
Total Licenses and Permits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 12,384
<u>Fines, Forfeitures, and Penalties</u>						
<u>Circuit Court</u>						
Fines	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,121
Officers Costs	0	0	0	0	0	1,845

(Continued)

Exhibit K-7

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

	Special Revenue Funds			Debt	Capital	Total
	Drug Control	Constitutional Officers - Fees	Highway / Public Works	Service Fund	Projects Fund	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>						
<u>Circuit Court (Cont.)</u>						
Drug Control Fines	\$ 2,489	\$ 0	\$ 0	\$ 0	\$ 0	3,939
Drug Court Fees	0	0	0	0	0	1,596
Jail Fees	0	0	0	0	0	4,012
DUI Treatment Fines	0	0	0	0	0	475
Data Entry Fee - Circuit Court	0	0	0	0	0	384
<u>General Sessions Court</u>						
Fines	0	0	0	0	0	23,037
Officers Costs	0	0	0	0	0	28,010
Game and Fish Fines	0	0	0	0	0	176
Drug Control Fines	3,218	0	0	0	0	5,866
Drug Court Fees	0	0	0	0	0	5,158
Jail Fees	0	0	0	0	0	50,345
DUI Treatment Fines	0	0	0	0	0	8,640
Data Entry Fee - General Sessions Court	0	0	0	0	0	9,748
<u>Juvenile Court</u>						
Fines	0	0	0	0	0	998
Officers Costs	0	0	0	0	0	1,496
<u>Chancery Court</u>						
Officers Costs	0	0	0	0	0	18,150
Data Entry Fee - Chancery Court	0	0	0	0	0	1,066
<u>Judicial District Drug Program</u>						
Drug Task Force Forfeitures and Seizures	17,060	0	0	0	0	17,060
<u>Other Fines, Forfeitures, and Penalties</u>						
Proceeds from Confiscated Property	4,349	0	0	0	0	4,349
Total Fines, Forfeitures, and Penalties	\$ 27,116	\$ 0	\$ 0	\$ 0	\$ 0	187,471
<u>Charges for Current Services</u>						
<u>General Service Charges</u>						
Surcharge - General	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	28,313
Solid Waste Disposal Fees	0	0	0	0	0	5,274
Work Release Charges for Board	0	0	0	0	0	6,870

(Continued)

Exhibit K-7

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

	Special Revenue Funds			Debt Service Fund	Capital Projects Fund	
	Drug Control	Constitu- tional Officers - Fees	Highway / Public Works	General Debt Service	Public Library Capital Projects	Total
<u>Charges for Current Services (Cont.)</u>						
<u>Fees</u>						
Copy Fees	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	685
Library Fees	0	0	0	0	0	21,962
Telephone Commissions	0	0	0	0	0	8,502
Vending Machine Collections	0	0	433	0	0	694
Special Commissioner Fees/Special Master Fees	0	5,635	0	0	0	5,635
Data Processing Fee - Register	0	0	0	0	0	10,250
Data Processing Fee - Sheriff	0	0	0	0	0	1,532
Sexual Offender Registration Fees - Sheriff	0	0	0	0	0	4,100
Total Charges for Current Services	\$ 0	\$ 5,635	\$ 433	\$ 0	\$ 0	93,817
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	258	1,362,569
Lease/Rentals	0	0	0	57,570	0	169,007
Sale of Materials and Supplies	0	0	1,030	0	0	1,030
Commissary Sales	0	0	0	0	0	50,237
Sale of Gasoline	0	0	0	0	0	8,297
Sale of Recycled Materials	0	0	0	0	0	447
Miscellaneous Refunds	346	0	9,982	0	0	40,867
<u>Nonrecurring Items</u>						
Sale of Equipment	0	0	0	0	0	2,365
Damages Recovered from Individuals	0	0	0	0	0	452
<u>Other Local Revenues</u>						
Other Local Revenues	0	0	0	0	0	1,849
Total Other Local Revenues	\$ 346	\$ 0	\$ 11,012	\$ 57,570	\$ 258	1,637,120
<u>Fees Received from County Officials</u>						
<u>Fees-In-Lieu of Salary</u>						
County Clerk	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	344,291
Circuit Court Clerk	0	0	0	0	0	84,589
General Sessions Court Clerk	0	0	0	0	0	229,577

(Continued)

Exhibit K-7

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

	Special Revenue Funds			Debt Service Fund	Capital Projects Fund	
	Drug Control	Constitu- tional Officers - Fees	Highway / Public Works	General Debt Service	Public Library Capital Projects	Total
<u>Fees Received from County Officials (Cont.)</u>						
<u>Fees-In-Lieu of Salary (Cont.)</u>						
Clerk and Master	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	148,006
Juvenile Court Clerk	0	0	0	0	0	32,230
Register	0	0	0	0	0	142,272
Sheriff	0	0	0	0	0	16,160
Trustee	0	0	0	0	0	378,101
Total Fees Received from County Officials	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	1,375,226
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Juvenile Services Program	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	9,000
Airport Maintenance Program	0	0	0	0	0	12,500
State Reappraisal Grant	0	0	0	0	0	11,962
Solid Waste Grants	0	0	0	0	0	119,315
<u>Health and Welfare Grants</u>						
Health Department Programs	0	0	0	0	0	37,085
<u>Public Works Grants</u>						
Bridge Program	0	0	201,244	0	0	201,244
Litter Program	0	0	0	0	0	27,090
<u>Other State Revenues</u>						
Income Tax	0	0	0	0	0	65,915
Beer Tax	0	0	0	0	0	17,212
Alcoholic Beverage Tax	0	0	0	0	0	46,332
Mixed Drink Tax	0	0	0	0	0	1,129
Contracted Prisoner Boarding	0	0	0	0	0	821,147
Gasoline and Motor Fuel Tax	0	0	1,846,634	0	0	1,846,634
Petroleum Special Tax	0	0	26,104	0	0	26,104
Registrar's Salary Supplement	0	0	0	0	0	16,380
Other State Grants	0	0	0	0	0	3,385
Total State of Tennessee	\$ 0	\$ 0	\$ 2,073,982	\$ 0	\$ 0	3,262,434

(Continued)

Exhibit K-7

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

	Special Revenue Funds			Debt Service Fund	Capital Projects Fund	
	Drug Control	Constitu- tional Officers - Fees	Highway / Public Works	General Debt Service	Public Library Capital Projects	Total
<u>Federal Government</u>						
<u>Federal Through State</u>						
Community Development	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	16,492
Law Enforcement Grants	0	0	0	0	0	14,642
Other Federal through State	0	0	0	0	0	183,403
<u>Direct Federal Revenue</u>						
Medicare	0	0	0	0	0	6,800
Public Safety Partnership and Community Policing - COPS	0	0	0	0	0	34,838
Other Direct Federal Revenue	0	0	0	0	0	47,094
Total Federal Government	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	303,269
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Contributions	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	153,006
Contracted Services	0	0	0	0	0	29,785
<u>Citizens Groups</u>						
Donations	0	0	0	0	14,900	57,825
<u>Other</u>						
Other	0	0	0	0	0	16,589
Total Other Governments and Citizens Groups	\$ 0	\$ 0	\$ 0	\$ 0	\$ 14,900	257,205
Total	\$ 27,462	\$ 5,635	\$ 3,386,692	\$ 1,820,580	\$ 15,158	\$ 12,273,794

Exhibit K-8

Obion County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 Discretely Presented Obion County School Department
 For the Year Ended June 30, 2006

	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Total
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 3,967,310	\$ 0	\$ 0	\$ 0	\$ 3,967,310
Trustee's Collections - Prior Year	115,654	0	0	0	115,654
Circuit/Clerk & Master Collections - Prior Years	55,678	0	0	0	55,678
Interest and Penalty	22,114	0	0	0	22,114
Payments in-Lieu-of Taxes - Local Utilities	6,838	0	0	0	6,838
Payments in-Lieu-of Taxes - Other	180,202	0	0	0	180,202
<u>County Local Option Taxes</u>					
Local Option Sales Tax	3,302,205	0	0	0	3,302,205
Wheel Tax	210,362	0	0	0	210,362
Business Tax	59,096	0	0	0	59,096
<u>Statutory Local Taxes</u>					
Bank Excise Tax	25,105	0	0	0	25,105
Interstate Telecommunications Tax	3,757	0	0	0	3,757
Total Local Taxes	\$ 7,948,321	\$ 0	\$ 0	\$ 0	\$ 7,948,321
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 1,987	\$ 0	\$ 0	\$ 0	\$ 1,987
<u>Permits</u>					
Other Permits	31	0	0	0	31
Total Licenses and Permits	\$ 2,018	\$ 0	\$ 0	\$ 0	\$ 2,018
<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Tuition - Out-of-State Systems	\$ 1,653	\$ 0	\$ 0	\$ 0	\$ 1,653
Lunch Payments - Children	0	0	431,496	0	431,496
Lunch Payments - Adults	0	0	64,290	0	64,290
Income from Breakfast	0	0	68,125	0	68,125
A la carte Sales	0	0	182,751	0	182,751
Receipts from Individual Schools	23,044	0	0	0	23,044
Community Service Fees - Children	127,322	0	0	0	127,322
Community Service Fees - Adults	1,190	0	0	0	1,190
<u>Other Charges for Services</u>					
Other Charges for Services	0	0	5,001	0	5,001
Total Charges for Current Services	\$ 153,209	\$ 0	\$ 751,663	\$ 0	\$ 904,872
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	\$ 30,563	\$ 0	\$ 30,563
Sale of Materials and Supplies	8,229	0	0	0	8,229
Miscellaneous Refunds	656	0	0	0	656
<u>Nonrecurring Items</u>					
Sale of Equipment	3,453	0	0	0	3,453
Sale of Property	700	0	0	0	700
Damages Recovered from Individuals	2,182	0	0	0	2,182
Contributions & Gifts	19,552	0	0	0	19,552
<u>Other Local Revenues</u>					
Other Local Revenues	206	0	0	0	206
Total Other Local Revenues	\$ 34,978	\$ 0	\$ 30,563	\$ 0	\$ 65,541

