

**ANNUAL FINANCIAL REPORT
OF
STEWART COUNTY, TENNESSEE
AND
STEWART COUNTY SCHOOL DEPARTMENT**

SINGLE AUDIT REPORT



FOR THE YEAR ENDED JUNE 30, 2006

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

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

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

STEWART COUNTY, TENNESSEE

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Audit Highlights

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

Scope

We have audited the financial statements of each major fund and the aggregate remaining fund information of Stewart County as of and for the year ended June 30, 2006.

Results

Our report on Stewart County's financial statements expresses an adverse opinion because government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34.

Our audit resulted in 9 findings and recommendations, which we have reviewed with Stewart County management. Detailed findings, recommendations, and management's responses are included in the Single Audit Report.

Findings

The following are summaries of the audit findings:

STEWART COUNTY

- ◆ Government-wide financial statements were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion.

OFFICE OF COUNTY MAYOR

- ◆ General Fund expenditures and encumbrances exceeded appropriations approved by the County Commission in four major appropriation categories (the legal level of control) by amounts ranging from \$330 to \$72,903.
 - ◆ The office did not deposit payroll taxes with the Internal Revenue Service on a timely basis for two quarters, resulting in interest and penalty charges of \$5,856.
-

OFFICE OF COUNTY ENGINEER

- ◆ The office did not list the descriptions and dollar amounts of purchases on purchase orders until the invoices were received from the vendors.
 - ◆ The department did not have a system to account for materials used on certain types of road projects.
-

OFFICE OF ASSESSOR OF PROPERTY

- ◆ The office changed the assessment records during the year as property transfers were made, violating state statute.
-

OFFICE OF SHERIFF

- ◆ Funds were not deposited to the office bank account within three days of collection as required by state statute.
-

OTHER FINDINGS

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

INTRODUCTORY SECTION

Stewart County Officials
June 30, 2006

Officials

David Wallace, County Mayor
Jerry Cunningham, County Engineer
Wilby Williams, Trustee
Connie Brigham, Assessor of Property
Jimmy Fitzhugh, County Clerk
Barbara Wallace, Circuit, General Sessions, and Juvenile Courts Clerk
Jane Link, Clerk and Master
Ruth Mathis, Register
John Vinson, Sheriff

Board of County Commissioners

David Wallace, Chairman	Marty Grasty
Don Cherry, Vice-Chairman	Danny Lee
William Austin	Randall Redmon
James Boren	Gary Russell
Mark Dortch	Don Trawick
John Elliott	Eric Watkins
Terry Fitzhugh	Darrell Watson

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 20, 2007

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of Stewart County, Tennessee, as of and for the year ended June 30, 2006, as shown on pages 15 through 35, which collectively comprise a portion of the county's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Stewart County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities and discretely presented component units. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the county's governmental activities and discretely presented component units are not reasonably determinable.

As described in Note I, Stewart County, Tennessee, has prepared its financial statements on a prescribed basis of accounting that demonstrates compliance with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. These standards require county governments that do not present government-wide financial statements to present fund financial statements in conformity with all the accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements. These standards also require some additional disclosures to be included in the notes to the financial statements, as described in Note I.

In our opinion, because of the effects of the matters discussed in the two preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Stewart County, Tennessee, as of June 30, 2006, or the changes in its financial position for the year then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of Stewart County, Tennessee, as of June 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee.

In accordance with Government Auditing Standards, we have also issued our report dated February 20, 2007, on our consideration of Stewart 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 IV.B., Stewart County has adopted the provisions of Governmental Accounting Standards Board Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.

The budgetary comparison information on pages 39 through 43 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 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 Stewart 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,

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, and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/rc

BASIC FINANCIAL STATEMENTS

Exhibit A

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

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Governmental Funds	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 1,779	\$ 1,779
Equity in Pooled Cash and Investments	1,558,907	285,436	1,847,384	241,417	3,933,144
Accounts Receivable	127,721	2,720	0	0	130,441
Due from Other Governments	156,391	275,910	39,821	0	472,122
Due from Other Funds	1,779	0	19,000	0	20,779
Due from Component Units	12,305	0	0	0	12,305
Property Taxes Receivable	2,592,815	153,648	1,421,246	43,656	4,211,365
Allowance for Uncollectible Property Taxes	(74,721)	(4,428)	(40,958)	(931)	(121,038)
Notes Receivable - Long-term	0	0	50,088	0	50,088
Total Assets	\$ 4,375,197	\$ 713,286	\$ 3,336,581	\$ 285,921	\$ 8,710,985
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 32,908	\$ 0	\$ 0	\$ 0	\$ 32,908
Accrued Payroll	5,584	0	0	0	5,584
Payroll Deductions Payable	48,119	0	0	0	48,119
Contracts Payable	19,838	0	0	0	19,838
Retainage Payable	9,666	0	0	0	9,666
Due to Other Funds	0	0	0	20,779	20,779
Due to State of Tennessee	1,781	0	0	0	1,781
Interfund Loans Payable - Long-term	0	0	0	50,088	50,088
Deferred Revenue - Current Property Taxes	2,432,261	144,134	1,333,239	19,254	3,928,888
Deferred Revenue - Delinquent Property Taxes	66,769	3,956	36,599	23,330	130,654
Other Deferred Revenues	148,410	142,820	20,615	0	311,845
Total Liabilities	\$ 2,765,336	\$ 290,910	\$ 1,390,453	\$ 113,451	\$ 4,560,150
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 117,402	\$ 203,501	\$ 0	\$ 0	\$ 320,903
Reserved for Purchase of Electronic Fingerprint Imaging System	0	0	0	7,460	7,460
Reserved for Alcohol and Drug Treatment	29,891	0	0	0	29,891
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	101,497	101,497
Reserved for Sexual Offender Registration	2,000	0	0	0	2,000
Reserved for Computer System - Register	12,038	0	0	0	12,038
Reserved for Automation Purposes - General Sessions Court	3,980	0	0	0	3,980
Reserved for Automation Purposes - Sheriff	5,412	0	0	0	5,412
Reserved for Long-term Receivable	0	0	50,088	0	50,088
Reserved for Other General Purposes	2,000	0	0	0	2,000
Unreserved, Reported In:					
General Fund	1,437,138	0	0	0	1,437,138
Special Revenue Funds	0	218,875	0	11,274	230,149
Debt Service Funds	0	0	1,896,040	0	1,896,040
Capital Projects Funds	0	0	0	52,239	52,239
Total Fund Balances	\$ 1,609,861	\$ 422,376	\$ 1,946,128	\$ 172,470	\$ 4,150,835
Total Liabilities and Fund Balances	\$ 4,375,197	\$ 713,286	\$ 3,336,581	\$ 285,921	\$ 8,710,985

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

Exhibit B

Stewart 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	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 2,938,749	\$ 141,675	\$ 1,779,038	\$ 54,052	\$ 4,913,514
Licenses and Permits	10,295	0	0	0	10,295
Fines, Forfeitures, and Penalties	47,515	0	0	1,768	49,283
Charges for Current Services	677,076	26,913	0	84	704,073
Other Local Revenues	20,400	17,961	0	0	38,361
Fees Received from County Officials	521,931	0	0	0	521,931
State of Tennessee	957,421	1,789,175	0	0	2,746,596
Federal Government	54,598	0	0	0	54,598
Other Governments and Citizens Groups	25,244	0	584,578	0	609,822
Total Revenues	\$ 5,253,229	\$ 1,975,724	\$ 2,363,616	\$ 55,904	\$ 9,648,473
<u>Expenditures</u>					
Current:					
General Government	\$ 681,148	\$ 0	\$ 0	\$ 0	\$ 681,148
Finance	546,992	0	0	84	547,076
Administration of Justice	458,241	0	0	0	458,241
Public Safety	1,573,246	0	0	1,747	1,574,993
Public Health and Welfare	1,197,503	0	0	0	1,197,503
Social, Cultural, and Recreational Services	277,345	0	0	0	277,345
Agricultural and Natural Resources	67,801	0	0	0	67,801
Other Operations	580,157	0	0	388	580,545
Highways	0	1,852,726	0	0	1,852,726
Debt Service:					
Principal on Debt	0	83,333	1,401,049	0	1,484,382
Interest on Debt	0	9,632	1,216,948	0	1,226,580
Other Debt Service	0	0	33,455	0	33,455
Capital Projects	0	0	0	361	361
Total Expenditures	\$ 5,382,433	\$ 1,945,691	\$ 2,651,452	\$ 2,580	\$ 9,982,156
Excess (Deficiency) of Revenues Over Expenditures	\$ (129,204)	\$ 30,033	\$ (287,836)	\$ 53,324	\$ (333,683)
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 111,755	\$ 0	\$ 0	\$ 0	\$ 111,755
Insurance Recovery	18,555	0	0	0	18,555
Total Other Financing Sources (Uses)	\$ 130,310	\$ 0	\$ 0	\$ 0	\$ 130,310
Net Change in Fund Balances	\$ 1,106	\$ 30,033	\$ (287,836)	\$ 53,324	\$ (203,373)
Fund Balance, July 1, 2005	1,608,755	392,343	2,233,964	119,146	4,354,208
Fund Balance, June 30, 2006	\$ 1,609,861	\$ 422,376	\$ 1,946,128	\$ 172,470	\$ 4,150,835

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

Exhibit C

Stewart County, Tennessee
Statement of Fiduciary Assets and Liabilities
June 30, 2006

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 659,062
Due from Other Governments	<u>55,909</u>
Total Assets	<u><u>\$ 714,971</u></u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 55,909
Due to Litigants, Heirs, and Others	<u>659,062</u>
Total Liabilities	<u><u>\$ 714,971</u></u>

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Stewart County's financial statements are not 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.

Stewart County has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities and discretely presented component units. The two government-wide financial statements, the statement of net assets and the statement of activities, should be included in the basic financial statements to conform with the provisions of GASB Statement 34 and accounting principles generally accepted in the United States of America. Stewart County has elected instead only to implement the provisions of the statement and other accounting principles generally accepted in the United States of America that relate to the fund financial statements. This departure from GAAP results in an incomplete presentation and has caused Stewart County's auditor to issue an adverse opinion on the county's financial statements.

Although Stewart County's financial statements are not presented in conformity with GAAP, the financial statements have been presented in conformity with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. The Comptroller of the Treasury has adopted financial reporting standards for local governments in Tennessee that do not implement the provisions of GASB Statement 34. These standards require fund financial statements to be presented in conformity with all the provisions of GASB Statement 34 that are applicable to fund financial statements, including the notes to the financial statements. These standards also require the fund financial statements to be presented in conformity with all other accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements.

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

A. Reporting Entity

Stewart County is a public municipal corporation governed by an elected 14-member board. As required by GAAP, these financial statements present Stewart County, the primary government.

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

Excluded Component Units – The following entities meet the criteria for discretely presented component units of the county. Since Stewart County is presenting fund financial statements only, the financial information of entities that meet the criteria for discretely presented component units is not included in the fund financial statements, as required by generally accepted accounting principles. These entities would have been presented as separate columns in those statements to emphasize that they are legally separate from the county.

The Stewart County School Department operates the public school system in the county, and the voters of Stewart 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 Stewart County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Stewart County, and the Stewart 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 Stewart County School Department and the Stewart County Emergency Communications District issue separate financial statements from those of the county. The School Department’s financial statements are published as a separate report but under the same cover as the county’s financial statements. The Stewart County Emergency Communications District’s financial statements are published as a separate report. Complete financial statements of the Stewart County Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

Stewart County Emergency Communications District
P.O. Box 751
Dover, TN 37058

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

Fund financial statements of Stewart County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary; however, Stewart County has no proprietary funds to report. An emphasis is placed on major funds within the governmental category.

Separate financial statements are provided for governmental funds and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All other governmental funds are aggregated into a single column on the fund financial statements. Fiduciary funds in total are reported in a single column.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the county considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. Stewart 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 tax, interest, and miscellaneous taxes are all considered to be susceptible to accrual and have been recognized as revenues of the current period. Applicable business taxes, litigation taxes, state-shared excise taxes, fines, forfeitures, and penalties are not susceptible to accrual since they are not measurable (reasonably estimable). All other revenue items are considered to be measurable and available only when the county receives cash.

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

Stewart County reports the following major governmental funds:

General Fund – This is the county’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

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

Additionally, Stewart County reports the following fund type:

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

C. Assets, Liabilities, and 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 Stewart County and Stewart County School Department 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. Most income from these pooled investments is assigned to the Stewart County School Department's General Purpose School Fund. Stewart County and the Stewart 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. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

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

Long-term interfund loans between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 1.5 percent of total taxes levied.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

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

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

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

Retainage payable in the General Fund represents amounts withheld from payments made on construction contracts pending completion of

the projects. These amounts are held by the county trustee as Equity in Pooled Cash and Investments in the General Fund.

3. Capital Assets

Governmental funds do not capitalize the cost of capital outlays; these funds report capital outlays as expenditures upon acquisition. Stewart County does not maintain capital assets records, as required by generally accepted accounting principles. Capital assets should be reported in the government-wide statement of net assets; however, as previously noted, Stewart County does not present government-wide statements.

4. Compensated Absences

It is the county's policy to permit full-time employees to accumulate a limited amount of earned but unused vacation and sick leave benefits and compensatory time. There is no liability for unpaid accumulated sick leave since Stewart County does not have a policy to pay any amounts when employees separate from service with the government. A liability for vacation pay and compensatory time is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

5. Long-term Obligations

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.

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.