(Continued)

Exhibit K-8

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

	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Total
<u>State of Tennessee</u>					
<u>State Education Funds</u>					
Basic Education Program	\$ 13,256,054	\$ 0	\$ 0	\$ 0	\$ 13,256,054
School Food Service	0	0	23,429	0	23,429
Driver Education	4,640	0	0	0	4,640
Career Ladder Program	257,692	0	0	0	257,692
Career Ladder - Extended Contract	106,790	0	0	0	106,790
<u>Other State Revenues</u>					
Mixed Drink Tax	876	0	0	0	876
State Revenue Sharing - T.V.A.	456,085	0	0	0	456,085
Other State Grants	47,990	0	0	0	47,990
Other State Revenues	13,166	0	0	0	13,166
Total State of Tennessee	\$ 14,143,293	\$ 0	\$ 23,429	\$ 0	\$ 14,166,722
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	\$ 0	\$ 0	\$ 657,251	\$ 0	\$ 657,251
Breakfast	0	0	246,060	0	246,060
USDA - Other	0	0	3,736	0	3,736
Adult Education State Grant Program	117,531	0	0	0	117,531
Vocational Education - Basic Grants to States	0	72,208	0	0	72,208
Title I Grants to Local Education Agencies	0	474,330	0	0	474,330
Innovative Education Program Strategies	0	14,401	0	0	14,401
Special Education - Grants to States	221,027	731,880	0	0	952,907
Eisenhower Professional Development State Grants	0	122,839	0	0	122,839
Other Federal through State	39,380	1,230	0	0	40,610
Total Federal Government	\$ 377,938	\$ 1,416,888	\$ 907,047	\$ 0	\$ 2,701,873
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 0	\$ 0	\$ 0	\$ 12,000,000	\$ 12,000,000
Total Other Governments and Citizens Groups	\$ 0	\$ 0	\$ 0	\$ 12,000,000	\$ 12,000,000
Total	\$ 22,659,757	\$ 1,416,888	\$ 1,712,702	\$ 12,000,000	\$ 37,789,347

Exhibit K-9

Obion County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2006

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	24,800	
Audit Services		7,509	
Dues and Memberships		2,178	
Legal Services		12,000	
Legal Notices, Recording, and Court Costs		181	
Travel		5,189	
Total County Commission			\$ 51,857

Board of Equalization

Board and Committee Members Fees	\$	550	
Travel		94	
Total Board of Equalization			644

Beer Board

Board and Committee Members Fees	\$	1,000	
Legal Notices, Recording, and Court Costs		223	
Total Beer Board			1,223

Budget and Finance Committee

Board and Committee Members Fees	\$	8,500	
Accounting Services		1,250	
Legal Notices, Recording, and Court Costs		23	
Travel		818	
Total Budget and Finance Committee			10,591

County Mayor/Executive

County Official/Administrative Officer	\$	62,424	
Assistant(s)		85,848	
Other Salaries & Wages		1,500	
Dues and Memberships		1,700	
Freight Expenses		124	
Legal Notices, Recording, and Court Costs		630	
Maintenance Agreements		5,498	
Maintenance & Repair Services - Office Equipment		2,976	
Postal Charges		1,040	
Printing, Stationery, and Forms		443	
Travel		3,778	
Data Processing Supplies		2,329	
Duplicating Supplies		350	
Office Supplies		1,999	

(Continued)

Exhibit K-9

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

General Fund (Cont.)

General Government (Cont.)

County Mayor/Executive (Cont.)

Premiums on Corporate Surety Bonds	\$	175	
Data Processing Equipment		170	
Furniture and Fixtures		793	
Total County Mayor/Executive			\$ 171,777

Election Commission

County Official/Administrative Officer	\$	45,940	
Deputy(ies)		31,238	
Part-time Personnel		4,179	
Election Commission		3,080	
Election Workers		10,181	
Communication		2,630	
Data Processing Services		667	
Dues and Memberships		225	
Freight Expenses		221	
Janitorial Services		1,800	
Legal Notices, Recording, and Court Costs		1,506	
Maintenance Agreements		7,618	
Maintenance & Repair Services - Buildings		462	
Maintenance & Repair Services - Equipment		175	
Maintenance & Repair Services - Office Equipment		10	
Pest Control		365	
Postal Charges		3,467	
Printing, Stationery, and Forms		2,148	
Travel		2,080	
Other Contracted Services		4,704	
Custodial Supplies		56	
Data Processing Supplies		1,715	
Duplicating Supplies		164	
Office Supplies		524	
Utilities		4,708	
Vehicle and Equipment Insurance		215	
Data Processing Equipment		16,673	
Office Equipment		10,153	
Total Election Commission			156,904

Register of Deeds

County Official/Administrative Officer	\$	54,048
Deputy(ies)		44,405
Dues and Memberships		529

(Continued)

Exhibit K-9

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

General Fund (Cont.)

General Government (Cont.)

Register of Deeds (Cont.)

Freight Expenses	\$	336	
Postal Charges		1,698	
Printing, Stationery, and Forms		7,332	
Duplicating Supplies		732	
Office Supplies		456	
Premiums on Corporate Surety Bonds		175	
Total Register of Deeds			\$ 109,711

County Buildings

Custodial Personnel	\$	36,528	
Communication		18,137	
Data Processing Services		1,568	
Freight Expenses		268	
Licenses		150	
Maintenance & Repair Services - Buildings		8,208	
Maintenance & Repair Services - Equipment		1,113	
Pest Control		480	
Other Contracted Services		11,004	
Custodial Supplies		6,785	
Drugs and Medical Supplies		677	
Utilities		43,647	
Premiums on Corporate Surety Bonds		746	
Other Capital Outlay		47,163	
Total County Buildings			176,474

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	54,048	
Deputy(ies)		65,087	
Audit Services		14,720	
Data Processing Services		10,448	
Dues and Memberships		1,515	
Maintenance & Repair Services - Office Equipment		750	
Postal Charges		1,374	
Printing, Stationery, and Forms		1,204	
Travel		2,559	
Other Contracted Services		14,914	
Data Processing Supplies		372	
Duplicating Supplies		50	
Office Supplies		20	
Total Property Assessor's Office			167,061

(Continued)

Exhibit K-9

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

General Fund (Cont.)

Finance (Cont.)

Reappraisal Program

Other Salaries & Wages	\$	2,234	
Data Processing Services		3,299	
Travel		1,225	
Other Contracted Services		735	
Total Reappraisal Program			\$ 7,493

County Trustee's Office

County Official/Administrative Officer	\$	54,048	
Deputy(ies)		50,717	
Part-time Personnel		1,426	
Dues and Memberships		225	
Freight Expenses		15	
Legal Notices, Recording, and Court Costs		264	
Maintenance Agreements		3,122	
Maintenance & Repair Services - Office Equipment		574	
Postal Charges		4,766	
Printing, Stationery, and Forms		248	
Travel		328	
Data Processing Supplies		642	
Office Supplies		330	
Data Processing Equipment		1,767	
Office Equipment		160	
Total County Trustee's Office			118,632

County Clerk's Office

County Official/Administrative Officer	\$	54,048	
Deputy(ies)		119,058	
Dues and Memberships		554	
Maintenance Agreements		11,061	
Maintenance & Repair Services - Equipment		426	
Maintenance & Repair Services - Office Equipment		100	
Postal Charges		6,425	
Printing, Stationery, and Forms		1,052	
Travel		2,737	
Data Processing Supplies		2,339	
Duplicating Supplies		804	
Office Supplies		1,212	
Premiums on Corporate Surety Bonds		414	
Data Processing Equipment		3,723	
Office Equipment		408	
Total County Clerk's Office			204,361

(Continued)

Exhibit K-9

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

General Fund (Cont.)

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	54,048	
Deputy(ies)		65,628	
Board and Committee Members Fees		750	
Jury and Witness Fees		7,645	
Dues and Memberships		499	
Freight Expenses		257	
Legal Notices, Recording, and Court Costs		303	
Maintenance Agreements		4,556	
Maintenance & Repair Services - Equipment		886	
Maintenance & Repair Services - Office Equipment		131	
Postal Charges		1,713	
Printing, Stationery, and Forms		1,790	
Data Processing Supplies		1,149	
Duplicating Supplies		495	
Library Books/Media		159	
Office Supplies		689	
Premiums on Corporate Surety Bonds		250	
Other Charges		206	
Data Processing Equipment		12,090	
Furniture and Fixtures		6,272	
Total Circuit Court			\$ 159,516

General Sessions Court

Judge(s)	\$	75,579	
Deputy(ies)		117,317	
Other Per Diem & Fees		9,600	
Dues and Memberships		35	
Freight Expenses		76	
Maintenance Agreements		2,635	
Postal Charges		501	
Printing, Stationery, and Forms		1,315	
Travel		280	
Data Processing Supplies		124	
Office Supplies		963	
Office Equipment		40	
Total General Sessions Court			208,465

Drug Court

Other Salaries & Wages	\$	27,800	
In-Service Training		3,638	

(Continued)

Exhibit K-9

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

General Fund (Cont.)

Administration of Justice (Cont.)

Drug Court (Cont.)

Social Security	\$	2,127	
Unemployment Compensation		295	
Postal Charges		149	
Travel		15,944	
Drug Treatment		72,000	
Other Supplies and Materials		6,048	
Workers' Compensation Insurance		793	
Data Processing Equipment		3,919	
Total Drug Court			\$ 132,713

Chancery Court

County Official/Administrative Officer	\$	54,048	
Deputy(ies)		47,500	
Part-time Personnel		5,800	
Bank Charges		50	
Dues and Memberships		499	
Freight Expenses		209	
Maintenance & Repair Services - Office Equipment		2,176	
Postal Charges		723	
Printing, Stationery, and Forms		3,297	
Data Processing Supplies		437	
Duplicating Supplies		92	
Library Books/Media		244	
Office Supplies		1,119	
Premiums on Corporate Surety Bonds		350	
Office Equipment		2,112	
Total Chancery Court			118,656

Juvenile Court

Judge(s)	\$	32,110	
Youth Service Officer(s)		67,821	
Other Per Diem & Fees		550	
Communication		246	
Contracts with Private Agencies		5,615	
Dues and Memberships		245	
Freight Expenses		76	
Maintenance & Repair Services - Equipment		591	
Postal Charges		1,037	
Printing, Stationery, and Forms		257	
Travel		3,861	

(Continued)

Exhibit K-9

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

General Fund (Cont.)

Administration of Justice (Cont.)

Juvenile Court (Cont.)

Data Processing Supplies	\$	381	
Drugs and Medical Supplies		600	
Duplicating Supplies		622	
Library Books/Media		299	
Office Supplies		395	
Data Processing Equipment		600	
Furniture and Fixtures		280	
Total Juvenile Court			\$ 115,586

Other Administration of Justice

Postal Charges	\$	7	
Printing, Stationery, and Forms		720	
Office Supplies		14	
Total Other Administration of Justice			741

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	59,452	
Deputy(ies)		32,142	
Dispatchers/Radio Operators		167,124	
Clerical Personnel		73,000	
Attendants		105,579	
Custodial Personnel		6,966	
School Resource Officer		22,288	
Overtime Pay		23,172	
Other Salaries & Wages		563,576	
Other Per Diem & Fees		3,081	
Communication		13,448	
Data Processing Services		1,678	
Dues and Memberships		1,800	
Evaluation and Testing		350	
Freight Expenses		480	
Maintenance Agreements		1,500	
Maintenance & Repair Services - Equipment		489	
Maintenance & Repair Services - Vehicles		16,560	
Postal Charges		3,386	
Printing, Stationery, and Forms		1,638	
Rentals		24,846	
Travel		4,033	
Other Contracted Services		13,182	

(Continued)

Exhibit K-9

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Custodial Supplies	\$	4,231	
Data Processing Supplies		3,053	
Duplicating Supplies		2,070	
Gasoline		78,299	
Law Enforcement Supplies		1,239	
Office Supplies		1,872	
Uniforms		5,420	
Premiums on Corporate Surety Bonds		592	
Vehicle and Equipment Insurance		39,969	
Communication Equipment		22,413	
Data Processing Equipment		2,252	
Furniture and Fixtures		4,175	
Law Enforcement Equipment		7,827	
Motor Vehicles		34,945	
Total Sheriff's Department			\$ 1,348,127

Jail

Guards	\$	505,098
Cafeteria Personnel		27,780
Maintenance Personnel		30,500
Part-time Personnel		13,058
Overtime Pay		1,427
In-Service Training		300
Contracts with Government Agencies		2,750
Freight Expenses		1,144
Maintenance & Repair Services - Buildings		10,819
Maintenance & Repair Services - Equipment		5,348
Maintenance & Repair Services - Office Equipment		372
Medical and Dental Services		98,012
Pest Control		600
Printing, Stationery, and Forms		1,538
Travel		2,397
Custodial Supplies		22,749
Data Processing Supplies		1,625
Duplicating Supplies		1,637
Fertilizer, Lime, and Seed		751
Food Supplies		82,845
Gasoline		460
Office Supplies		613
Prisoners Clothing		4,908

(Continued)

Exhibit K-9

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Uniforms	\$	3,019	
Utilities		101,577	
Other Supplies and Materials		12,032	
Building and Contents Insurance		10,868	
Communication Equipment		41,600	
Food Service Equipment		25	
Furniture and Fixtures		753	
Law Enforcement Equipment		623	
Office Equipment		895	
Total Jail			\$ 988,123

Rescue Squad

Contributions	\$	6,000	
Total Rescue Squad			6,000

Other Emergency Management

Contributions	\$	6,000	
Total Other Emergency Management			6,000

Public Safety Grant Programs

Law Enforcement Equipment	\$	29,000	
Total Public Safety Grant Programs			29,000

Other Public Safety

Contributions	\$	5,000	
Total Other Public Safety			5,000

Public Health and Welfare

Local Health Center

Clerical Personnel	\$	28,942	
Social Security		2,125	
State Retirement		713	
Life Insurance		54	
Medical Insurance		3,000	
Unemployment Compensation		211	
Advertising		136	
Communication		3,708	
Contracts with Private Agencies		227	
Dues and Memberships		100	
Freight Expenses		89	

(Continued)

Exhibit K-9

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

Janitorial Services	\$	11,806	
Maintenance & Repair Services - Buildings		2,346	
Maintenance & Repair Services - Equipment		1,030	
Pest Control		300	
Postal Charges		2,838	
Travel		188	
Other Contracted Services		1,000	
Custodial Supplies		1,374	
Data Processing Supplies		373	
Duplicating Supplies		129	
Office Supplies		479	
Periodicals		113	
Utilities		11,647	
Workers' Compensation Insurance		91	
Building Improvements		33,308	
Total Local Health Center			\$ 106,327

Other Local Health Services

Other Contracted Services	\$	6,000	
Total Other Local Health Services			6,000

Appropriation to State

Contracts with Government Agencies	\$	69,553	
Total Appropriation to State			69,553

General Welfare Assistance

Pauper Burials	\$	450	
Other Charges		1,600	
Total General Welfare Assistance			2,050

Sanitation Education/Information

Foremen	\$	18,721	
Advertising		8,600	
Maintenance & Repair Services - Vehicles		415	
Food Supplies		318	
Gasoline		1,208	
Other Supplies and Materials		760	
Total Sanitation Education/Information			30,022

(Continued)

Exhibit K-9

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

General Fund (Cont.)

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Contributions	\$ 15,000	
Total Senior Citizens Assistance		\$ 15,000

Parks and Fair Boards

Contributions	\$ 4,000	
Total Parks and Fair Boards		4,000

Other Social, Cultural, and Recreational

Contributions	\$ 5,000	
Matching Share	2,500	
Total Other Social, Cultural, and Recreational		7,500

Agriculture & Natural Resources

Agriculture Extension Service

Salary Supplements	\$ 58,912	
Temporary Personnel	428	
Social Security	4,507	
State Retirement	7,887	
Communication	5,355	
Data Processing Services	779	
Janitorial Services	1,800	
Maintenance & Repair Services - Buildings	919	
Maintenance & Repair Services - Vehicles	165	
Custodial Supplies	393	
Utilities	4,751	
Data Processing Equipment	1,098	
Office Equipment	1,000	
Transportation Equipment	1,685	
Total Agriculture Extension Service		89,679

Soil Conservation

Secretary(ies)	\$ 21,193	
Contributions	1,000	
Total Soil Conservation		22,193

Flood Control

Contributions	\$ 25,000	
Total Flood Control		25,000

(Continued)

Exhibit K-9

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

General Fund (Cont.)