6. Fund Equity

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. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the Constitutional Officers – Fees Fund (special revenue fund) which is not budgeted, and the Highway Capital Projects Fund, which adopts a project length budget. All annual appropriations lapse at fiscal year end.

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

The budgetary level of control is at the major category level established by the 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, County Mayor/Executive, Election Commission, Register of Deeds, etc.). Management may make revisions within major categories, but only the County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

B. Fund Deficit

The Highway/Capital Projects Fund had a fund deficit of \$50,088 at June 30, 2006. This fund deficit resulted from a long-term interfund loan of \$50,088 due to the General Debt Service Fund at June 30, 2006. Funding for the repayment of the interfund loan will be provided through an additional tax levy on the property owners in the Eagles Rest Road Special Tax District.

C. Expenditures Exceeded Appropriations

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

<u>Fund/Major Appropriation Category</u>	<u>Amount Overspent</u>
General:	
Election Commission	\$ 72,903
Other General Administration	540
County Coroner/Medical Examiner	330
Other Charges	4,703

Also, expenditures exceeded the total appropriations approved by the County Commission in the General Debt Service Fund by \$953.

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

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Stewart County and the Stewart County School Department participate in an internal cash and investment pool through the Office of Trustee. The Stewart County School Department meets the criteria for a discretely presented component unit of Stewart County. Since Stewart County is presenting fund financial statements only, the financial information for the Stewart County School Department is not included in these fund financial statements. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, depositing and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Cash reflected in the fund financial statements represents nonpooled amounts held separately by individual funds.

Deposits

Legal Provisions. All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

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

Investments

Legal Provisions. Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and the county’s own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer’s Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state director of Local Finance and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the market value of the securities on the day of purchase. The county had no pooled and nonpooled investments as of June 30, 2006.

B. Construction Commitments

At June 30, 2006, the General Fund had uncompleted construction contracts of approximately \$6,250 for the construction of an ambulance station. Funding has been received for these future expenditures. At June 30, 2006, the Highway Department had uncompleted construction contracts of approximately \$203,501 for the construction of four bridges. Funding for these future expenditures is expected to be received from state grants.

C. Interfund Receivables and Payables

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

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 1,779
General Debt Service	Nonmajor governmental	19,000

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 loans to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Debt Service	Nonmajor governmental	\$ 50,088

This balance resulted from an advance to the Highway Capital Projects Fund to finance the improvement of a road.

Due to/from primary government and component units:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government: General	Component Unit: Emergency Communications District	\$ 12,305

D. Capital Lease

On April 21, 2005, Stewart County entered into a five-year lease-purchase agreement for defibrillators. The terms of the agreement require total lease payments of \$5,519 plus interest of 9.87 percent. The lease payments are made by the General Fund.

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2006, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Funds</u>
2007	\$ 1,403
2008	1,403
2009	1,403
2010	1,403
2011	234
Total Minimum Lease Payments	\$ 5,846
Amount Representing Interest	(1,069)
Present Value of Minimum Lease Payments	<u>\$ 4,777</u>

E. Long-term Debt

Since Stewart County is presenting fund financial statements only, long-term debt is not reported as a liability in the financial statements of the governmental funds. Long-term debt for governmental funds is required to be reported as a liability in government-wide financial statements, but Stewart County is not presenting government-wide financial statements.

General Obligation Bonds and Notes

The county issues general obligation bonds 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. Capital outlay notes are also issued to fund capital facilities and other capital outlay purchases, such as equipment.

General obligation bonds and capital outlay notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and capital outlay notes outstanding were issued for original terms of up to 39 years for bonds and up to three years for notes. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and notes included in long-term debt as of June 30, 2006, will be retired from the General Debt Service Fund and the Highway/Public Works Fund.

General obligation bonds, capital outlay notes, and the capital lease outstanding as of June 30, 2006, are as follows:

Type	Interest Rates	Original Amount of Issue	Balance 6-30-06
General Obligation Bonds	3 to 5%	\$ 22,754,000	\$ 12,044,000
General Obligation Bonds - Refunding	2.5 to 4.55	17,760,000	17,020,000
Capital Outlay Notes	3.8	544,882	363,255
Capital Lease	9.87	5,519	4,777

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

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2007	\$ 1,246,000	\$ 1,120,739	\$ 181,627	\$ 13,995
2008	1,291,000	1,078,470	181,628	7,017
2009	1,336,000	1,035,876	0	0
2010	1,381,000	991,646	0	0
2011	1,431,000	944,312	0	0
2012-2016	7,979,000	3,912,649	0	0
2017-2021	6,970,000	2,453,181	0	0
2022-2026	5,405,000	1,065,065	0	0
2027-2029	2,025,000	194,690	0	0
Total	\$ 29,064,000	\$ 12,796,628	\$ 363,255	\$ 21,012

There is \$1,896,040 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$2,350, based on the 2000 federal census. Debt per capita, including bonds, notes, and the capital lease totaled \$2,379, 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	Notes
Balance, July 1, 2005	\$ 30,255,000	\$ 544,882
Additions	0	111,755
Deductions	1,191,000	293,382
Balance, June 30, 2006	<u>\$ 29,064,000</u>	<u>\$ 363,255</u>
Balance Due Within One Year	<u>\$ 1,246,000</u>	<u>\$ 181,627</u>

	Capital Leases	Compensated Absences
Balance, July 1, 2005	\$ 5,519	\$ 132,091
Additions	0	118,021
Deductions	742	143,168
Balance, June 30, 2006	<u>\$ 4,777</u>	<u>\$ 106,944</u>
Balance Due Within One Year	<u>\$ 975</u>	<u>\$ 21,389</u>

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

IV. OTHER INFORMATION

A. Risk Management

Stewart County participates in the Local Government Group Insurance Fund (LGGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local governments and quasi-governmental entities that was established for the primary purpose of providing services for or on behalf of state and local governments. In accordance with Section 8-27-207, Tennessee Code Annotated, all local governments and quasi-governmental entities described above are eligible to participate. The LGGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. The state statute provides for the LGGIF to be self-sustaining through member premiums.

The county participates in the Tennessee School Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by the Tennessee School Boards Association, an association of member school systems. The county pays an annual premium to the TSB-RMT for its workers' compensation and general liability, property, and casualty insurance coverage. The creation of the TSB-RMT provides for it to be self-sustaining through member premiums. The TSB-RMT reinsures through commercial insurance companies for claims exceeding \$200,000 for each insured event.

B. Accounting Changes

For the year ended June 30, 2006, Stewart 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 Stewart 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 Stewart 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. Stewart County had no net assets restricted by enabling legislation to disclose as of June 30, 2006. But it is reasonably expected that Stewart 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. Stewart County was not offering any termination benefits to employees as of June 30, 2006. But it is reasonably expected that Stewart County will offer termination benefits in subsequent years subject to the accounting and reporting requirements of GASB Statement No. 47.

C. Contingent Liabilities

The county attorney advised that the county is a defendant in litigation with an individual seeking compensatory and punitive damages of \$5,000,000. This lawsuit has been referred to insurance counsel for defense. The attorney for the county's insurance provider is of the opinion that the county will prevail.

D. Subsequent Events

On August 31, 2006, David Wallace left the Office of County Mayor and was succeeded by Rick Joiner, and Barbara Wallace left the Office of Circuit, General Sessions, and Juvenile Courts Clerk and was succeeded by Jason Wallace.

On January 26, 2007, Stewart County issued school refunding bonds totaling \$6,330,000.

On February 16, 2007, Stewart County issued capital outlay notes totaling \$1,600,000 to finance school buses, county vehicles and equipment, and construction and renovation to county buildings.

E. Jointly Governed Organization

The Houston-Stewart County Industrial Park Board operates an industrial park that is jointly owned by Stewart and Houston Counties. The board comprises seven members. The Stewart and Houston County Commissions appoint the board members alternately (four one year and three the next year); however, the counties do not have any ongoing financial interest or

responsibility for the entity. Also, the board operates in conjunction with the Houston-Stewart County Development Commission, which consists of seven board members appointed by Stewart County and Houston County. The commission was incorporated to receive and administer grant and loan funds for construction of buildings in the industrial park. The commission was declared inactive by its Board of Directors on October 25, 1990, and so remains until such time as a need develops.

The Bi-County Solid Waste Management System was created by Stewart County, in conjunction with Montgomery County. The Bi-County Solid Waste Management System's board comprises the county mayor of Montgomery County and three individuals appointed by him, the county mayor of Stewart County and one individual appointed by him, and the mayor of the City of Clarksville as long as the city participates in the operation of the transfer station pursuant to a separate agreement with Montgomery County.

F. Retirement Commitments

Plan Description

Employees of Stewart 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 ten 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 ten 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 Stewart 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

Stewart 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 13.28 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Stewart County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2006, Stewart County's annual pension cost of \$63,488 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), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Stewart 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 17 years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-06	\$63,488	100%	\$0
6-30-05	60,996	100	0
6-30-04	43,187	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
	(a)	(b)	(b) - (a)	(a/b)	(c)	((b-a)/c)
6-30-05	\$1,318	\$1,548	\$230	85.14%	\$459	50.11%
6-30-03	1,071	1,314	243	81.51	454	53.52
6-30-01	859	1,124	265	76.42	429	61.77

G. Purchasing Laws

Office of County Mayor

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

Office of County Engineer

Chapter 171, Private Acts of 1951, as amended, and the Uniform Road Law, Section 54-7-113, TCA, prescribe purchasing procedures to be followed by officials of the Stewart County Road Department. Provisions of the private act stipulate that all purchases exceeding \$300 shall be made by the Road Commission, while purchases involving lesser amounts may be made by the county engineer. The Uniform Road Law provides for purchases exceeding \$10,000 to be made after public advertisement and solicitation of competitive bids. Purchasing in this department was conducted by the Finance Committee of the County Commission, which served in-lieu-of the Road Commission.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit D-1

Stewart 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	
Revenues							
Local Taxes	\$ 2,938,749	\$ 0	\$ 0	\$ 2,938,749	\$ 2,794,008	\$ 2,794,008	\$ 144,741
Licenses and Permits	10,295	0	0	10,295	10,000	10,000	295
Fines, Forfeitures, and Penalties	47,515	0	0	47,515	38,250	43,350	4,165
Charges for Current Services	677,076	0	0	677,076	689,350	691,450	(14,374)
Other Local Revenues	20,400	0	0	20,400	21,500	25,110	(4,710)
Fees Received from County Officials	521,931	0	0	521,931	460,000	460,000	61,931
State of Tennessee	957,421	0	0	957,421	810,993	870,141	87,280
Federal Government	54,598	0	0	54,598	29,250	109,851	(55,253)
Other Governments and Citizens Groups	25,244	0	0	25,244	82,892	83,992	(58,748)
Total Revenues	\$ 5,253,229	\$ 0	\$ 0	\$ 5,253,229	\$ 4,936,243	\$ 5,087,902	\$ 165,327
Expenditures							
General Government							
County Commission	\$ 23,049	\$ 0	\$ 0	\$ 23,049	\$ 29,596	\$ 29,596	\$ 6,547
County Mayor/Executive	152,217	0	0	152,217	144,563	152,225	8
Election Commission	74,727	0	72,858	147,585	72,212	74,682	(72,903)
Register of Deeds	107,650	0	800	108,450	117,810	117,810	9,360
Geographical Information Systems	0	0	0	0	5,828	5,828	5,828
County Buildings	280,144	(73,581)	0	206,563	197,163	206,579	16
Other General Administration	41,953	0	0	41,953	36,125	41,413	(540)
Preservation of Records	1,408	(408)	0	1,000	1,000	1,000	0
Finance							
Accounting and Budgeting	60,408	0	0	60,408	58,272	60,593	185
Property Assessor's Office	134,890	0	0	134,890	143,245	143,245	8,355
Reappraisal Program	28,720	0	0	28,720	33,802	33,802	5,082
County Trustee's Office	156,666	0	0	156,666	168,325	168,325	11,659
County Clerk's Office	166,308	0	1,434	167,742	202,208	202,208	34,466

(Continued)

Exhibit D-1

Stewart 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	\$ 138,727	\$ 0	\$ 0	\$ 138,727	\$ 135,327	\$ 138,732	\$ 5
General Sessions Judge	75,364	0	0	75,364	78,767	78,767	3,403
General Sessions Court Clerk	39,431	0	0	39,431	42,603	42,603	3,172
Chancery Court	102,253	0	0	102,253	106,609	106,609	4,356
Juvenile Court	63,431	0	0	63,431	62,377	65,556	2,125
District Attorney General	2,585	0	0	2,585	2,585	2,585	0
Other Administration of Justice	36,450	0	0	36,450	36,050	36,451	1
<u>Public Safety</u>							
Sheriff's Department	970,695	(1,470)	0	969,225	1,038,753	1,046,323	77,098
Jail	463,021	(1,000)	0	462,021	500,392	500,390	38,369
Fire Prevention and Control	67,809	0	0	67,809	47,309	67,809	0
Rescue Squad	4,000	0	0	4,000	4,000	4,000	0
Other Emergency Management	39,245	0	0	39,245	8,853	39,475	230
County Coroner/Medical Examiner	18,878	0	0	18,878	9,326	18,548	(330)
Public Safety Grant Programs	9,598	0	36,060	45,658	30,939	80,919	35,261
Other Public Safety	0	0	0	0	31,031	31,031	31,031
<u>Public Health and Welfare</u>							
Local Health Center	35,039	0	0	35,039	32,000	35,099	60
Ambulance/Emergency Medical Services	961,032	0	0	961,032	923,514	961,819	787
Other Local Health Services	22,961	0	0	22,961	23,560	23,560	599
General Welfare Assistance	31,802	(831)	0	30,971	33,202	34,356	3,385
Waste Pickup	32,429	0	0	32,429	29,810	32,429	0
Other Public Health and Welfare	114,240	0	0	114,240	114,862	115,258	1,018
<u>Social, Cultural, and Recreational Services</u>							
Senior Citizens Assistance	8,000	0	0	8,000	8,000	8,000	0
Libraries	162,020	(544)	0	161,476	159,505	161,605	129