Other Operations

Tourism

Contributions	\$	2,500	
Dues and Memberships		900	
Remittance of Revenue Collected		30,717	
Total Tourism			\$ 34,117

Industrial Development

Consultants	\$	42,066	
Contracts with Other Public Agencies		58,968	
Contributions		22,000	
Dues and Memberships		6,522	
Matching Share		1,400	
Total Industrial Development			130,956

Veterans' Services

Contributions	\$	12,036	
Total Veterans' Services			12,036

Other Charges

Contracts with Government Agencies	\$	6,225	
Legal Services		2,240	
Maintenance Agreements		420	
Transportation - Other than Students		1,800	
Boiler Insurance		2,060	
Building and Contents Insurance		1,327	
Liability Insurance		58,704	
Trustee's Commission		48,589	
Total Other Charges			121,365

Contributions to Other Agencies

Dues and Memberships	\$	1,674	
Total Contributions to Other Agencies			1,674

Employee Benefits

Social Security	\$	222,793	
State Retirement		107,231	
Employee and Dependent Insurance		200,635	

(Continued)

Exhibit K-9

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

General Fund (Cont.)

Other Operations (Cont.)

Employee Benefits (Cont.)

Life Insurance	\$	3,114	
Unemployment Compensation		9,234	
Workers' Compensation Insurance		48,834	
Total Employee Benefits			\$ 591,841

Miscellaneous

Other Salaries & Wages	\$	15,374	
Total Miscellaneous			15,374

Total General Fund \$ 5,579,342

Urban Services Fund

Other Operations

Housing and Urban Development

Building Purchases	\$	16,875	
Total Housing and Urban Development			\$ 16,875

Total Urban Services Fund 16,875

Public Library Fund

Social, Cultural, and Recreational Services

Libraries

County Official/Administrative Officer	\$	52,669
Assistant(s)		31,493
Supervisor/Director		107,676
Educational Assistants		52,596
Social Security		18,151
State Retirement		6,732
Medical Insurance		18,507
Unemployment Compensation		414
Accounting Services		263
Advertising		764
Audit Services		6,000
Bank Charges		18
Communication		10,288
Dues and Memberships		295
Janitorial Services		18,720
Maintenance & Repair Services - Buildings		6,361
Maintenance & Repair Services - Equipment		1,645
Postal Charges		1,232

(Continued)

Exhibit K-9

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

Public Library Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Libraries (Cont.)

Printing, Stationery, and Forms	\$	1,845	
Travel		2,188	
Other Contracted Services		8,565	
Custodial Supplies		1,975	
Data Processing Supplies		1,989	
Instructional Supplies and Materials		7,652	
Library Books/Media		55,483	
Office Supplies		4,061	
Periodicals		4,442	
Utilities		34,422	
Liability Insurance		2,723	
Workers' Compensation Insurance		240	
Other Charges		15,595	
Other Equipment		15,243	
Other Capital Outlay		15,626	
Total Libraries			\$ 505,873

Total Public Library Fund \$ 505,873

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Supervisor/Director	\$	32,464
Social Security		2,483
State Retirement		1,263
Life Insurance		36
Unemployment Compensation		84
Advertising		367
Communication		1,659
Contributions		6,000
Data Processing Services		788
Dues and Memberships		100
Freight Expenses		96
Legal Services		1,312
Postal Charges		245
Printing, Stationery, and Forms		74
Travel		2,655
Tuition		100
Data Processing Supplies		142
Instructional Supplies and Materials		628

(Continued)

Exhibit K-9

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Sanitation Management (Cont.)

Office Supplies	\$	163	
Trustee's Commission		336	
Workers' Compensation Insurance		1,169	
Office Equipment		373	
Total Sanitation Management			\$ 52,537

Problem Waste Centers

Other Contracted Services	\$	15,909	
Total Problem Waste Centers			15,909

Recycling Center

Engineering Services	\$	1,900	
Maintenance & Repair Services - Buildings		281	
Rentals		720	
Other Contracted Services		13,175	
Custodial Supplies		125	
Water and Sewer		14	
Building and Contents Insurance		935	
Motor Vehicles		7,800	
Solid Waste Equipment		2,331	
Total Recycling Center			27,281

Capital Projects

Public Health and Welfare Projects

Building Construction	\$	272,690	
Solid Waste Equipment		39,835	
Total Public Health and Welfare Projects			312,525

Total Solid Waste/Sanitation Fund \$ 408,252

Special Purpose Fund

Other Operations

Airport

Other Salaries & Wages	\$	35,288	
Social Security		2,699	
Audit Services		2,295	
Communication		3,015	
Janitorial Services		810	
Legal Services		300	
Maintenance & Repair Services - Buildings		29,527	

(Continued)

Exhibit K-9

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

Special Purpose Fund (Cont.)

Other Operations (Cont.)

Airport (Cont.)

Office Supplies	\$	905	
Utilities		14,790	
Other Supplies and Materials		2,789	
Building and Contents Insurance		5,498	
Airport Improvement		610,282	
Total Airport			\$ 708,198

Total Special Purpose Fund \$ 708,198

Drug Control Fund

Public Safety

Drug Enforcement

Communication	\$	1,837	
Confidential Drug Enforcement Payments		2,000	
Freight Expenses		244	
Maintenance & Repair Services - Equipment		9	
Maintenance & Repair Services - Vehicles		2,037	
Travel		1,546	
Law Enforcement Supplies		1,867	
Trustee's Commission		99	
Other Charges		6,532	
Communication Equipment		1,889	
Motor Vehicles		17,472	
Total Drug Enforcement			\$ 35,532

Total Drug Control Fund 35,532

Constitutional Officers - Fees Fund

Administration of Justice

Chancery Court

Constitutional Officers' Operating Expenses	\$	5,635	
Total Chancery Court			\$ 5,635

Total Constitutional Officers - Fees Fund 5,635

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	59,449	
Secretary to Board		900	

(Continued)

Exhibit K-9

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Secretary(ies)	\$	55,539	
Board and Committee Members Fees		10,800	
Communication		4,233	
Data Processing Services		2,999	
Dues and Memberships		2,688	
Maintenance & Repair Services - Office Equipment		164	
Postal Charges		601	
Printing, Stationery, and Forms		1,723	
Travel		1,119	
Electricity		8,882	
Natural Gas		5,480	
Office Supplies		1,163	
Water and Sewer		1,098	
Total Administration			\$ 156,838

Highway and Bridge Maintenance

Foremen	\$	170,141	
Equipment Operators		191,460	
Truck Drivers		139,005	
Laborers		359,883	
Asphalt		564,470	
Concrete		35,374	
Crushed Stone		125,979	
General Construction Materials		42,066	
Pipe - Metal		51,125	
Road Signs		3,068	
Wood Products		4,654	
Total Highway and Bridge Maintenance			1,687,225

Operation and Maintenance of Equipment

Mechanic(s)	\$	91,930	
Janitorial Services		1,860	
Diesel Fuel		155,000	
Equipment and Machinery Parts		108,509	
Garage Supplies		14,616	
Gasoline		23,302	
Lubricants		19,561	
Small Tools		300	
Tires and Tubes		20,284	
Total Operation and Maintenance of Equipment			435,362

(Continued)

Exhibit K-9

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Other Charges

Building and Contents Insurance	\$	1,199	
Liability Insurance		11,936	
Premiums on Corporate Surety Bonds		350	
Trustee's Commission		37,276	
Vehicle and Equipment Insurance		38,967	
Workers' Compensation Insurance		71,146	
Other Charges		2,933	
Total Other Charges			\$ 163,807

Employee Benefits

Social Security	\$	79,293	
State Retirement		40,653	
Employee and Dependent Insurance		102,526	
Unemployment Compensation		840	
Total Employee Benefits			223,312

Capital Outlay

Engineering Services	\$	21,217	
Other Contracted Services		127,363	
Bridge Construction		257,523	
Building Construction		92	
Communication Equipment		4,969	
Data Processing Equipment		38	
Highway Equipment		242,488	
Total Capital Outlay			653,690

Total Highway/Public Works Fund \$ 3,320,234

General Debt Service Fund

Principal on Debt

General Government

Principal on Other Loans	\$	305,000	
Total General Government			\$ 305,000

Education

Principal on Bonds	\$	1,100,000	
Total Education			1,100,000

(Continued)

Exhibit K-9

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

<u>General Debt Service Fund (Cont.)</u>		
<u>Interest on Debt</u>		
<u>General Government</u>		
Interest on Other Loans	\$ 72,503	
Total General Government		\$ 72,503
 <u>Education</u>		
Interest on Bonds	\$ 105,687	
Interest on Other Loans	327,595	
Total Education		433,282
 <u>Other Debt Service</u>		
<u>General Government</u>		
Trustee's Commission	\$ 33,790	
Other Debt Service	11,946	
Total General Government		45,736
 <u>Education</u>		
Other Debt Service	\$ 30,705	
Total Education		30,705
 Total General Debt Service Fund		 \$ 1,987,226
 <u>General Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>Education Capital Projects</u>		
Contributions	\$ 12,000,000	
Total Education Capital Projects		\$ 12,000,000
 Total General Capital Projects Fund		 12,000,000
 <u>Public Library Capital Projects Fund</u>		
<u>Social, Cultural, and Recreational Services</u>		
<u>Libraries</u>		
Other Supplies and Materials	\$ 8,162	
Other Charges	2,565	
Other Equipment	31,757	
Total Libraries		\$ 42,484
 Total Public Library Capital Projects Fund		 42,484
 Total Governmental Funds - Primary Government		 \$ 24,609,651

Exhibit K-10

Obion County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Obion County School Department
For the Year Ended June 30, 2006

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 7,877,519	
Career Ladder Program	150,881	
Career Ladder Extended Contracts	54,717	
Homebound Teachers	28,526	
Educational Assistants	186,902	
Certified Substitute Teachers	33,576	
Non-certified Substitute Teachers	100,763	
Social Security	491,379	
State Retirement	450,078	
Life Insurance	10,183	
Medical Insurance	940,660	
Unemployment Compensation	7,750	
Employer Medicare	115,745	
Maintenance & Repair Services - Equipment	5,818	
Other Contracted Services	35,130	
Instructional Supplies and Materials	266,572	
Textbooks	326,723	
Other Supplies and Materials	81,268	
Other Charges	977	
Regular Instruction Equipment	156,745	
Total Regular Instruction Program		\$ 11,321,912

Alternative Instruction Program

Teachers	\$ 41,358	
Career Ladder Program	875	
Social Security	2,618	
State Retirement	2,320	
Life Insurance	58	
Medical Insurance	6,448	
Unemployment Compensation	56	
Employer Medicare	612	
Instructional Supplies and Materials	464	
Total Alternative Instruction Program		54,809

Special Education Program

Teachers	\$ 1,020,263
Career Ladder Program	18,639
Career Ladder Extended Contracts	7,500
Homebound Teachers	25,228

(Continued)

Exhibit K-10

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Educational Assistants	\$	58,443	
Other Salaries & Wages		275	
Certified Substitute Teachers		165	
Non-certified Substitute Teachers		3,135	
Social Security		67,125	
State Retirement		60,970	
Life Insurance		2,586	
Medical Insurance		119,241	
Unemployment Compensation		1,970	
Employer Medicare		15,700	
Total Special Education Program			\$ 1,401,240

Vocational Education Program

Teachers	\$	607,529	
Career Ladder Program		6,500	
Certified Substitute Teachers		1,925	
Non-certified Substitute Teachers		2,260	
Social Security		35,500	
State Retirement		32,646	
Life Insurance		697	
Medical Insurance		69,717	
Unemployment Compensation		546	
Employer Medicare		8,620	
Maintenance & Repair Services - Equipment		1,130	
Instructional Supplies and Materials		24,492	
Textbooks		4,512	
Other Charges		450	
Vocational Instruction Equipment		30,509	
Total Vocational Education Program			827,033

Student Body Education Program

Other Charges	\$	5,689	
Total Student Body Education Program			5,689

Adult Education Program

Teachers	\$	32,998	
Social Security		1,525	
State Retirement		306	
Unemployment Compensation		119	

(Continued)

Exhibit K-10

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Adult Education Program (Cont.)

Employer Medicare	\$	478	
Instructional Supplies and Materials		5,673	
Other Equipment		3,597	
Total Adult Education Program			\$ 44,696

Support Services

Attendance

Supervisor/Director	\$	59,600	
Career Ladder Program		1,000	
Career Ladder Extended Contracts		2,500	
Clerical Personnel		14,148	
Social Security		4,719	
State Retirement		4,021	
Life Insurance		86	
Medical Insurance		4,226	
Unemployment Compensation		28	
Employer Medicare		1,104	
Travel		136	
Other Supplies and Materials		1,675	
In Service/Staff Development		1,735	
Total Attendance			94,978

Health Services

Medical Personnel	\$	116,235	
Other Salaries & Wages		810	
Social Security		6,925	
State Retirement		4,019	
Life Insurance		211	
Medical Insurance		4,377	
Unemployment Compensation		145	
Employer Medicare		1,620	
Drugs and Medical Supplies		5,094	
Other Supplies and Materials		2,164	
In Service/Staff Development		69	
Total Health Services			141,669

Other Student Support

Career Ladder Program	\$	10,000	
Guidance Personnel		358,243	

(Continued)

Exhibit K-10

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Career Ladder Extended Contracts	\$	3,750	
Clerical Personnel		26,173	
Social Security		23,675	
State Retirement		20,990	
Life Insurance		415	
Medical Insurance		33,575	
Unemployment Compensation		251	
Employer Medicare		5,537	
Evaluation and Testing		20,361	
Other Supplies and Materials		4,390	
In Service/Staff Development		1,460	
Total Other Student Support			\$ 508,820

Regular Instruction Program

Supervisor/Director	\$	131,993	
Career Ladder Program		13,992	
Career Ladder Extended Contracts		12,500	
Librarians		289,023	
Materials Supervisor		53,533	
Instructional Computer Personnel		81,150	
Secretary(ies)		22,750	
Educational Assistants		30,998	
Certified Substitute Teachers		28	
Non-certified Substitute Teachers		139	
Social Security		38,120	
State Retirement		32,188	
Life Insurance		662	
Medical Insurance		42,199	
Unemployment Compensation		293	
Employer Medicare		9,007	
Consultants		250	
Travel		6,988	
Other Contracted Services		2,675	
Library Books/Media		36,955	
Other Supplies and Materials		10,647	
In Service/Staff Development		16,521	
Other Charges		1,034	
Total Regular Instruction Program			833,645

(Continued)

Exhibit K-10

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Alternative Instruction Program

Travel	\$	369	
In Service/Staff Development		738	
Total Alternative Instruction Program			\$ 1,107

Special Education Program

Supervisor/Director	\$	55,506	
Career Ladder Program		1,000	
Social Security		3,188	
State Retirement		3,108	
Life Insurance		129	
Medical Insurance		9,568	
Employer Medicare		745	
Travel		41,630	
In Service/Staff Development		750	
Total Special Education Program			115,624

Vocational Education Program

Supervisor/Director	\$	64,430	
Career Ladder Program		3,000	
Career Ladder Extended Contracts		600	
Secretary(ies)		13,923	
Other Salaries & Wages		32,303	
Social Security		6,985	
State Retirement		6,060	
Life Insurance		86	
Medical Insurance		4,226	
Unemployment Compensation		210	
Employer Medicare		1,634	
Travel		3,405	
Other Charges		72	
Total Vocational Education Program			136,934

Adult Programs

Supervisor/Director	\$	50,216	
Clerical Personnel		24,819	
Social Security		4,476	
State Retirement		3,727	
Life Insurance		86	
Medical Insurance		6,086	

(Continued)

Exhibit K-10

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Adult Programs (Cont.)

Unemployment Compensation	\$	25	
Employer Medicare		1,047	
In Service/Staff Development		2,483	
Other Charges		1,090	
Total Adult Programs			\$ 94,055

Board of Education

Board and Committee Members Fees	\$	14,905	
In-Service Training		920	
State Retirement		38	
Life Insurance		289	
Employer Medicare		215	
Audit Services		6,295	
Dues and Memberships		7,341	
Legal Services		3,473	
Travel		2,914	
Liability Insurance		67,983	
Trustee's Commission		175,226	
Workers' Compensation Insurance		215,666	
In Service/Staff Development		5,835	
Criminal Investigation of Applicants - TBI		3,632	
Refund to Applicant for Criminal Investigation		1,224	
Other Charges		23,996	
Total Board of Education			529,952

Director of Schools

County Official/Administrative Officer	\$	91,078	
Career Ladder Program		1,000	
Secretary(ies)		24,819	
Social Security		6,861	
State Retirement		5,774	
Life Insurance		90	
Medical Insurance		6,462	
Unemployment Compensation		56	
Employer Medicare		1,604	
Communication		5,832	
Postal Charges		4,616	
Travel		49	
Office Supplies		1,663	

(Continued)

Exhibit K-10

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools (Cont.)