(Continued)

Exhibit D-1

Stewart 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>Social, Cultural, and Recreational Services (Cont.)</u>							
Other Social, Cultural, and Recreational	\$ 107,325	\$ 0	\$ 0	\$ 107,325	\$ 121,900	\$ 121,401	\$ 14,076
<u>Agriculture & Natural Resources</u>							
Agriculture Extension Service	44,797	0	0	44,797	45,253	45,253	456
Soil Conservation	23,004	0	0	23,004	23,387	23,387	383
<u>Other Operations</u>							
Tourism	32,393	0	0	32,393	30,500	32,393	0
Other Economic and Community Development	348,756	0	6,250	355,006	302,800	358,800	3,794
Other Charges	126,252	0	0	126,252	113,700	121,549	(4,703)
Miscellaneous	72,756	0	0	72,756	81,976	72,756	0
Total Expenditures	\$ 5,382,433	\$ (77,834)	\$ 117,402	\$ 5,422,001	\$ 5,389,039	\$ 5,644,769	\$ 222,768
Excess (Deficiency) of Revenues							
Over Expenditures	\$ (129,204)	\$ 77,834	\$ (117,402)	\$ (168,772)	\$ (452,796)	\$ (556,867)	\$ 388,095
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 111,755	\$ 0	\$ 0	\$ 111,755	\$ 114,000	\$ 114,000	\$ (2,245)
Insurance Recovery	18,555	0	0	18,555	0	8,339	10,216
Transfers In	0	0	0	0	5,753	5,753	(5,753)
Total Other Financing Sources (Uses)	\$ 130,310	\$ 0	\$ 0	\$ 130,310	\$ 119,753	\$ 128,092	\$ 2,218
Net Change in Fund Balance							
Fund Balance, July 1, 2005	\$ 1,106	\$ 77,834	\$ (117,402)	\$ (38,462)	\$ (333,043)	\$ (428,775)	\$ 390,313
	1,608,755	(77,834)	0	1,530,921	1,528,807	1,528,807	2,114
Fund Balance, June 30, 2006							
	\$ 1,609,861	\$ 0	\$ (117,402)	\$ 1,492,459	\$ 1,195,764	\$ 1,100,032	\$ 392,427

Exhibit D-2

Stewart County, Tennessee
 Schedule of Revenues, Expenditures, and Changes
 in Fund Balance - Actual (Budgetary Basis) and Budget
 Highway/Public Works Fund
 For the Year Ended June 30, 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	\$ 141,675	\$ 0	\$ 0	\$ 141,675	\$ 140,315	\$ 144,054	\$ (2,379)
Charges for Current Services	26,913	0	0	26,913	10,000	26,913	0
Other Local Revenues	17,961	0	0	17,961	13,500	13,204	4,757
State of Tennessee	1,789,175	0	0	1,789,175	1,824,903	1,765,056	24,119
Total Revenues	\$ 1,975,724	\$ 0	\$ 0	\$ 1,975,724	\$ 1,988,718	\$ 1,949,227	\$ 26,497
<u>Expenditures</u>							
<u>Highways</u>							
Administration	\$ 100,996	\$ 0	\$ 0	\$ 100,996	\$ 115,563	\$ 101,003	\$ 7
Highway and Bridge Maintenance	911,371	0	0	911,371	1,085,100	911,382	11
Operation and Maintenance of Equipment	274,928	0	0	274,928	248,200	274,930	2
Other Charges	112,671	0	0	112,671	112,390	113,832	1,161
Employee Benefits	196,115	0	0	196,115	221,368	196,119	4
Capital Outlay	256,645	(13,680)	203,501	446,466	299,500	458,430	11,964
<u>Principal on Debt</u>							
Highways and Streets	83,333	0	0	83,333	83,334	83,334	1
<u>Interest on Debt</u>							
Highways and Streets	9,632	0	0	9,632	9,632	9,632	0
Total Expenditures	\$ 1,945,691	\$ (13,680)	\$ 203,501	\$ 2,135,512	\$ 2,175,087	\$ 2,148,662	\$ 13,150
Excess (Deficiency) of Revenues Over Expenditures	\$ 30,033	\$ 13,680	\$ (203,501)	\$ (159,788)	\$ (186,369)	\$ (199,435)	\$ 39,647
Net Change in Fund Balance	\$ 30,033	\$ 13,680	\$ (203,501)	\$ (159,788)	\$ (186,369)	\$ (199,435)	\$ 39,647
Fund Balance, July 1, 2005	392,343	(13,680)	0	378,663	343,735	343,735	34,928
Fund Balance, June 30, 2006	\$ 422,376	\$ 0	\$ (203,501)	\$ 218,875	\$ 157,366	\$ 144,300	\$ 74,575

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

A. BUDGETARY INFORMATION

The county is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the Stewart 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, County Mayor, Election Commission, Register of Deeds, etc.). Management may make revisions within major categories, but only the Stewart County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

B. EXPENDITURES EXCEEDED APPROPRIATIONS

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

Major Appropriation Category	Amount Overspent
Election Commission	\$ 72,903
Other General Administration	540
County Coroner/Medical Examiner	330
Other Charges	4,703

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

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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 Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

General Capital Projects Fund – The General Capital Projects Fund is used to account for financial resources to be used for the construction and renovation of the county jail.

Highway Capital Projects Fund – The Highway Capital Projects Fund is used to account for financial resources used for the improvement of Eagles Rest Road.

Exhibit E-1

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

	Special Revenue Funds			Capital Projects Funds			Total Nonmajor Governmental Funds
	Drug Control	Constitu - tional Officers - Fees	Total	General Capital Projects	Highway Capital Projects	Total	
<u>ASSETS</u>							
Cash	\$ 0	\$ 1,779	\$ 1,779	\$ 0	\$ 0	\$ 0	\$ 1,779
Equity in Pooled Cash and Investments	18,734	0	18,734	203,683	19,000	222,683	241,417
Property Taxes Receivable	0	0	0	19,207	24,449	43,656	43,656
Allowance for Uncollectible Property Taxes	0	0	0	(554)	(377)	(931)	(931)
Total Assets	\$ 18,734	\$ 1,779	\$ 20,513	\$ 222,336	\$ 43,072	\$ 265,408	\$ 285,921
<u>LIABILITIES AND FUND BALANCES</u>							
<u>Liabilities</u>							
Due to Other Funds	\$ 0	\$ 1,779	\$ 1,779	\$ 0	\$ 19,000	\$ 19,000	\$ 20,779
Deferred Revenue - Current Property Taxes	0	0	0	18,017	1,237	19,254	19,254
Deferred Revenue - Delinquent Property Taxes	0	0	0	495	22,835	23,330	23,330
Other Loans Payable - Long-term	0	0	0	0	50,088	50,088	50,088
Total Liabilities	\$ 0	\$ 1,779	\$ 1,779	\$ 18,512	\$ 93,160	\$ 111,672	\$ 113,451
<u>Fund Balances</u>							
Reserved for Purchase of Electronic Fingerprint Imaging System	\$ 7,460	\$ 0	\$ 7,460	\$ 0	\$ 0	\$ 0	\$ 7,460
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	101,497	0	101,497	101,497
Unreserved (Deficit)	11,274	0	11,274	102,327	(50,088)	52,239	63,513
Total Fund Balances	\$ 18,734	\$ 0	\$ 18,734	\$ 203,824	\$ (50,088)	\$ 153,736	\$ 172,470
Total Liabilities and Fund Balances	\$ 18,734	\$ 1,779	\$ 20,513	\$ 222,336	\$ 43,072	\$ 265,408	\$ 285,921

Exhibit E-2

Stewart 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 Funds			Total Nonmajor Governmental Funds
	Drug Control	Constitu - tional Officers - Fees	Total	General Capital Projects	Highway Capital Projects	Total	
<u>Revenues</u>							
Local Taxes	\$ 0	\$ 0	\$ 0	\$ 34,664	\$ 19,388	\$ 54,052	\$ 54,052
Fines, Forfeitures, and Penalties	1,768	0	1,768	0	0	0	1,768
Charges for Current Services	0	84	84	0	0	0	84
Total Revenues	<u>\$ 1,768</u>	<u>\$ 84</u>	<u>\$ 1,852</u>	<u>\$ 34,664</u>	<u>\$ 19,388</u>	<u>\$ 54,052</u>	<u>\$ 55,904</u>
<u>Expenditures</u>							
Current:							
Finance	\$ 0	\$ 84	\$ 84	\$ 0	\$ 0	\$ 0	\$ 84
Public Safety	1,747	0	1,747	0	0	0	1,747
Other Operations	0	0	0	0	388	388	388
Capital Projects	0	0	0	361	0	361	361
Total Expenditures	<u>\$ 1,747</u>	<u>\$ 84</u>	<u>\$ 1,831</u>	<u>\$ 361</u>	<u>\$ 388</u>	<u>\$ 749</u>	<u>\$ 2,580</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 21	\$ 0	\$ 21	\$ 34,303	\$ 19,000	\$ 53,303	\$ 53,324
Net Change in Fund Balances	\$ 21	\$ 0	\$ 21	\$ 34,303	\$ 19,000	\$ 53,303	\$ 53,324
Fund Balance, July 1, 2005	18,713	0	18,713	169,521	(69,088)	100,433	119,146
Fund Balance, June 30, 2006	<u>\$ 18,734</u>	<u>\$ 0</u>	<u>\$ 18,734</u>	<u>\$ 203,824</u>	<u>\$ (50,088)</u>	<u>\$ 153,736</u>	<u>\$ 172,470</u>

Exhibit E-3

Stewart 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	\$ 1,768	\$ 1,900	\$ 1,900	\$ (132)
Total Revenues	\$ 1,768	\$ 1,900	\$ 1,900	\$ (132)
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 1,747	\$ 7,020	\$ 7,020	\$ 5,273
Total Expenditures	\$ 1,747	\$ 7,020	\$ 7,020	\$ 5,273
Excess (Deficiency) of Revenues Over Expenditures	\$ 21	\$ (5,120)	\$ (5,120)	\$ 5,141
Net Change in Fund Balance	\$ 21	\$ (5,120)	\$ (5,120)	\$ 5,141
Fund Balance, July 1, 2005	18,713	18,713	18,713	0
Fund Balance, June 30, 2006	\$ 18,734	\$ 13,593	\$ 13,593	\$ 5,141

Exhibit E-4

Stewart County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Capital Projects Fund
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 34,664	\$ 35,688	\$ 35,688	\$ (1,024)
Total Revenues	\$ 34,664	\$ 35,688	\$ 35,688	\$ (1,024)
<u>Expenditures</u>				
<u>Capital Projects</u>				
Public Safety Projects	\$ 361	\$ 357	\$ 387	\$ 26
Total Expenditures	\$ 361	\$ 357	\$ 387	\$ 26
Excess (Deficiency) of Revenues Over Expenditures	\$ 34,303	\$ 35,331	\$ 35,301	\$ (998)
Net Change in Fund Balance	\$ 34,303	\$ 35,331	\$ 35,301	\$ (998)
Fund Balance, July 1, 2005	169,521	169,561	169,561	(40)
Fund Balance, June 30, 2006	\$ 203,824	\$ 204,892	\$ 204,862	\$ (1,038)

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 F

Stewart 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	\$ 1,779,038	\$ 1,703,638	\$ 1,703,638	\$ 75,400
Other Local Revenues	0	4,500	4,500	(4,500)
Other Governments and Citizens Groups	584,578	0	630,181	(45,603)
Total Revenues	<u>\$ 2,363,616</u>	<u>\$ 1,708,138</u>	<u>\$ 2,338,319</u>	<u>\$ 25,297</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 169,327	\$ 171,572	\$ 169,327	\$ 0
Education	1,231,722	1,231,723	1,231,722	0
<u>Interest on Debt</u>				
General Government	14,825	14,805	14,825	0
Education	1,202,123	1,202,125	1,202,123	0
<u>Other Debt Service</u>				
General Government	30,521	22,755	29,568	(953)
Education	2,934	3,000	2,934	0
Total Expenditures	<u>\$ 2,651,452</u>	<u>\$ 2,645,980</u>	<u>\$ 2,650,499</u>	<u>\$ (953)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (287,836)</u>	<u>\$ (937,842)</u>	<u>\$ (312,180)</u>	<u>\$ 24,344</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 630,181	\$ 0	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 630,181</u>	<u>\$ 0</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (287,836)	\$ (307,661)	\$ (312,180)	\$ 24,344
Fund Balance, July 1, 2005	<u>2,233,964</u>	<u>2,107,648</u>	<u>2,107,648</u>	<u>126,316</u>
Fund Balance, June 30, 2006	<u>\$ 1,946,128</u>	<u>\$ 1,799,987</u>	<u>\$ 1,795,468</u>	<u>\$ 150,660</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 areas of the county. These revenues are received by the county from the State of Tennessee and forwarded to the various cities on a monthly basis.