In Service/Staff Development	\$ 3,157	
Total Director of Schools		\$ 153,061

Office of the Principal

Principals	\$ 398,319	
Career Ladder Program	16,000	
Career Ladder Extended Contracts	12,813	
Assistant Principals	390,164	
Secretary(ies)	256,501	
Social Security	64,457	
State Retirement	54,518	
Life Insurance	1,241	
Medical Insurance	71,137	
Unemployment Compensation	819	
Employer Medicare	15,075	
Communication	43,872	
Dues and Memberships	2,850	
Travel	4,670	
In Service/Staff Development	3,331	
Total Office of the Principal		1,335,767

Fiscal Services

Supervisor/Director	\$ 25,221	
Accountants/Bookkeepers	25,261	
Other Salaries & Wages	32,550	
Social Security	4,663	
State Retirement	3,177	
Life Insurance	115	
Medical Insurance	5,980	
Unemployment Compensation	90	
Employer Medicare	1,091	
Travel	86	
Other Contracted Services	12,810	
Data Processing Supplies	1,107	
Office Supplies	7,450	
In Service/Staff Development	2,173	
Total Fiscal Services		121,774

(Continued)

Exhibit K-10

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant

Custodial Personnel	\$	597,141	
Other Salaries & Wages		12,893	
Social Security		35,708	
State Retirement		18,508	
Life Insurance		1,400	
Medical Insurance		17,428	
Unemployment Compensation		1,243	
Employer Medicare		8,351	
Other Contracted Services		30,063	
Custodial Supplies		56,324	
Electricity		596,293	
Natural Gas		248,989	
Water and Sewer		91,028	
Other Supplies and Materials		2,950	
Boiler Insurance		5,461	
Building and Contents Insurance		46,199	
Other Charges		3,349	
Plant Operation Equipment		22,609	
Total Operation of Plant			\$ 1,795,937

Maintenance of Plant

Supervisor/Director	\$	46,604	
Maintenance Personnel		274,494	
Other Salaries & Wages		3,600	
Social Security		18,758	
State Retirement		12,491	
Life Insurance		475	
Medical Insurance		10,285	
Unemployment Compensation		312	
Employer Medicare		4,387	
Maintenance & Repair Services - Buildings		36,250	
Maintenance & Repair Services - Equipment		11,385	
Travel		28	
Other Contracted Services		8,104	
Gasoline		4,157	
Other Supplies and Materials		4,170	
In Service/Staff Development		307	
Other Charges		1,337	
Maintenance Equipment		20,296	
Total Maintenance of Plant			457,440

(Continued)

Exhibit K-10

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation

Supervisor/Director	\$	54,521	
Mechanic(s)		126,799	
Bus Drivers		491,246	
Other Salaries & Wages		27,310	
Social Security		40,488	
State Retirement		26,056	
Life Insurance		1,827	
Medical Insurance		24,473	
Unemployment Compensation		1,373	
Employer Medicare		9,469	
Maintenance & Repair Services - Vehicles		15,794	
Medical and Dental Services		7,020	
Travel		20	
Diesel Fuel		179,507	
Equipment and Machinery Parts		3,029	
Gasoline		32,318	
Lubricants		5,342	
Tires and Tubes		21,225	
Vehicle Parts		52,651	
Other Supplies and Materials		3,672	
Vehicle and Equipment Insurance		48,193	
In Service/Staff Development		4,236	
Other Charges		1,983	
Transportation Equipment		283,972	
Total Transportation			\$ 1,462,524

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	325	
Career Ladder Program		1,000	
Social Security		82	
State Retirement		23,232	
Life Insurance		1,777	
Medical Insurance		18,404	
Unemployment Compensation		1,529	
Employer Medicare		19	
Total Food Service			46,368

(Continued)

Exhibit K-10

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Community Services

Other Salaries & Wages	\$	101,055	
Social Security		5,432	
State Retirement		3,324	
Employer Medicare		1,427	
Other Supplies and Materials		8,042	
In Service/Staff Development		233	
Total Community Services			\$ 119,513

Early Childhood Education

Supervisor/Director	\$	17,594	
Educational Assistants		7,061	
Social Security		1,529	
State Retirement		1,242	
Employer Medicare		357	
Travel		7	
Instructional Supplies and Materials		17,120	
In Service/Staff Development		3,268	
Other Charges		243	
Other Equipment		1,532	
Total Early Childhood Education			49,953

Capital Outlay

Regular Capital Outlay

Building Construction	\$	18,033	
Building Improvements		221,340	
Site Development		39,991	
Total Regular Capital Outlay			279,364

Total General Purpose School Fund \$ 21,933,864

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	355,693
Educational Assistants		73,690
Certified Substitute Teachers		600
Non-certified Substitute Teachers		3,105
Social Security		25,264
State Retirement		22,124

(Continued)

Exhibit K-10

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Regular Instruction Program (Cont.)

Medical Insurance	\$	48,778	
Unemployment Compensation		638	
Employer Medicare		5,913	
Maintenance & Repair Services - Equipment		767	
Other Contracted Services		2,275	
Instructional Supplies and Materials		11,253	
Regular Instruction Equipment		44,024	
Total Regular Instruction Program			\$ 594,124

Special Education Program

Teachers	\$	36,104	
Educational Assistants		357,403	
Other Salaries & Wages		42,700	
Non-certified Substitute Teachers		55	
Social Security		24,688	
State Retirement		16,749	
Medical Insurance		30,500	
Employer Medicare		5,778	
Contracts with Other Public Agencies		49,644	
Contracts with Private Agencies		91,084	
Maintenance & Repair Services - Equipment		1,031	
Instructional Supplies and Materials		31,412	
Textbooks		10,006	
Special Education Equipment		3,698	
Total Special Education Program			700,852

Vocational Education Program

Instructional Supplies and Materials	\$	14,647	
Vocational Instruction Equipment		40,374	
Total Vocational Education Program			55,021

Support Services

Health Services

Medical Personnel	\$	12,919	
Social Security		800	
State Retirement		502	
Employer Medicare		187	
Total Health Services			14,408

(Continued)

Exhibit K-10

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Other Student Support

In Service/Staff Development	\$	2,881	
Other Charges		596	
Total Other Student Support			\$ 3,477

Regular Instruction Program

Supervisor/Director	\$	21,414	
Clerical Personnel		1,830	
Other Salaries & Wages		28,017	
Social Security		1,815	
State Retirement		1,315	
Employer Medicare		735	
Travel		345	
In Service/Staff Development		21,784	
Total Regular Instruction Program			77,255

Special Education Program

Secretary(ies)	\$	21,000	
Other Salaries & Wages		54,532	
Social Security		4,505	
State Retirement		2,710	
Employer Medicare		1,054	
Travel		9,327	
In Service/Staff Development		3,472	
Other Charges		730	
Total Special Education Program			97,330

Vocational Education Program

Travel	\$	1,900	
Other Contracted Services		14,402	
Other Charges		2,000	
Total Vocational Education Program			18,302

Total School Federal Projects Fund \$ 1,560,769

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	57,741	
Clerical Personnel		22,976	

(Continued)

Exhibit K-10

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

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Cafeteria Personnel	\$	580,511	
In-Service Training		4,928	
Social Security		39,425	
Employer Medicare		9,220	
Communication		3,034	
Maintenance & Repair Services - Equipment		19,323	
Transportation - Other than Students		11,537	
Travel		710	
Other Contracted Services		56,996	
Food Supplies		689,649	
Other Supplies and Materials		102,175	
Food Service Equipment		142,850	
Total Food Service			\$ <u>1,741,075</u>

Total Central Cafeteria Fund \$ 1,741,075

Education Capital Projects Fund

Capital Projects

Education Capital Projects

Other Salaries & Wages	\$	466,504	
Architects		116,490	
Other Contracted Services		427,772	
Building Construction		11,870,864	
Total Education Capital Projects			\$ <u>12,881,630</u>

Total Education Capital Projects Fund 12,881,630

Total Governmental Funds - Obion County School Department \$ 38,117,338

Exhibit K-11

Obion County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balances - City Agency Funds
For the Year Ended June 30, 2006

	Cities - Sales Tax Fund	Special School District Fund	City School ADA - Union City Fund	Total
<u>Cash Receipts</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 0	\$ 0	\$ 1,372,140	\$ 1,372,140
Trustee's Collections - Prior Year	0	0	42,342	42,342
Clerk and Master Collections - Prior Years	0	685	17,380	18,065
Interest and Penalty	0	0	7,606	7,606
Payments in-Lieu-of Taxes - Local Utilities	0	0	2,357	2,357
Payments in-Lieu-of Taxes - Other	0	0	62,014	62,014
<u>County Local Option Taxes</u>				
Local Option Sales Tax	4,019,882	0	1,150,083	5,169,965
Wheel Tax	0	0	80,448	80,448
Business Tax	0	0	20,665	20,665
<u>Statutory Local Taxes</u>				
Bank Excise Tax	0	0	9,211	9,211
Interstate Telecommunications Tax	0	0	1,423	1,423
<u>School District Property Taxes</u>				
Current Property Tax	0	68,005	0	68,005
Prior Year's Property Tax	0	1,883	0	1,883
Interest and Penalty	0	318	0	318
<u>Licenses and Permits</u>				
Marriage Licenses	0	0	691	691
<u>State of Tennessee</u>				
Mixed Drink Tax	0	0	316	316
Total Cash Receipts	\$ 4,019,882	\$ 70,891	\$ 2,766,676	\$ 6,857,449
<u>Cash Disbursements</u>				
Remittance of Revenues Collected	\$ 3,978,796	\$ 69,411	\$ 2,725,225	\$ 6,773,432
Trustee's Commission	41,086	1,411	40,254	82,751
Total Cash Disbursements	\$ 4,019,882	\$ 70,822	\$ 2,765,479	\$ 6,856,183
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0	\$ 69	\$ 1,197	\$ 1,266
Cash Balance, July 1, 2005	0	484	37,182	37,666
Cash Balance, June 30, 2006	\$ 0	\$ 553	\$ 38,379	\$ 38,932

SINGLE AUDIT SECTION



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0269
PHONE (615) 401-7841

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

February 12, 2007

Obion County Mayor and
Board of County Commissioners
Obion County, Tennessee

To the County Mayor and Board of County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Obion County, Tennessee, as of and for the year ended June 30, 2006, which collectively comprise Obion County's basic financial statements and have issued our report thereon dated February 12, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Obion County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Obion County's ability to record, process, summarize, and report financial data consistent with the assertions of

management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 06.01, 06.02, 06.03, 06.04, and 06.05.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Obion 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We have also noted certain other matters that we reported to the management of Obion County in separate communications.

This report is intended solely for the information and use of the Board of County Commissioners, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/sb



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0269
PHONE (615) 401-7841

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

February 12, 2007

Obion County Mayor and
Board of County Commissioners
Obion County, Tennessee

To the County Mayor and Board of County Commissioners:

Compliance

We have audited the compliance of Obion County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006, except for the Airport Improvement major program that was audited by other auditors whose report has been furnished to us. Obion 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 Obion County's management. Our responsibility is to express an opinion on Obion County's compliance based on our audit and the report of the other auditors.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the auditing 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 Obion County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinion. Our audit does not provide a legal determination on Obion County's compliance with those requirements.

In our opinion, based on our audit and the report of the other auditors, Obion County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Obion County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we and other auditors considered Obion County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We and other auditors noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Obion County, Tennessee, as of and for the year ended June 30, 2006, and have issued our report thereon dated February 12, 2007. Our audit was performed for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Grants is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us and other auditors in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of County Commissioners, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/sb

OTHER AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

For the Obion County Public Library

Board of Directors
Obion County Public Library
Union City, Tennessee

We have audited the financial statements of the governmental activities and each major fund of the Obion County Public Library, as of and for the year ended June 30, 2006, which collectively comprise the Obion County Public Library's basic financial statements and have issued our report thereon. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing the audit, we considered the Obion County Public Library's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Obion County Public Library'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 one instance of noncompliance that is required to be reported under Government Audit Standards and is described in the accompanying Schedule of Findings and Questioned Costs as item 2006-01.

This report is intended solely for the information and use of the audit committee, management and governing board, Tennessee Comptroller of the Treasury and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

OBION COUNTY PUBLIC LIBRARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2006

2006-01 The library's expenditures exceeded budgeted appropriations by \$18,378.

RECOMMENDATION: We recommend that the library regularly monitor budget vs. actual comparisons and approve budget amendments when necessary.

MANAGEMENT'S RESPONSE: The Obion County Public Library was fortunate in the preceding year, 2005-06, to receive more in fines, gifts, grants, and honorariums than was anticipated.

Our intention in the future is to have any exceeding amount approved by the appropriate bodies by fiscal year end.

OTHER AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

For the Everett-Stewart Airport

To the Board of Directors
Everett-Stewart Airport
Union City, Tennessee

We have audited the financial statements of Everett-Stewart Airport, a special revenue fund of Obion County, Tennessee, as of and for the year ended June 30, 2006, and have issued our report thereon. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Everett-Stewart Airport's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Everett-Stewart Airport's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 97-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Everett-Stewart Airport'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 one instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and is described in the accompanying Schedule of Findings as item 05-1.

This report is intended solely for the information of the board of directors, management, the Obion County Commission, and the State of Tennessee Comptroller's Office, Division of County Audit and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

EVERETT-STEWART AIRPORT
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2006

FINDINGS RELATIVE TO THE AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Reportable Condition

97-1 Segregation of Duties

<u>Condition:</u>	Due to the size of the staff, the airport was unable to fully segregate the record-keeping, custodial, and authorization functions of its internal accounting controls.
<u>Criteria:</u>	Generally accepted accounting principles require that accounting functions be adequately segregated to ensure that the internal accounting controls are effective.
<u>Effect:</u>	The risk of errors and irregularities occurring and not being detected in a timely manner increases when accounting functions are not adequately segregated.
<u>Recommendation:</u>	Management should implement as many compensating controls as possible.
<u>Response:</u>	Management concurs. Due to limited funding and the small number of transactions, it is not feasible for the airport to employ additional employees in order to segregate duties.

Noncompliance with Laws and Regulations

05-1 Collateralization

<u>Condition:</u>	During the course of our audit, we noted one instance where Everett-Stewart Airport's deposits were under-collateralized.
<u>Criteria:</u>	<u>Tennessee Code Annotated</u> , Title 9, Chapter 4 requires public deposits to be secured by collateral whose market value is equal to 105 percent of the value of deposits.
<u>Effect:</u>	In the event that the bank was to have difficulties, the system might not receive all of its deposits if not fully insured by the FDIC and pledged securities.
<u>Recommendation:</u>	We recommend that the airport closely monitor the market value of pledged securities in order to ensure that they have sufficient collateral to cover 105 percent of deposited funds.
<u>Response:</u>	We will monitor the market value more closely to make sure we have sufficient collateral.

OTHER AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

For the Obion County Nursing Home

Board of Directors
Obion County Nursing Home
Union City, Tennessee

We have audited the financial statements of the Obion County Nursing Home, an enterprise fund of Obion County, Tennessee, as of and for the year ended June 30, 2006, and have issued our report thereon. Our report disclosed that the financial statements present only the Obion County Nursing Home enterprise fund and are not intended to present fairly the financial position of Obion County, Tennessee, and the results of its operations and cash flows in conformity with accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Obion County Nursing Home's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Obion County Nursing Home's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 97-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Obion County Nursing Home'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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted a certain instance of noncompliance, which we have reported to the Board of the Obion County Nursing Home in the accompanying Schedule of Findings as item 05-1.

This report is intended solely for the information of the board of directors, management, and the State of Tennessee Comptroller's Office and is not intended to be and should not be used by anyone other than these specified parties.

OBION COUNTY NURSING HOME SCHEDULE OF FINDINGS For the Year Ended June 30, 2006

FINDINGS RELATIVE TO THE AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Reportable Conditions

97-1 Segregation of Duties

<u>Condition:</u>	Due to the size of the staff, the Obion County Nursing Home cannot fully segregate the record-keeping, custodial, and authorization functions of its internal accounting controls for the year ended June 30, 2006.
<u>Criteria:</u>	Generally accepted accounting principles require that accounting functions be adequately segregated to ensure that the internal accounting controls are effective.
<u>Effect:</u>	The risk of errors and irregularities occurring and not being detected in a timely manner increases when accounting functions are not adequately segregated.
<u>Recommendation:</u>	The administrator should implement procedures to segregate the above functions as much as possible with the limited staff.

Response: The administrator has segregated the record-keeping at this facility as much as is practical due to the limited staff available (administrator and office manager). The administrator is responsible for: posting from journal to ledger; balancing ledger; bank reconciliation; authorizing payments; financial statements; and revenue journal. The office manager is responsible for: posting to journal; sorting invoices and paying bills; payroll and employee benefit records; receiving payments and preparing deposits; patient ledger; and patient billing. All checks require two signatures. The social service director is responsible for resident trust accounts.

05-1 Untimely Cash Deposits

Condition: During our testing, we noted some receipts that were not deposited within three banking days.

Criteria: Tennessee Code Annotated Section 5-8-207, requires that all monies collected be deposited within three banking days of receipt.

Effect: Untimely deposits could result in lost interest income and the unauthorized use of funds.

Recommendation: All monies collected should be deposited within three banking days of receipt.

Response: The Obion County Nursing Home has implemented a policy that all cash receipts will be deposited within three banking days. The office manager and the social service director are responsible for the deposits for the operations account and the resident trust accounts. The administrator will review deposits monthly for compliance.

OTHER AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

For the Obion County Emergency Communications District

Board of Directors
Obion County Emergency Communications District
Union City, Tennessee

We have audited the financial statements of the Obion County Emergency Communications District as of and for the year ended June 30, 2006, and have issued our report thereon. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Obion County Emergency Communications District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Obion County Emergency Communications District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 97-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Obion County Emergency Communications District'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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the board of directors, management, and the State of Tennessee Comptroller's Office and is not intended to be and should not be used by anyone other than these specified parties.