Constitutional Officers - Agency Fund – The Constitutional Officers - Agency Fund is used to account for amounts collected in an agency capacity by the county clerk; circuit, 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 G-1

Stewart County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2006

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 659,062	\$ 659,062
Due from Other Governments	55,909	0	55,909
Total Assets	<u>\$ 55,909</u>	<u>\$ 659,062</u>	<u>\$ 714,971</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 55,909	\$ 0	\$ 55,909
Due to Litigants, Heirs, and Others	0	659,062	659,062
Total Liabilities	<u>\$ 55,909</u>	<u>\$ 659,062</u>	<u>\$ 714,971</u>

Exhibit G-2

Stewart 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	\$ 300,195	\$ 300,195	\$ 0
Due from Other Governments	51,502	55,909	51,502	55,909
Total Assets	\$ 51,502	\$ 356,104	\$ 351,697	\$ 55,909
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 51,502	\$ 356,104	\$ 351,697	\$ 55,909
Total Liabilities	\$ 51,502	\$ 356,104	\$ 351,697	\$ 55,909
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 236,574	\$ 2,981,988	\$ 2,559,500	\$ 659,062
Accounts Receivable	47	0	47	0
Total Assets	\$ 236,621	\$ 2,981,988	\$ 2,559,547	\$ 659,062
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 236,621	\$ 2,981,988	\$ 2,559,547	\$ 659,062
Total Liabilities	\$ 236,621	\$ 2,981,988	\$ 2,559,547	\$ 659,062
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 300,195	\$ 300,195	\$ 0
Cash	236,574	2,981,988	2,559,500	659,062
Accounts Receivable	47	0	47	0
Due from Other Governments	51,502	55,909	51,502	55,909
Total Assets	\$ 288,123	\$ 3,338,092	\$ 2,911,244	\$ 714,971
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 51,502	\$ 356,104	\$ 351,697	\$ 55,909
Due to Litigants, Heirs, and Others	236,621	2,981,988	2,559,547	659,062
Total Liabilities	\$ 288,123	\$ 3,338,092	\$ 2,911,244	\$ 714,971

MISCELLANEOUS SCHEDULES

Exhibit H-1

Stewart County, Tennessee
Schedule of Changes in Long-term Notes, Capital Lease, 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>NOTES PAYABLE</u>								
<u>Payable through Highway/Public Works Fund</u>								
Dump Trucks and Equipment	\$ 250,000	3.8 %	4-28-05	4-28-08	\$ 250,000	\$ 0	\$ 83,333	\$ 166,667
Total Payable through Highway/Public Works Fund					\$ 250,000	\$ 0	\$ 83,333	\$ 166,667
<u>Payable through General Debt Service Fund</u>								
Parking Lot	124,715	3.8	4-28-05	4-28-08	\$ 124,715	\$ 0	\$ 41,572	\$ 83,143
School Buses	170,167	3.8	4-28-05	4-28-08	170,167	0	56,722	113,445
Patrol Cars and Ambulance Remount	111,755	6.5	6-26-06	6-27-06	0	111,755	111,755	0
Total Payable through General Debt Service Fund					\$ 294,882	\$ 111,755	\$ 210,049	\$ 196,588
Total Notes Payable					\$ 544,882	\$ 111,755	\$ 293,382	\$ 363,255
<u>CAPITAL LEASE PAYABLE</u>								
<u>Payable through General Fund</u>								
Defibrillators	5,519	9.87	4-21-05	8-25-10	\$ 5,519	\$ 0	\$ 742	\$ 4,777
Total Capital Lease Payable					\$ 5,519	\$ 0	\$ 742	\$ 4,777
<u>BONDS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Industrial Park Development (FmHA)	454,000	5	10-15-1977	10-1-16	\$ 200,000	\$ 0	\$ 16,000	\$ 184,000
School Bonds, Series 1998 & 1999	10,000,000	3.4 to 5	12-15-1998	12-1-06	590,000	0	290,000	300,000
School Bonds, Series 2001	1,200,000	4 to 5	3-6-01	3-1-21	1,035,000	0	45,000	990,000
School Refunding, Series 2003	6,035,000	3.4	5-11-03	9-1-16	5,880,000	0	400,000	5,480,000
School Refunding, Series 2003A	8,255,000	2.5 to 4.55	12-1-03	12-1-23	8,220,000	0	40,000	8,180,000
School Bonds, Series 2004	9,500,000	3 to 4.75	8-1-04	3-1-29	9,260,000	0	245,000	9,015,000
School Bonds, Series 2005	1,600,000	3 to 4.65	1-1-05	3-1-29	1,600,000	0	45,000	1,555,000
School Refunding, Series 2005	3,470,000	3.79	3-3-05	6-1-24	3,470,000	0	110,000	3,360,000
Total Bonds Payable					\$ 30,255,000	\$ 0	\$ 1,191,000	\$ 29,064,000

Exhibit H-2

Stewart County, Tennessee
Schedule of Bond and Interest Requirements by Year

Year Ending June 30	Bond Requirements	Interest Requirements	FmHA Bond Requirements	FmHA Interest Requirements	Total Requirements
2007	\$ 1,230,000	\$ 1,111,939	\$ 16,000	\$ 8,800	\$ 2,366,739
2008	1,275,000	1,070,470	16,000	8,000	2,369,470
2009	1,320,000	1,028,677	16,000	7,200	2,371,877
2010	1,365,000	985,246	16,000	6,400	2,372,646
2011	1,415,000	938,712	16,000	5,600	2,375,312
2012	1,460,000	890,015	16,000	4,800	2,370,815
2013	1,525,000	838,706	16,000	4,000	2,383,706
2014	1,575,000	783,096	16,000	3,200	2,377,296
2015	1,640,000	722,813	16,000	2,400	2,381,213
2016	1,695,000	662,118	20,000	1,500	2,378,618
2017	1,765,000	598,684	20,000	500	2,384,184
2018	1,215,000	541,789	0	0	1,756,789
2019	1,270,000	491,731	0	0	1,761,731
2020	1,320,000	438,392	0	0	1,758,392
2021	1,380,000	382,085	0	0	1,762,085
2022	1,345,000	322,114	0	0	1,667,114
2023	1,400,000	263,636	0	0	1,663,636
2024	1,460,000	202,013	0	0	1,662,013
2025	585,000	152,253	0	0	737,253
2026	615,000	125,050	0	0	740,050
2027	645,000	95,922	0	0	740,922
2028	675,000	65,370	0	0	740,370
2029	705,000	33,397	0	0	738,397
Total	\$ 28,880,000	\$ 12,744,228	\$ 184,000	\$ 52,400	\$ 41,860,628

Exhibit H-3

Stewart County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
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>	\$ 61,840	\$ 25,000	State Automobile Mutual Insurance Company
County Engineer	Section 8-24-102, <u>TCA</u>	55,052	100,000	"
Trustee	Section 8-24-102, <u>TCA</u>	50,048	428,900	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	50,048	10,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	50,048	25,000	"
Circuit, General Sessions, and Juvenile Courts Clerk	Section 8-24-102, <u>TCA</u>	50,048	25,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u>	50,048	45,000	"
Register	Section 8-24-102, <u>TCA</u>	50,048	15,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	55,571 (1)	25,000	"

Employee Blanket Bonds:

County Mayor and County Engineer:

All Employees

150,000 Tennessee School Boards Risk Management Trust

(1) Includes law enforcement training supplement of \$519.

Exhibit H-4

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

	Special Revenue Funds				Debt Service Fund	Capital Projects Funds		Total
	General	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	Highway Capital Projects	
<u>Local Taxes</u>								
<u>County Property Taxes</u>								
Current Property Tax	\$ 2,276,752	\$ 0	\$ 0	\$ 134,319	\$ 1,242,423	\$ 16,784	\$ 19,388	\$ 3,689,666
Trustee's Collections - Prior Year	64,683	0	0	3,836	35,475	479	0	104,473
Circuit/Clerk & Master Collections - Prior Years	39,277	0	0	2,485	22,713	311	0	64,786
Interest and Penalty	14,270	0	0	846	7,825	106	0	23,047
Payments in-Lieu-of Taxes - T.V.A.	850	0	0	64	570	8	0	1,492
Payments in-Lieu-of Taxes - Other	145,225	0	0	0	43,785	596	0	189,606
<u>County Local Option Taxes</u>								
Local Option Sales Tax	166,495	0	0	0	19,206	0	0	185,701
Hotel/Motel Tax	18,531	0	0	0	0	0	0	18,531
Wheel Tax	0	0	0	0	405,435	0	0	405,435
Litigation Tax - General	49,304	0	0	0	0	0	0	49,304
Litigation Tax - Special Purpose	21,036	0	0	0	0	0	0	21,036
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0	16,364	0	16,364
Business Tax	19,619	0	0	0	450	0	0	20,069
<u>Statutory Local Taxes</u>								
Bank Excise Tax	2,110	0	0	125	1,156	16	0	3,407
Wholesale Beer Tax	118,765	0	0	0	0	0	0	118,765
Interstate Telecommunications Tax	1,832	0	0	0	0	0	0	1,832
Total Local Taxes	\$ 2,938,749	\$ 0	\$ 0	\$ 141,675	\$ 1,779,038	\$ 34,664	\$ 19,388	\$ 4,913,514
<u>Licenses and Permits</u>								
<u>Licenses</u>								
Cable TV Franchise	\$ 7,374	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,374
<u>Permits</u>								
Beer Permits	2,921	0	0	0	0	0	0	2,921
Total Licenses and Permits	\$ 10,295	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,295
<u>Fines, Forfeitures, and Penalties</u>								
<u>Circuit Court</u>								
Fines	\$ 3,516	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,516
Officers Costs	1,291	0	0	0	0	0	0	1,291
Data Entry Fee - Circuit Court	201	0	0	0	0	0	0	201

(Continued)

Exhibit H-4

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

	Special Revenue Funds				Debt Service Fund	Capital Projects Funds		Total
	General	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	Highway Capital Projects	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>								
<u>Criminal Court</u>								
Drug Control Fines	\$ 0	\$ 924	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	924
DUI Treatment Fines	538	0	0	0	0	0	0	538
<u>General Sessions Court</u>								
Fines	8,661	0	0	0	0	0	0	8,661
Officers Costs	14,358	0	0	0	0	0	0	14,358
Game and Fish Fines	1,185	0	0	0	0	0	0	1,185
Drug Control Fines	0	844	0	0	0	0	0	844
Jail Fees	4,608	0	0	0	0	0	0	4,608
DUI Treatment Fines	2,565	0	0	0	0	0	0	2,565
Data Entry Fee - General Sessions Court	2,609	0	0	0	0	0	0	2,609
<u>Juvenile Court</u>								
Fines	48	0	0	0	0	0	0	48
Officers Costs	1,127	0	0	0	0	0	0	1,127
<u>Chancery Court</u>								
Officers Costs	1,015	0	0	0	0	0	0	1,015
Data Entry Fee - Chancery Court	480	0	0	0	0	0	0	480
<u>Other Fines, Forfeitures, and Penalties</u>								
Proceeds from Confiscated Property	5,313	0	0	0	0	0	0	5,313
Total Fines, Forfeitures, and Penalties	\$ 47,515	\$ 1,768	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	49,283
<u>Charges for Current Services</u>								
<u>General Service Charges</u>								
Patient Charges	\$ 657,479	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	657,479
Work Release Charges for Board	4,740	0	0	0	0	0	0	4,740
<u>Fees</u>								
Copy Fees	337	0	0	0	0	0	0	337
Telephone Commissions	4,653	0	0	0	0	0	0	4,653
Vending Machine Collections	51	0	0	0	0	0	0	51
Constitutional Officers' Fees and Commissions	0	0	84	0	0	0	0	84
Data Processing Fee - Register	6,480	0	0	0	0	0	0	6,480
Data Processing Fee - Sheriff	1,936	0	0	0	0	0	0	1,936
Sexual Offender Registration Fees - Sheriff	1,400	0	0	0	0	0	0	1,400

(Continued)

Exhibit H-4

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

	Special Revenue Funds				Debt Service Fund	Capital Projects Funds		Total
	General	Drug Control	Constitu- tional - Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	Highway Capital Projects	
<u>Charges for Current Services (Cont.)</u>								
<u>Other Charges for Services</u>								
Other Charges for Services	\$ 0	\$ 0	\$ 0	\$ 26,913	\$ 0	\$ 0	\$ 0	\$ 26,913
Total Charges for Current Services	\$ 677,076	\$ 0	\$ 84	\$ 26,913	\$ 0	\$ 0	\$ 0	\$ 704,073
<u>Other Local Revenues</u>								
<u>Recurring Items</u>								
Lease/Rentals	\$ 3,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,000
Sale of Materials and Supplies	609	0	0	0	0	0	0	609
Sale of Gasoline	0	0	0	15,583	0	0	0	15,583
Miscellaneous Refunds	5,874	0	0	2,378	0	0	0	8,252
<u>Nonrecurring Items</u>								
Sale of Equipment	3,312	0	0	0	0	0	0	3,312
Sale of Property	463	0	0	0	0	0	0	463
Damages Recovered from Individuals	92	0	0	0	0	0	0	92
Contributions & Gifts	50	0	0	0	0	0	0	50
Performance Bond Forfeitures	7,000	0	0	0	0	0	0	7,000
Total Other Local Revenues	\$ 20,400	\$ 0	\$ 0	\$ 17,961	\$ 0	\$ 0	\$ 0	\$ 38,361
<u>Fees Received from County Officials</u>								
<u>Fees-In-Lieu of Salary</u>								
County Clerk	\$ 116,422	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 116,422
Circuit Court Clerk	18,799	0	0	0	0	0	0	18,799
General Sessions Court Clerk	68,338	0	0	0	0	0	0	68,338
Clerk and Master	45,611	0	0	0	0	0	0	45,611
Register	86,129	0	0	0	0	0	0	86,129
Sheriff	7,576	0	0	0	0	0	0	7,576
Trustee	179,056	0	0	0	0	0	0	179,056
Total Fees Received from County Officials	\$ 521,931	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 521,931
<u>State of Tennessee</u>								
<u>General Government Grants</u>								
Juvenile Services Program	\$ 29,151	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 29,151