OBION COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS
June 30, 2006

FINDINGS RELATIVE TO THE AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

97-1 Segregation of Duties

<u>Condition:</u>	Due to the size of the staff, the Obion County Emergency Communications District could not fully segregate the record-keeping, custodial, and authorization functions of its internal accounting controls for the year ended June 30, 2006.
<u>Criteria:</u>	Generally accepted accounting principles require that accounting functions be adequately segregated to ensure that the internal accounting controls are effective.
<u>Effect:</u>	The risk of errors and irregularities occurring and not being detected in a timely manner increases when accounting functions are not adequately segregated.
<u>Recommendation:</u>	While auditors recognize that staff size, due to funding limitations, is not adequate to fully segregate the functions mentioned above, management needs to be aware that this limitation does exist in the district's internal accounting controls.
<u>Response:</u>	The Obion County Emergency Communications District has segregated the internal control functions as much as possible to ascertain the integrity of all the financial records. We employ a small staff, and it is financially infeasible for us to increase its size. We have, however, put into place additional controls regarding the handling of funds which are received in our office.

Obion County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2006

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Agriculture:			
Food Donation (Noncash Assistance)	10.550	N/A	\$ 106,997
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	246,060
National School Lunch Program	10.555	N/A	657,251
Passed-through State Department of Human Services:			
Child and Adult Care Food Program	10.558	(2)	3,736
Total U.S. Department of Agriculture			\$ 1,014,044
U.S. Department of Justice:			
Direct Programs:			
Public Safety Partnership and Community Policing Grants	16.710	N/A	\$ 34,838
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	Z-06-002632-00	9,000
Passed-through State Office of Criminal Justice Programs:			
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	(3)	114,177
Total U.S. Department of Justice			\$ 158,015
U.S. Department of Labor:			
Passed-through Dyersburg State Community College:			
Work Incentive Grants	17.266	(2)	\$ 39,380
Total U.S. Department of Labor			\$ 39,380
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Airport Improvement Program	20.106	Z-05-024280-00	\$ 548,459
Total U.S. Department of Transportation			\$ 548,459
U.S. Institute of Museum and Library Services:			
Passed-through State Department of State:			
Grants to States	45.310	(4)	\$ 950
Total U.S. Institute of Museum and Library Services			\$ 950
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	Z-06-027803-00	\$ 117,531
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	529,718
Special Education - Grants to States	84.027	N/A	1,028,867
Vocational Education - Basic Grants to States	84.048	N/A	76,208
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	24,265
State Grants for Innovative Programs	84.298	N/A	9,894
Education Technology State Grants	84.318	N/A	1,821
English Language Acquisition Grants	84.365	N/A	14,893
Improving Teacher Quality State Grants	84.367	N/A	96,471
Total U.S. Department of Education			\$ 1,899,668

(Continued)

Obion 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:			
Passed-through State Department of Military:			
Hazard Mitigation Grant	97.039	GG-03-10085	\$ 16,875
Total U.S. Department of Homeland Security			<u>\$ 16,875</u>
Total Expenditures of Federal Awards			<u><u>\$ 3,677,391</u></u>
State Grants:			
		Contract Number	
Airport Maintenance Program - State Department of Transportation	N/A	99-555-1145-04	\$ 11,788
Library Services and Technology Act - State Library and Archives	N/A	(2)	2,435
Local Health Services - State Department of Health	N/A	Z-06-026004-00	37,085
Litter Grant - State Department of Transportation	N/A	Z-05-021445-00	27,090
Rural Dispatch Grant - State Emergency Communications Board	N/A	DG-04-01861-03	30,000
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	11,962
Voluntary Pre-K for Tennessee - State Department of Education	N/A	(2)	47,990
Waste Reduction Capital Outlay - State Dept. of Environment & Conservation	N/A	Z-04-018180-00	103,713
Waste Tire Collection Grant - State Dept. of Environment & Conservation	N/A	Z-03-011345-00	<u>15,602</u>
Total State Grants			<u><u>\$ 287,665</u></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) Information not available.
- (3) Z-99-088427-00: \$99,535; Z-06-027058-00: \$14,642
- (4) Z-06-028510-00: \$350; Z-06-028482-00: \$600

Obion County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2006

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 Obion County, Tennessee, for the year ended June 30, 2005, which have not been corrected.

OFFICE OF COUNTY MAYOR

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.01	178	The mechanical warrant-signing machine's counter could be reset

OFFICE OF HIGHWAY SUPERINTENDENT

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.02	178	The highway department did not maintain a system to account for some road materials

OTHER FINDINGS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.05	179	A central system of accounting, budgeting, and purchasing had not been adopted
05.06	180	Duties were not segregated adequately in the Offices of Trustee; Circuit, General Sessions, and Juvenile Courts Clerk; Clerk and Master; Register; and Sheriff

OBION COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2006

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the financial statements of Obion County is unqualified.
2. The audit of the financial statements of Obion County disclosed reportable conditions in internal control. None of these conditions was considered to be a material weakness.
3. The audit disclosed no instances of noncompliance that were material to the financial statements of Obion County.
4. The audit disclosed no reportable conditions in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Airport Improvement Program (CFDA No. 20.106), the Title I Grants to Local Educational Agencies (CFDA No. 84.010), and the Special Education - Grants to State Program (CFDA No. 84.027) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Obion 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 response of the county mayor is quoted in this report. Other officials offered oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

OFFICE OF COUNTY MAYOR

FINDING 06.01 THE MECHANICAL WARRANT-SIGNING MACHINE'S COUNTER COULD BE RESET
(Internal Control – Reportable Condition Under Government Auditing Standards)

The office used a mechanical warrant-signing machine to affix the signature of the county mayor. The mechanical counter on the machine could be reset; therefore, we could not ensure that the office accounted for all warrants.

RECOMMENDATION

The mechanical warrant-signing machine should have a counter that cannot be reset to ensure that the total number of warrants processed are accounted for accurately.

MANAGEMENT'S RESPONSE – COUNTY MAYOR (DIRECT QUOTE)

The mechanical counter has been repaired by the machine service representative so that it cannot be reset.

OFFICE OF HIGHWAY SUPERINTENDENT

FINDING 06.02 THE HIGHWAY DEPARTMENT DID NOT MAINTAIN A SYSTEM TO ACCOUNT FOR SOME ROAD MATERIALS
(Internal Control – Reportable Condition Under Government Auditing Standards)

The Highway Department had a system to determine the use of road materials, such as bridge lumber, culvert tiles, and rock for state-aid road projects. However, the department did not have a system to account for materials used on other types of road projects. The failure to maintain a system to document the use of road materials results in a loss of control over the assets and increases the risk of inventory loss.

RECOMMENDATION

The Highway Department should develop and implement a system to account for materials used on all types of road projects.

OFFICE OF TRUSTEE

FINDING 06.03 **THE OFFICE HAD DEFICIENCIES IN COMPUTER SYSTEM BACKUP PROCEDURES**
(Internal Control – Reportable Condition Under Government Auditing Standards)

The following weaknesses regarding computer system backup procedures in the office were identified:

- A. System backups were not stored off-site. In the event of a disaster, all backup data could be destroyed, resulting in costly delays in generating and recording information accounted for through the automated process.
- B. A backup log was not maintained. If system backups are not labeled and inventoried systematically, discrepancies may occur and affect the integrity of system backups in the event of a hardware or software failure.

RECOMMENDATION

Weekly backups should be rotated off-site. Year-end backups should be stored off-site and retained indefinitely. Some possibilities for an off-site storage location would be another county office building with a fireproof vault or a safe deposit box at a local bank. Furthermore, a current log of all backups that includes label descriptions, date of creation, contents, and storage location should be maintained.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 06.04 **A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**
(Internal Control – Reportable Condition Under Government Auditing Standards)

County officials had not adopted a central system of accounting, budgeting, and purchasing. Establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes.

RECOMMENDATION

County officials should consider adopting either 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.

FINDING 06.05 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF TRUSTEE; CIRCUIT, GENERAL SESSIONS, AND JUVENILE COURTS CLERK; CLERK AND MASTER; REGISTER; AND SHERIFF**
(Internal Control – Reportable Condition Under Government Auditing Standards)

Duties were not segregated adequately among officials and employees in the Offices of Trustee; Circuit, General Sessions, and Juvenile Courts Clerk; Clerk and Master; Register; and Sheriff. Officials and employees responsible for maintaining the accounting records in these offices were also involved in receipting and depositing funds, reconciling bank statements, and/or disbursing funds. We realize that due to limited resources and personnel, management may not be able to properly segregate duties among employees. However, our professional standards require that we bring this matter to the reader's attention in this report.

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

There were no findings and questioned costs for federal awards.

OBION COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2006

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