(Continued)

Exhibit H-4

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

	Special Revenue Funds				Debt Service Fund	Capital Projects Funds		Total
	General	Drug Control	Constitutional - Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	Highway Capital Projects	
<u>State of Tennessee (Cont.)</u>								
<u>Health and Welfare Grants</u>								
Health Department Programs	\$ 98,222	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 98,222
<u>Public Works Grants</u>								
Bridge Program	0	0	0	40,718	0	0	0	40,718
State Aid Program	0	0	0	152,328	0	0	0	152,328
Litter Program	39,975	0	0	0	0	0	0	39,975
<u>Other State Revenues</u>								
Flood Control	1,202	0	0	0	0	0	0	1,202
Income Tax	23,464	0	0	0	0	0	0	23,464
Beer Tax	17,212	0	0	0	0	0	0	17,212
Alcoholic Beverage Tax	26,938	0	0	0	0	0	0	26,938
Mixed Drink Tax	1,777	0	0	0	0	0	0	1,777
State Revenue Sharing - T.V.A.	250,357	0	0	0	0	0	0	250,357
Contracted Prisoner Boarding	45,674	0	0	0	0	0	0	45,674
Gasoline and Motor Fuel Tax	0	0	0	1,586,178	0	0	0	1,586,178
Petroleum Special Tax	0	0	0	9,951	0	0	0	9,951
Reappraisal Program Reimbursement	7,274	0	0	0	0	0	0	7,274
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	16,380
Other State Grants	399,795	0	0	0	0	0	0	399,795
Total State of Tennessee	\$ 957,421	\$ 0	\$ 0	\$ 1,789,175	\$ 0	\$ 0	\$ 0	\$ 2,746,596
<u>Federal Government</u>								
<u>Federal Through State</u>								
Homeland Security Grants	\$ 26,321	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 26,321
Other Federal through State	18,677	0	0	0	0	0	0	18,677
<u>Direct Federal Revenue</u>								
Police Service (Lake Area)	9,600	0	0	0	0	0	0	9,600
Total Federal Government	\$ 54,598	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 54,598
<u>Other Governments and Citizens Groups</u>								
<u>Other Governments</u>								
Contributions	\$ 0	\$ 0	\$ 0	\$ 0	\$ 584,578	\$ 0	\$ 0	\$ 584,578
Contracted Services	21,019	0	0	0	0	0	0	21,019

(Continued)

Exhibit H-4

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

	Special Revenue Funds				Debt Service Fund	Capital Projects Funds		Total
	General	Drug Control	Constitutional - Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	Highway Capital Projects	
<u>Other Governments and Citizens Groups (Cont.)</u>								
<u>Citizens Groups</u>								
Donations	\$ 1,639	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	1,639
<u>Other</u>								
Other	2,586	0	0	0	0	0	0	2,586
Total Other Governments and Citizens Groups	\$ 25,244	\$ 0	\$ 0	\$ 0	584,578	\$ 0	\$ 0	609,822
Total	\$ 5,253,229	\$ 1,768	\$ 84	\$ 1,975,724	\$ 2,363,616	\$ 34,664	\$ 19,388	\$ 9,648,473

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

General FundGeneral GovernmentCounty Commission

Board and Committee Members Fees	\$	17,040	
Social Security		1,057	
Employer Medicare		247	
Audit Services		2,959	
Dues and Memberships		1,500	
Travel		165	
Workers' Compensation Insurance		66	
Other Charges		15	
Total County Commission			\$ 23,049

County Mayor/Executive

County Official/Administrative Officer	\$	61,840	
Secretary(ies)		19,227	
Overtime Pay		370	
In-Service Training		150	
Social Security		4,717	
State Retirement		8,212	
Employee and Dependent Insurance		7,466	
Life Insurance		159	
Medical Insurance		63	
Unemployment Compensation		70	
Employer Medicare		1,103	
Communication		5,388	
Data Processing Services		5,511	
Dues and Memberships		1,724	
Maintenance & Repair Services - Equipment		1,728	
Postal Charges		1,667	
Printing, Stationery, and Forms		318	
Rentals		372	
Travel		7,301	
Office Supplies		3,658	
Premiums on Corporate Surety Bonds		50	
Workers' Compensation Insurance		336	
Other Charges		2,331	
Office Equipment		18,456	
Total County Mayor/Executive			152,217

Election Commission

County Official/Administrative Officer	\$	42,541	
Board and Committee Members Fees		1,450	

(Continued)

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Election Workers	\$	520	
Social Security		2,717	
Life Insurance		80	
Local Retirement		1,276	
Employer Medicare		635	
Communication		2,604	
Data Processing Services		1,863	
Dues and Memberships		50	
Legal Notices, Recording, and Court Costs		1,434	
Maintenance & Repair Services - Buildings		250	
Maintenance & Repair Services - Office Equipment		715	
Postal Charges		1,584	
Printing, Stationery, and Forms		987	
Rentals		936	
Travel		2,262	
Office Supplies		3,128	
Uniforms		58	
Workers' Compensation Insurance		141	
Other Charges		50	
Office Equipment		9,446	
Total Election Commission			\$ 74,727

Register of Deeds

County Official/Administrative Officer	\$	50,048
Accountants/Bookkeepers		22,328
Social Security		4,420
State Retirement		6,646
Employee and Dependent Insurance		3,737
Life Insurance		159
Medical Insurance		63
Dental Insurance		308
Unemployment Compensation		70
Local Retirement		822
Employer Medicare		1,034
Communication		1,373
Dues and Memberships		449
Operating Lease Payments		7,724
Maintenance Agreements		746
Maintenance & Repair Services - Office Equipment		185
Postal Charges		547

(Continued)

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

General Fund (Cont.)

General Government (Cont.)

Register of Deeds (Cont.)

Travel	\$	910	
Duplicating Supplies		1,800	
Office Supplies		2,311	
Workers' Compensation Insurance		210	
Office Equipment		1,760	
Total Register of Deeds			\$ 107,650

County Buildings

Custodial Personnel	\$	34,408	
Maintenance Personnel		23,816	
Part-time Personnel		7,992	
Social Security		3,979	
Employee and Dependent Insurance		3,737	
Life Insurance		239	
Medical Insurance		63	
Dental Insurance		256	
Unemployment Compensation		280	
Employer Medicare		931	
Architects		5,000	
Communication		1,728	
Contracts with Private Agencies		2,746	
Engineering Services		4,162	
Laundry Service		275	
Maintenance Agreements		1,411	
Maintenance & Repair Services - Buildings		23,231	
Maintenance & Repair Services - Equipment		56	
Maintenance & Repair Services - Vehicles		2,777	
Pest Control		1,739	
Permits		110	
Custodial Supplies		3,663	
Electricity		38,942	
Gasoline		2,128	
Uniforms		309	
Water and Sewer		2,367	
Workers' Compensation Insurance		1,571	
Other Charges		388	
Maintenance Equipment		30	
Other Equipment		630	
Other Construction		111,180	
Total County Buildings			280,144

(Continued)

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

General Fund (Cont.)

General Government (Cont.)

Other General Administration

Accounting Services	\$	250	
Operating Lease Payments		2,555	
Legal Services		12,000	
Legal Notices, Recording, and Court Costs		8,334	
Maintenance Agreements		5,690	
Printing, Stationery, and Forms		3,015	
Penalties		5,926	
Duplicating Supplies		2,215	
Other Charges		986	
Principal on Capital Leases		447	
Interest on Capital Leases		535	
Total Other General Administration			\$ 41,953

Preservation of Records

Contributions	\$	1,000	
Office Equipment		408	
Total Preservation of Records			1,408

Finance

Accounting and Budgeting

Accountants/Bookkeepers	\$	45,043	
Overtime Pay		6,733	
Social Security		3,114	
Employee and Dependent Insurance		3,737	
Life Insurance		80	
Medical Insurance		63	
Dental Insurance		154	
Unemployment Compensation		70	
Employer Medicare		728	
Dues and Memberships		65	
Premiums on Corporate Surety Bonds		621	
Total Accounting and Budgeting			60,408

Property Assessor's Office

County Official/Administrative Officer	\$	50,048	
Deputy(ies)		25,623	
Clerical Personnel		22,328	
Board and Committee Members Fees		780	
Social Security		5,978	
State Retirement		6,646	

(Continued)

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Employee and Dependent Insurance	\$	7,474	
Life Insurance		239	
Medical Insurance		127	
Dental Insurance		308	
Unemployment Compensation		140	
Local Retirement		1,814	
Employer Medicare		1,398	
Communication		1,654	
Contracts with Private Agencies		4,930	
Dues and Memberships		1,073	
Operating Lease Payments		1,215	
Postal Charges		499	
Travel		1,164	
Office Supplies		632	
Workers' Compensation Insurance		257	
Other Charges		65	
Office Equipment		498	
Total Property Assessor's Office			\$ 134,890

Reappraisal Program

Other Salaries & Wages	\$	20,085	
Social Security		1,211	
Employee and Dependent Insurance		2,808	
Life Insurance		80	
Medical Insurance		63	
Unemployment Compensation		70	
Local Retirement		603	
Employer Medicare		283	
Data Processing Services		1,998	
Maintenance & Repair Services - Vehicles		115	
Postal Charges		413	
Printing, Stationery, and Forms		468	
Travel		405	
Workers' Compensation Insurance		39	
Other Charges		79	
Total Reappraisal Program			28,720

County Trustee's Office

County Official/Administrative Officer	\$	50,048	
Deputy(ies)		52,405	

(Continued)

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office (Cont.)

Part-time Personnel	\$	96	
Social Security		6,243	
State Retirement		6,646	
Employee and Dependent Insurance		7,564	
Life Insurance		259	
Medical Insurance		190	
Dental Insurance		154	
Unemployment Compensation		210	
Local Retirement		1,653	
Employer Medicare		1,460	
Communication		2,244	
Data Processing Services		13,867	
Dues and Memberships		434	
Maintenance Agreements		1,333	
Postal Charges		4,233	
Rentals		212	
Travel		1,021	
Data Processing Supplies		612	
Office Supplies		2,863	
Workers' Compensation Insurance		278	
Principal on Capital Leases		132	
Interest on Capital Leases		158	
Office Equipment		2,351	
Total County Trustee's Office			\$ 156,666

County Clerk's Office

County Official/Administrative Officer	\$	50,048
Deputy(ies)		69,611
Social Security		7,347
State Retirement		6,646
Employee and Dependent Insurance		7,563
Life Insurance		318
Medical Insurance		190
Dental Insurance		461
Unemployment Compensation		210
Local Retirement		2,464
Employer Medicare		1,718
Communication		2,082
Dues and Memberships		434
Maintenance & Repair Services - Buildings		1,941

(Continued)

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

Postal Charges	\$	3,325	
Office Supplies		5,426	
Workers' Compensation Insurance		341	
Office Equipment		6,183	
Total County Clerk's Office			\$ 166,308

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	50,048	
Deputy(ies)		41,555	
Jury and Witness Fees		10,628	
Social Security		5,486	
State Retirement		6,646	
Employee and Dependent Insurance		9,211	
Life Insurance		239	
Medical Insurance		127	
Dental Insurance		308	
Unemployment Compensation		140	
Local Retirement		760	
Employer Medicare		1,283	
Communication		1,276	
Data Processing Services		2,645	
Dues and Memberships		334	
Operating Lease Payments		1,434	
Postal Charges		723	
Travel		2,387	
Food Supplies		1,046	
Office Supplies		2,026	
Workers' Compensation Insurance		245	
Other Charges		60	
Office Equipment		120	
Total Circuit Court			138,727

General Sessions Judge

Judge(s)	\$	60,889
In-Service Training		220
Social Security		3,775
State Retirement		8,086
Life Insurance		80
Employer Medicare		883

(Continued)

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Judge (Cont.)

Communication	\$	600	
Dues and Memberships		220	
Travel		173	
Office Supplies		237	
Workers' Compensation Insurance		201	
Total General Sessions Judge			\$ 75,364

General Sessions Court Clerk

Deputy(ies)	\$	18,857	
Other Per Diem & Fees		12,230	
Social Security		1,927	
Life Insurance		78	
Unemployment Compensation		70	
Employer Medicare		451	
Communication		1,459	
Data Processing Services		1,887	
Postal Charges		738	
Office Supplies		1,697	
Workers' Compensation Insurance		37	
Total General Sessions Court Clerk			39,431

Chancery Court

County Official/Administrative Officer	\$	50,048	
Deputy(ies)		18,902	
Social Security		3,966	
State Retirement		6,646	
Employee and Dependent Insurance		7,466	
Life Insurance		161	
Medical Insurance		63	
Dental Insurance		154	
Unemployment Compensation		70	
Local Retirement		375	
Employer Medicare		927	
Communication		1,424	
Data Processing Services		4,618	
Dues and Memberships		394	
Legal Notices, Recording, and Court Costs		1,218	
Postal Charges		2,175	
Travel		181	
Office Supplies		1,625	

(Continued)

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court (Cont.)

Workers' Compensation Insurance	\$	206	
Office Equipment		<u>1,634</u>	
Total Chancery Court	\$		102,253

Juvenile Court

Youth Service Officer(s)	\$	30,140	
In-Service Training		559	
Social Security		1,801	
Employee and Dependent Insurance		3,827	
Life Insurance		80	
Medical Insurance		63	
Unemployment Compensation		70	
Local Retirement		904	
Employer Medicare		421	
Communication		2,692	
Contracts with Government Agencies		9,664	
Maintenance & Repair Services - Vehicles		1,029	
Postal Charges		633	
Travel		1,081	
Other Contracted Services		100	
Food Supplies		567	
Gasoline		305	
Office Supplies		3,972	
Premiums on Corporate Surety Bonds		50	
Workers' Compensation Insurance		100	
Other Charges		3,504	
Office Equipment		<u>1,869</u>	
Total Juvenile Court			63,431

District Attorney General

Other Contracted Services	\$	<u>2,585</u>	
Total District Attorney General			2,585

Other Administration of Justice

Youth Service Officer(s)	\$	22,674	
Overtime Pay		8,650	
Other Salaries & Wages		800	
In-Service Training		160	
Social Security		1,992	
Unemployment Compensation		70	

(Continued)

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

General Fund (Cont.)

Administration of Justice (Cont.)

Other Administration of Justice (Cont.)

Employer Medicare	\$	466	
Travel		190	
Premiums on Corporate Surety Bonds		50	
Workers' Compensation Insurance		55	
Other Charges		32	
Office Equipment		1,311	
Total Other Administration of Justice			\$ 36,450

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	55,052
Supervisor/Director		34,906
Deputy(ies)		246,500
Investigator(s)		18,382
Sergeant(s)		58,448
Salary Supplements		5,187
Dispatchers/Radio Operators		147,556
Part-time Personnel		5,541
School Resource Officer		25,064
Overtime Pay		24,711
Other Salaries & Wages		7,388
In-Service Training		8,294
Social Security		36,893
Employee and Dependent Insurance		56,823
Life Insurance		1,657
Medical Insurance		377
Dental Insurance		1,153
Unemployment Compensation		2,082
Local Retirement		4,338
Employer Medicare		8,703
Communication		6,840
Contracts with Private Agencies		1,750
Data Processing Services		6,974
Dues and Memberships		1,562
Operating Lease Payments		810
Licenses		34
Maintenance Agreements		3,812
Maintenance & Repair Services - Buildings		8,592
Maintenance & Repair Services - Equipment		2,004
Maintenance & Repair Services - Office Equipment		18

(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Maintenance & Repair Services - Vehicles	\$	24,084	
Medical and Dental Services		168	
Postal Charges		1,324	
Tow-in Services		120	
Travel		3,859	
Custodial Supplies		1,012	
Electricity		6,767	
Gasoline		41,705	
Instructional Supplies and Materials		1,959	
Law Enforcement Supplies		7,384	
Office Supplies		4,422	
Propane Gas		1,758	
Tires and Tubes		5,065	
Uniforms		6,211	
Water and Sewer		844	
Workers' Compensation Insurance		7,858	
Other Charges		2,015	
Principal on Capital Leases		523	
Interest on Capital Leases		538	
Law Enforcement Equipment		12,373	
Motor Vehicles		42,172	
Office Equipment		7,828	
Other Equipment		9,255	
Total Sheriff's Department			\$ 970,695

Jail

Supervisor/Director	\$	29,536
Guards		192,980
Overtime Pay		7,134
In-Service Training		950
Social Security		13,371
Employee and Dependent Insurance		30,289
Life Insurance		792
Medical Insurance		253
Dental Insurance		923
Unemployment Compensation		770
Local Retirement		905
Employer Medicare		3,127
Contracts with Government Agencies		14,015
Operating Lease Payments		224

(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Maintenance Agreements	\$	647	
Maintenance & Repair Services - Buildings		2,366	
Maintenance & Repair Services - Equipment		335	
Medical and Dental Services		30,700	
Travel		2,804	
Custodial Supplies		2,468	
Drugs and Medical Supplies		16,262	
Electricity		9,750	
Food Supplies		56,274	
Office Supplies		1,635	
Prisoners Clothing		703	
Uniforms		1,993	
Water and Sewer		6,578	
Workers' Compensation Insurance		3,766	
Other Charges		1,549	
Principal on Capital Leases		175	
Interest on Capital Leases		180	
Office Equipment		1,914	
Other Equipment		27,653	
Total Jail			\$ 463,021

Fire Prevention and Control

Contributions	\$	67,809	
Total Fire Prevention and Control			67,809

Rescue Squad

Contributions	\$	4,000	
Total Rescue Squad			4,000

Other Emergency Management

Part-time Personnel	\$	3,000	
In-Service Training		410	
Social Security		182	
Unemployment Compensation		30	
Employer Medicare		43	
Communication		1,759	
Dues and Memberships		35	
Maintenance & Repair Services - Vehicles		880	
Travel		252	
Gasoline		871	

(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

Other Emergency Management (Cont.)

Office Supplies	\$	143	
Uniforms		1,957	
Other Supplies and Materials		513	
Workers' Compensation Insurance		126	
Communication Equipment		28,593	
Office Equipment		60	
Other Equipment		391	
Total Other Emergency Management	\$		39,245

County Coroner/Medical Examiner

Other Salaries & Wages	\$	2,502	
Board and Committee Members Fees		60	
In-Service Training		725	
Social Security		154	
Unemployment Compensation		26	
Employer Medicare		36	
Communication		435	
Medical and Dental Services		14,120	
Travel		715	
Workers' Compensation Insurance		105	
Total County Coroner/Medical Examiner			18,878

Public Safety Grant Programs

Law Enforcement Equipment	\$	9,598	
Total Public Safety Grant Programs			9,598

Public Health and Welfare

Local Health Center

Advertising	\$	670	
Maintenance & Repair Services - Buildings		14,917	
Travel		472	
Other Contracted Services		13,348	
Drugs and Medical Supplies		846	
Food Supplies		673	
Office Supplies		1,885	
Uniforms		333	
Office Equipment		1,895	
Total Local Health Center			35,039

(Continued)

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services

Supervisor/Director	\$	42,541
Medical Personnel		337,102
Secretary(ies)		23,725
Overtime Pay		186,761
Board and Committee Members Fees		60
In-Service Training		1,787
Social Security		34,409
Employee and Dependent Insurance		53,686
Life Insurance		1,290
Medical Insurance		355
Dental Insurance		1,274
Unemployment Compensation		1,659
Local Retirement		2,951
Employer Medicare		8,047
Communication		9,252
Data Processing Services		1,500
Dues and Memberships		140
Operating Lease Payments		138
Licenses		767
Maintenance Agreements		3,243
Maintenance & Repair Services - Buildings		7,264
Maintenance & Repair Services - Equipment		1,282
Maintenance & Repair Services - Vehicles		32,205
Medical and Dental Services		744
Postal Charges		1,620
Printing, Stationery, and Forms		2,120
Rentals		374
Tow-in Services		1,835
Travel		2,125
Disposal Fees		2,611
Permits		117
Custodial Supplies		456
Diesel Fuel		30,891
Drugs and Medical Supplies		23,461
Electricity		13,526
Gasoline		1,806
Office Supplies		4,410
Propane Gas		4,109
Tires and Tubes		3,711
Uniforms		4,810

(Continued)

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services (Cont.)

Water and Sewer	\$	2,783	
Refunds		1,977	
Workers' Compensation Insurance		23,308	
Other Charges		882	
Principal on Capital Leases		742	
Interest on Capital Leases		427	
Communication Equipment		4,640	
Furniture and Fixtures		4,034	
Motor Vehicles		69,583	
Office Equipment		1,282	
Other Equipment		1,210	
Total Ambulance/Emergency Medical Services	\$		961,032

Other Local Health Services

Supervisor/Director	\$	8,198	
Part-time Personnel		11,000	
Social Security		1,183	
Life Insurance		52	
Medical Insurance		3	
Unemployment Compensation		172	
Employer Medicare		277	
Communication		270	
Legal Notices, Recording, and Court Costs		177	
Travel		967	
Food Supplies		206	
Instructional Supplies and Materials		127	
Workers' Compensation Insurance		200	
Other Charges		129	
Total Other Local Health Services			22,961

General Welfare Assistance

Salary Supplements	\$	1,154	
Part-time Personnel		23,272	
Social Security		1,516	
Unemployment Compensation		70	
Local Retirement		25	
Employer Medicare		355	
Communication		797	
Dues and Memberships		110	
Maintenance Agreements		506	

(Continued)

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

General Welfare Assistance (Cont.)

Maintenance & Repair Services - Buildings	\$	443	
Postal Charges		233	
Travel		370	
Custodial Supplies		15	
Office Supplies		1,132	
Uniforms		65	
Workers' Compensation Insurance		77	
Office Equipment		1,662	
Total General Welfare Assistance			\$ 31,802

Waste Pickup

Temporary Personnel	\$	15,923	
Social Security		994	
Unemployment Compensation		350	
Employer Medicare		232	
Maintenance & Repair Services - Vehicles		492	
Rentals		7,650	
Disposal Fees		842	
Gasoline		690	
Instructional Supplies and Materials		4,398	
Workers' Compensation Insurance		573	
Other Charges		285	
Total Waste Pickup			32,429

Other Public Health and Welfare

Medical Personnel	\$	18,639	
Clerical Personnel		40,522	
Part-time Personnel		3,673	
In-Service Training		500	
Social Security		2,473	
Employee and Dependent Insurance		3,737	
Life Insurance		80	
Medical Insurance		63	
Dental Insurance		154	
Unemployment Compensation		140	
Local Retirement		71	
Employer Medicare		578	
Communication		563	
Contracts with Private Agencies		39,110	
Postal Charges		66	

(Continued)

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Other Public Health and Welfare (Cont.)

Travel	\$	1,650	
Food Supplies		276	
Instructional Supplies and Materials		1,323	
Refunds		200	
Workers' Compensation Insurance		422	
Total Other Public Health and Welfare			\$ 114,240

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Contributions	\$	8,000	
Total Senior Citizens Assistance			8,000

Libraries

County Official/Administrative Officer	\$	31,637	
Assistant(s)		43,886	
Librarians		19,656	
Custodial Personnel		1,392	
Social Security		5,480	
Employee and Dependent Insurance		15,299	
Life Insurance		318	
Medical Insurance		253	
Dental Insurance		461	
Unemployment Compensation		440	
Local Retirement		970	
Employer Medicare		1,282	
Communication		4,145	
Contracts with Private Agencies		575	
Data Processing Services		470	
Dues and Memberships		315	
Operating Lease Payments		5,312	
Maintenance Agreements		900	
Maintenance & Repair Services - Buildings		500	
Maintenance & Repair Services - Equipment		215	
Postal Charges		2,931	
Travel		1,644	
Custodial Supplies		768	
Data Processing Supplies		261	
Library Books/Media		12,919	
Office Supplies		3,431	
Periodicals		179	

(Continued)

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Libraries (Cont.)

Propane Gas	\$	3,347	
Workers' Compensation Insurance		229	
Other Charges		429	
Office Equipment		<u>2,376</u>	
Total Libraries			\$ 162,020

Other Social, Cultural, and Recreational

Supervisor/Director	\$	12,670	
Teachers		18,550	
Paraprofessionals		17,421	
Bus Drivers		13,001	
Educational Assistants		7,841	
Social Security		4,294	
Life Insurance		28	
Medical Insurance		13	
Unemployment Compensation		731	
Employer Medicare		1,004	
Communication		201	
Travel		2,482	
Other Contracted Services		12,027	
Food Supplies		4,481	
Instructional Supplies and Materials		5,963	
Office Supplies		2,585	
Liability Insurance		350	
Workers' Compensation Insurance		500	
Office Equipment		<u>3,183</u>	
Total Other Social, Cultural, and Recreational			107,325

Agriculture & Natural Resources

Agriculture Extension Service

Salary Supplements	\$	38,019	
Communication		1,615	
Contributions		2,500	
Dues and Memberships		500	
Travel		203	
Office Equipment		<u>1,960</u>	
Total Agriculture Extension Service			44,797

Soil Conservation

Secretary(ies)	\$	20,066	
----------------	----	--------	--

(Continued)

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

General Fund (Cont.)

Agriculture & Natural Resources (Cont.)

Soil Conservation (Cont.)

Social Security	\$	1,250	
Life Insurance		80	
Medical Insurance		63	
Dental Insurance		154	
Unemployment Compensation		70	
Local Retirement		602	
Employer Medicare		292	
Travel		388	
Workers' Compensation Insurance		39	
Total Soil Conservation			\$ 23,004

Other Operations

Tourism

Supervisor/Director	\$	16,975	
Printing, Stationery, and Forms		10,127	
Office Equipment		2,290	
Site Development		3,001	
Total Tourism			32,393

Other Economic and Community Development

Engineering Services	\$	20,008	
Other Charges		1,853	
Building Construction		221,900	
Motor Vehicles		104,995	
Total Other Economic and Community Development			348,756

Other Charges

Veterinary Services	\$	333	
Remittance of Revenue Collected		9,365	
Liability Insurance		52,700	
Premiums on Corporate Surety Bonds		50	
Trustee's Commission		63,804	
Total Other Charges			126,252

Miscellaneous

Contributions	\$	68,431	
Dues and Memberships		4,325	
Total Miscellaneous			72,756

Total General Fund \$ 5,382,433

(Continued)

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

Drug Control Fund

Public Safety

Drug Enforcement

Trustee's Commission	\$	18	
Other Charges		1,729	
Total Drug Enforcement			\$ 1,747

Total Drug Control Fund \$ 1,747

Constitutional Officers - Fees Fund

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$	84	
Total County Trustee's Office			\$ 84

Total Constitutional Officers - Fees Fund 84

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	55,052	
Accountants/Bookkeepers		5,607	
Secretary(ies)		25,972	
Advertising		735	
Communication		1,027	
Data Processing Services		4,211	
Dues and Memberships		2,191	
Freight Expenses		40	
Postal Charges		315	
Printing, Stationery, and Forms		381	
Travel		797	
Other Contracted Services		332	
Drugs and Medical Supplies		18	
Electricity		2,699	
Office Supplies		680	
Water and Sewer		163	
Other Charges		776	
Total Administration			\$ 100,996

Highway and Bridge Maintenance

Foremen	\$	69,807
Equipment Operators - Heavy		182,144
Equipment Operators - Light		95,149

(Continued)

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Truck Drivers	\$	178,535	
Laborers		75,921	
Freight Expenses		14	
Rentals		15,903	
Asphalt - Cold Mix		1,550	
Asphalt - Hot Mix		43,518	
Asphalt - Liquid		64,002	
Crushed Stone		157,165	
Fertilizer, Lime, and Seed		52	
Ice		259	
Pipe - Metal		21,864	
Road Signs		3,516	
Wood Products		690	
Other Charges		1,282	
Total Highway and Bridge Maintenance			\$ 911,371

Operation and Maintenance of Equipment

Foremen	\$	38,168	
Mechanic(s)		2,553	
Laborers		30,593	
Freight Expenses		1,525	
Laundry Service		1,685	
Licenses		120	
Maintenance & Repair Services - Equipment		468	
Rentals		1,083	
Disposal Fees		2,258	
Other Contracted Services		325	
Diesel Fuel		72,900	
Equipment and Machinery Parts		45,013	
Garage Supplies		13,052	
Gasoline		40,168	
Lubricants		6,134	
Propane Gas		3,780	
Tires and Tubes		15,103	
Total Operation and Maintenance of Equipment			274,928

Other Charges

Building and Contents Insurance	\$	1,876	
Liability Insurance		30,167	
Trustee's Commission		18,841	

(Continued)

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Other Charges (Cont.)

Vehicle and Equipment Insurance	\$ 22,229	
Workers' Compensation Insurance	38,784	
Other Charges	<u>774</u>	
Total Other Charges		\$ 112,671

Employee Benefits

Social Security	\$ 47,780	
State Retirement	7,311	
Employee and Dependent Insurance	1,008	
Life Insurance	2,233	
Medical Insurance	102,099	
Dental Insurance	1,945	
Unemployment Compensation	5,796	
Local Retirement	16,769	
Employer Medicare	<u>11,174</u>	
Total Employee Benefits		196,115

Capital Outlay

Engineering Services	\$ 19,093	
Bridge Construction	40,718	
Building Construction	13,380	
Communication Equipment	1,866	
State Aid Projects	<u>181,588</u>	
Total Capital Outlay		256,645

Principal on Debt

Highways and Streets

Principal on Notes	\$ <u>83,333</u>	
Total Highways and Streets		83,333

Interest on Debt

Highways and Streets

Interest on Notes	\$ <u>9,632</u>	
Total Highways and Streets		<u>9,632</u>

Total Highway/Public Works Fund		\$ 1,945,691
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(Continued)

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

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$ 16,000	
Principal on Notes	<u>153,327</u>	
Total General Government		\$ 169,327

Education

Principal on Bonds	\$ 1,175,000	
Principal on Notes	<u>56,722</u>	
Total Education		1,231,722

Interest on Debt

General Government

Interest on Bonds	\$ 10,000	
Interest on Notes	<u>4,825</u>	
Total General Government		14,825

Education

Interest on Bonds	\$ 1,195,567	
Interest on Notes	<u>6,556</u>	
Total Education		1,202,123

Other Debt Service

General Government

Trustee's Commission	\$ <u>30,521</u>	
Total General Government		30,521

Education

Other Debt Service	\$ <u>2,934</u>	
Total Education		<u>2,934</u>

Total General Debt Service Fund \$ 2,651,452

General Capital Projects Fund

Capital Projects

Public Safety Projects

Trustee's Commission	\$ <u>361</u>	
Total Public Safety Projects		<u>\$ 361</u>

Total General Capital Projects Fund 361

(Continued)

Exhibit H-5

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

<u>Highway Capital Projects Fund</u>			
<u>Other Operations</u>			
<u>Other Charges</u>			
Trustee's Commission	\$	<u>388</u>	
Total Other Charges			\$ <u>388</u>
Total Highway Capital Projects Fund			\$ <u>388</u>
Total Governmental Funds - Primary Government			\$ <u>9,982,156</u>

Exhibit H-6

Stewart County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balance - City Agency Fund
For the Year Ended June 30, 2006

	<u>Cities - Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 300,195
Total Cash Receipts	<u>\$ 300,195</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 297,193
Trustee's Commission	3,002
Total Cash Disbursements	<u>\$ 300,195</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0
Cash Balance, July 1, 2005	<u>0</u>
Cash Balance, June 30, 2006	<u><u>\$ 0</u></u>

ANNUAL FINANCIAL REPORT
STEWART COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF STEWART 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

NORM R. NORMENT, CGFM
Audit Manager

NOLAN R. BRADFORD, CPA, CGFM
Auditor 4

KATINA VALENTINE
WENDY HEATH, CFE
State Auditors

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

**STEWART COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF STEWART COUNTY, TENNESSEE
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Audit Highlights

Annual Financial Report
Stewart County School Department
For the Year Ended June 30, 2006

Scope

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

Results

Our report on the Stewart County School Department's financial statements is unqualified.

Our audit resulted in two findings and recommendations, which we have reviewed with Stewart County School Department management. Detailed findings, recommendations, and management's responses are included in the Single Audit Report.

Findings

The following are summaries of the audit findings:

SCHOOL DEPARTMENT

- ◆ Competitive bids were not solicited for moving portable classrooms (\$37,615). Also, bids for tires and a tire changer were solicited using bid specifications that applied only to a particular brand and model.
- ◆ County officials had not adopted a central system of accounting, budgeting, and purchasing.

INTRODUCTORY SECTION

Stewart County School Officials
June 30, 2006

Official

Dr. Phillip Wallace, Director of Schools

Board of Education

Billy Sexton, Chairman
Kenny Collins
Lesa Fitzhugh
Bailey Gafford
Darrell Gillum
Billy Gray
Bobby Morgan

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 20, 2007

Stewart County Director of Schools and
Board of Education
Stewart County, Tennessee

To the Director of Schools and Board of Education:

We have audited the accompanying financial statements of the governmental activities and each major fund of the Stewart County School Department, a component unit of Stewart County, Tennessee, as of and for the year ended June 30, 2006, which collectively comprise the Stewart County School Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Stewart County School Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Stewart County School Department as of June 30, 2006, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 20, 2007, on our consideration of the Stewart County School Department'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., the Stewart County School Department has adopted the provisions of Governmental Accounting Standards Board Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.

The management of the Stewart County School Department did not prepare the 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 the Governmental Accounting Standards Board.

The budgetary comparison information on pages 35 through 41 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Stewart County School Department's basic financial statements. The introductory section and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/rc

BASIC FINANCIAL STATEMENTS

Exhibit A

Stewart County, Tennessee
Statement of Net Assets
Stewart County School Department
June 30, 2006

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash	\$ 714
Equity in Pooled Cash and Investments	1,172,676
Accounts Receivable	28,869
Due from Other Governments	392,711
Property Taxes Receivable	768,241
Allowance for Uncollectible Property Taxes	(22,140)
Accrued Interest Receivable	39,773
Capital Assets:	
Assets Not Depreciated:	
Land	1,104,110
Assets Net of Accumulated Depreciation:	
Buildings and Improvements	29,812,334
Other Capital Assets	1,901,346
Total Assets	<u>\$ 35,198,634</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 51,274
Deferred Revenue - Current Property Taxes	720,669
Total Liabilities	<u>\$ 771,943</u>
<u>NET ASSETS</u>	
Invested in Capital Assets	\$ 32,817,790
Restricted for:	
Central Cafeteria	386,540
School Federal Projects	226,370
Other Purposes	31,389
Unrestricted	<u>964,602</u>
Total Net Assets	<u>\$ 34,426,691</u>

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

Exhibit B

Stewart County, Tennessee
Statement of Activities
Stewart 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	\$ 9,514,870	\$ 1,629	\$ 958,074	\$ 61,005	\$ (8,494,162)
Support Services	4,166,178	64,978	254,451	0	(3,846,749)
Operation of Non-Instructional Services	801,873	430,646	797,264	0	426,037
Other Debt Service	584,578	0	0	0	(584,578)
Total Governmental Activities	<u>\$ 15,067,499</u>	<u>\$ 497,253</u>	<u>\$ 2,009,789</u>	<u>\$ 61,005</u>	<u>\$ (12,499,452)</u>
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes					\$ 719,504
Local Option Sales Tax					895,937
Other Local Taxes					38,713
Grants and Contributions Not Restricted for Specific Programs					11,248,632
Unrestricted Investment Earnings					115,517
Miscellaneous					<u>34,653</u>
Total General Revenues					<u>\$ 13,052,956</u>
Change in Net Assets					\$ 553,504
Net Assets, July 1, 2005					<u>33,873,187</u>
Net Assets, June 30, 2006					<u>\$ 34,426,691</u>

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

Exhibit C-1

Stewart County, Tennessee
Balance Sheet - Governmental Funds
Stewart County School Department
June 30, 2006

	Major Funds				Total Govern- mental Funds
	General Purpose School	School Federal Projects	Central Cafeteria	School Transpor - tation	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 714	\$ 0	\$ 714
Equity in Pooled Cash and Investments	738,713	35,377	383,411	15,175	1,172,676
Accounts Receivable	26,351	0	2,518	0	28,869
Due from Other Governments	197,026	195,685	0	0	392,711
Property Taxes Receivable	614,593	0	0	153,648	768,241
Allowance for Uncollectible Property Taxes	(17,712)	0	0	(4,428)	(22,140)
Accrued Interest Receivable	39,746	0	27	0	39,773
Total Assets	<u>\$ 1,598,717</u>	<u>\$ 231,062</u>	<u>\$ 386,670</u>	<u>\$ 164,395</u>	<u>\$ 2,380,844</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 46,452	\$ 4,692	\$ 130	\$ 0	\$ 51,274
Deferred Revenue - Current Property Taxes	576,535	0	0	144,134	720,669
Deferred Revenue - Delinquent Property Taxes	15,827	0	0	3,956	19,783
Other Deferred Revenues	103,096	146,602	0	0	249,698
Total Liabilities	<u>\$ 741,910</u>	<u>\$ 151,294</u>	<u>\$ 130</u>	<u>\$ 148,090</u>	<u>\$ 1,041,424</u>
<u>Fund Balances</u>					
Reserved for Career Ladder - Extended Contract	\$ 11,128	\$ 0	\$ 0	\$ 0	\$ 11,128
Reserved for Title I Grants to Local Education Agencies	0	16,671	0	0	16,671
Reserved for Special Education - Grants to States	0	63,097	0	0	63,097
Unreserved, Reported In:					
General Fund	845,679	0	0	0	845,679
Special Revenue Funds	0	0	386,540	16,305	402,845
Total Fund Balances	<u>\$ 856,807</u>	<u>\$ 79,768</u>	<u>\$ 386,540</u>	<u>\$ 16,305</u>	<u>\$ 1,339,420</u>
Total Liabilities and Fund Balances	<u>\$ 1,598,717</u>	<u>\$ 231,062</u>	<u>\$ 386,670</u>	<u>\$ 164,395</u>	<u>\$ 2,380,844</u>

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

Exhibit C-2

Stewart County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
Stewart 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 C-1)		\$	1,339,420
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	1,104,110	
Add: buildings and improvements net of accumulated depreciation		29,812,334	
Add: other capital assets net of accumulated depreciation		<u>1,901,346</u>	32,817,790
(2) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			<u>269,481</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>34,426,691</u></u>

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

Exhibit C-3

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

	Major Funds					
	General Purpose School	School Federal Projects	Central Cafeteria	School Transportation	Education Capital Projects	Total Governmental Funds
<u>Revenues</u>						
Local Taxes	\$ 1,484,969	\$ 0	\$ 0	\$ 140,862	\$ 0	\$ 1,625,831
Licenses and Permits	665	0	0	0	0	665
Charges for Current Services	66,604	0	431,955	0	0	498,559
Other Local Revenues	107,267	0	11,603	0	61,005	179,875
State of Tennessee	11,112,466	0	11,851	0	0	11,124,317
Federal Government	520,045	897,634	489,063	0	0	1,906,742
Total Revenues	\$ 13,292,016	\$ 897,634	\$ 944,472	\$ 140,862	\$ 61,005	\$ 15,335,989
<u>Expenditures</u>						
Current:						
Instruction	\$ 7,406,883	\$ 800,445	\$ 0	\$ 0	\$ 0	\$ 8,207,328
Support Services	4,904,140	129,159	0	132,090	0	5,165,389
Operation of Non-Instructional Services	219,766	0	931,088	0	0	1,150,854
Capital Outlay	267,978	0	0	0	0	267,978
Debt Service:						
Other Debt Service	584,578	0	0	0	0	584,578
Capital Projects	0	0	0	0	4,692,528	4,692,528
Total Expenditures	\$ 13,383,345	\$ 929,604	\$ 931,088	\$ 132,090	\$ 4,692,528	\$ 20,068,655
Excess (Deficiency) of Revenues Over Expenditures	\$ (91,329)	\$ (31,970)	\$ 13,384	\$ 8,772	\$ (4,631,523)	\$ (4,732,666)
<u>Other Financing Sources (Uses)</u>						
Insurance Recovery	\$ 54,216	\$ 0	\$ 0	\$ 0	\$ 0	\$ 54,216
Transfers In	0	0	16,015	0	0	16,015
Transfers Out	(16,015)	0	0	0	0	(16,015)
Total Other Financing Sources (Uses)	\$ 38,201	\$ 0	\$ 16,015	\$ 0	\$ 0	\$ 54,216
Net Change in Fund Balances	\$ (53,128)	\$ (31,970)	\$ 29,399	\$ 8,772	\$ (4,631,523)	\$ (4,678,450)
Fund Balance, July 1, 2005	909,935	111,738	357,141	7,533	4,631,523	6,017,870
Fund Balance, June 30, 2006	\$ 856,807	\$ 79,768	\$ 386,540	\$ 16,305	\$ 0	\$ 1,339,420

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

Exhibit C-4

Stewart County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Stewart 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 C-3)		\$ (4,678,450)
(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	\$ 5,997,868	
Less: current year depreciation expense	<u>(955,565)</u>	5,042,303
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Less: deferred delinquent property taxes and other deferred June 30, 2005	\$ (79,830)	
Add: deferred delinquent property taxes and other deferred June 30, 2006	<u>269,481</u>	<u>189,651</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 553,504</u>

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

**STEWART COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF STEWART COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2006**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Stewart County School Department'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 the School Department:

A. Reporting Entity

The School Department operates the public school system in the county, and the voters of Stewart County elect its seven-member board. The School Department is a component unit of Stewart County, the primary government. 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.

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 School Department. For the most part, the effect of interfund activity has been removed from these statements. However, when applicable, interfund services provided and used between functions are not eliminated in the process of consolidation in the statement of activities. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities, which rely to a significant extent on fees and charges, are required to be reported separately from governmental activities in government-wide financial statements. However, the School Department does not have any business-type activities to report.

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.

Stewart County issues all debt for the discretely presented School Department. No new debt issues were contributed by the county to the School Department during the year ended June 30, 2006.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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 the School Department are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental category. The School Department has no proprietary or fiduciary funds to report.

Major individual governmental funds are reported as separate columns in the fund financial statements. All governmental funds of the School Department were determined to be major funds.

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 School Department 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. The School Department 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.

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 and state-shared excise taxes 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 School Department receives cash.

The School Department reports the following major governmental funds:

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

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

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

School Transportation Fund – This fund is used to account for financial resources used for the acquisition of school buses.

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

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

State statutes authorize counties, the School Department's primary 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 of Stewart County and the 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 Purpose School Fund. Stewart County and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held by the county at the balance sheet date.

2. Receivables and Payables

All property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 1.5 percent of total taxes levied.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

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

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

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

3. Capital Assets

Governmental funds do not capitalize the cost of capital outlays; these funds report capital outlays as expenditures upon acquisition.

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the School Department 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 are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	20-40
Other Capital Assets	5-20
Infrastructure:	
Improvements Other Than Buildings	30

4. Compensated Absences

There is no liability for unpaid accumulated vacation leave benefits for employees of the School Department since those benefits do not vest or accumulate and must be used within the year earned or lost. There is also no liability for unpaid accumulated sick leave since the School Department does not have a policy to pay any amounts when employees separate from service with the government.

5. 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.

As of June 30, 2006, Stewart County had \$28,993,445 in outstanding debt for capital purposes for the School Department. This debt is a liability of Stewart County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, the School Department received assets significantly increasing its unrestricted net assets with no corresponding increase in the School Department's liabilities.

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

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

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

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.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except 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 Stewart 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 Purpose School Fund major categories: Regular Instruction Program, Alternative Instruction Program, Special Education Program, Vocational Education Program, etc.). Management may make revisions within major categories, but only the Stewart County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

The School Department'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.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Stewart County and the School Department participate in an internal cash and investment pool through the Office of Trustee. The county trustee is the treasurer of Stewart 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 its balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Cash reflected on the balance sheets or statements of net assets represents nonpooled amounts held separately by individual funds.

Deposits

Legal Provisions. All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

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

Investments

Legal Provisions. Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and the county's own legally issued bonds or notes. These

investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state director of Local Finance and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the market value of the securities on the day of purchase.

The county had no pooled and nonpooled investments as of June 30, 2006.

B. Capital Assets

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

Governmental Activities:

	Balance 7-1-05	Increases	Decreases	Balance 6-30-06
Capital Assets Not Depreciated:				
Land	\$ 732,659	\$ 371,451	\$ 0	\$ 1,104,110
Construction in Progress	4,891,479	0	4,891,479	0
Total Capital Assets Not Depreciated	\$ 5,624,138	\$ 371,451	\$ 4,891,479	\$ 1,104,110
Capital Assets Depreciated:				
Buildings and Improvements	\$ 25,107,078	\$ 9,887,206	\$ 0	\$ 34,994,284
Other Capital Assets	3,075,989	630,690	169,878	3,536,801
Total Capital Assets Depreciated	\$ 28,183,067	\$ 10,517,896	\$ 169,878	\$ 38,531,085
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 4,477,831	\$ 704,119	\$ 0	\$ 5,181,950
Other Capital Assets	1,553,887	251,446	169,878	1,635,455
Total Accumulated Depreciation	\$ 6,031,718	\$ 955,565	\$ 169,878	\$ 6,817,405

Governmental Activities (Cont.):

	Balance 7-1-05	Increases	Decreases	Balance 6-30-06
Total Capital Assets Depreciated, Net	\$ 22,151,349	\$ 9,562,331	\$ 0	\$ 31,713,680
Governmental Activities Capital Assets, Net	\$ 27,775,487	\$ 9,933,782	\$ 4,891,479	\$ 32,817,790

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

Governmental Activities:

Instruction	\$ 644,745
Support Services	235,422
Operation of Non-Instructional Services	<u>75,398</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 955,565</u>

C. Interfund Transfers

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

Transfers Out	<u>Transfers In</u> Central Cafeteria Fund
General Purpose School Fund	<u>\$ 16,015</u>
Total	<u>\$ 16,015</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.

D. Contributions to Primary Government's Debt Service Fund

During the year, the School Department contributed \$584,578 from the General Purpose School Fund to the primary government's General Debt Service Fund to be applied toward the retirement of general obligation debt that was issued by the county for school capital purposes.

V. OTHER INFORMATION

A. Risk Management

The School Department participates in the Local Education Group Insurance Fund (LEGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local education agencies. In accordance with Section 8-27-302, Tennessee Code Annotated (TCA), all local education agencies are eligible to participate. The LEGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. Section 8-27-303, TCA, provides for the LEGIF to be self-sustaining through member premiums.

The School Department participates in the Tennessee School Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by the Tennessee School Boards Association, an association of member school systems. The School Department pays an annual premium to the TSB-RMT for its workers' compensation and general liability, property, and casualty insurance coverage. The creation of the TSB-RMT provides for it to be self-sustaining through member premiums. The TSB-RMT reinsures through commercial insurance companies for claims exceeding \$200,000 for each insured event.

B. Accounting Changes

For the year ended June 30, 2006, the School Department 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 Stewart 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 Stewart 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. The School Department had no net assets restricted by enabling legislation to disclose as of June 30, 2006. But it is reasonably expected that the School Department 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. The School Department was not offering any termination benefits to employees as of June 30, 2006. But it is reasonably expected that the School Department will offer termination benefits in subsequent years subject to the accounting and reporting requirements of GASB Statement No. 47.

C. Contingent Liabilities

The School Department's attorney advised that there were no pending lawsuits, unasserted claims, or assessments involving the School Department that would materially affect the School Department's financial statements.

D. Jointly Governed Organization

The School Department is a member of the Volunteer State Cooperative (VOLCO). The cooperative was established through a contractual agreement between the Boards of Education of Bedford County, Coffee County, Dickson County, Manchester City, Maury County, Stewart County, and Sumner County. The cooperative was authorized through Chapter 49 of Tennessee Code Annotated. The cooperative was established to obtain lower prices for food supplies, materials, equipment, and services by combining the

purchasing requirements of each member's school food service systems. The cooperative has contracted with a coordinating district (Bedford County School Department) and a service provider to provide these services. The cooperative is governed by a Representative Committee, including one representative from each of the member districts and an Executive Council, consisting of the chair, vice-chair, secretary, treasurer, and a member-at-large from the Representative Committee.

E. Retirement Commitments

Plan Description

Employees of Stewart County, including the School Department, 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 Stewart 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/>.

Since the Stewart County School Department participates in Stewart County's plan, retirement information for the Stewart County School Department is not available separately from the retirement information provided for the county. Complete disclosure for the county's participation in the TCRS is described in footnote IV.F. of the Annual Financial Report of Stewart County, Tennessee.

SCHOOL TEACHERS

Plan Description

The Stewart 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 Stewart County 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 Stewart County School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2006, 2005, and 2004, were \$367,214, \$350,663, and \$195,813, respectively, equal to the required contributions for each year.

F. Purchasing Law

Purchasing procedures for the School Department are governed by purchasing laws applicable to schools as set forth in Section 49-2-203, Tennessee Code Annotated, which provides for the Stewart County 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 estimated to exceed \$10,000.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit D-1

Stewart County, Tennessee
 Schedule of Revenues, Expenditures, and Changes
 in Fund Balance - Actual and Budget
 Stewart County School Department
 General Purpose School Fund
 For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,484,969	\$ 1,522,810	\$ 1,522,810	\$ (37,841)
Licenses and Permits	665	300	300	365
Charges for Current Services	66,604	35,700	35,700	30,904
Other Local Revenues	107,267	45,000	45,000	62,267
State of Tennessee	11,112,466	10,848,104	11,309,698	(197,232)
Federal Government	520,045	230,643	243,158	276,887
Total Revenues	\$ 13,292,016	\$ 12,682,557	\$ 13,156,666	\$ 135,350
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 5,736,145	\$ 5,618,000	\$ 5,745,384	\$ 9,239
Alternative Instruction Program	65,054	63,885	65,410	356
Special Education Program	861,428	869,780	862,443	1,015
Vocational Education Program	581,600	598,450	585,320	3,720
Adult Education Program	162,656	176,093	191,129	28,473
<u>Support Services</u>				
Attendance	91,777	94,045	92,795	1,018
Health Services	277,871	233,590	439,764	161,893
Other Student Support	272,545	278,475	276,959	4,414
Regular Instruction Program	459,671	449,510	468,893	9,222
Special Education Program	119,567	120,695	120,645	1,078
Vocational Education Program	435	7,500	500	65
Adult Programs	75,767	81,660	89,770	14,003
Board of Education	238,890	232,290	242,040	3,150
Director of Schools	197,621	203,155	203,965	6,344
Office of the Principal	582,413	600,545	582,750	337
Fiscal Services	85,404	88,615	87,110	1,706
Operation of Plant	1,097,242	1,072,735	1,103,265	6,023
Maintenance of Plant	430,543	440,835	444,178	13,635
Transportation	891,172	810,450	895,410	4,238
Central and Other	83,222	107,605	84,665	1,443
<u>Operation of Non-Instructional Services</u>				
Food Service	7,798	7,000	8,200	402
Community Services	33,038	33,300	33,300	262
Early Childhood Education	178,930	0	184,452	5,522
<u>Capital Outlay</u>				
Regular Capital Outlay	267,978	78,900	268,007	29
<u>Other Debt Service</u>				
Education	584,578	590,000	700,871	116,293
Total Expenditures	\$ 13,383,345	\$ 12,857,113	\$ 13,777,225	\$ 393,880
Excess (Deficiency) of Revenues Over Expenditures	\$ (91,329)	\$ (174,556)	\$ (620,559)	\$ 529,230

(Continued)

Exhibit D-1

Stewart County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
 Stewart County School Department
 General Purpose School Fund (Cont.)

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 54,216	\$ 0	\$ 0	\$ 54,216
Transfers Out	(16,015)	(15,000)	(16,015)	0
Total Other Financing Sources (Uses)	\$ 38,201	\$ (15,000)	\$ (16,015)	\$ 54,216
Net Change in Fund Balance	\$ (53,128)	\$ (189,556)	\$ (636,574)	\$ 583,446
Fund Balance, July 1, 2005	909,935	935,513	935,513	(25,578)
Fund Balance, June 30, 2006	\$ 856,807	\$ 745,957	\$ 298,939	\$ 557,868

Exhibit D-2

Stewart County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Stewart 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	\$ 897,634	\$ 1,007,267	\$ 1,044,236	\$ (146,602)
Total Revenues	\$ 897,634	\$ 1,007,267	\$ 1,044,236	\$ (146,602)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 345,916	\$ 382,734	\$ 415,091	\$ 69,175
Special Education Program	417,479	459,517	545,081	127,602
Vocational Education Program	37,050	36,087	37,050	0
<u>Support Services</u>				
Other Student Support	19,775	19,000	19,775	0
Regular Instruction Program	106,302	105,429	135,894	29,592
Vocational Education Program	3,082	4,500	3,082	0
Total Expenditures	\$ 929,604	\$ 1,007,267	\$ 1,155,973	\$ 226,369
Excess (Deficiency) of Revenues Over Expenditures	\$ (31,970)	\$ 0	\$ (111,737)	\$ 79,767
Net Change in Fund Balance	\$ (31,970)	\$ 0	\$ (111,737)	\$ 79,767
Fund Balance, July 1, 2005	111,738	105,496	111,737	1
Fund Balance, June 30, 2006	\$ 79,768	\$ 105,496	\$ 0	\$ 79,768

Exhibit D-3

Stewart County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Stewart County School Department
Central Cafeteria 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	\$ 431,955	\$ 415,000	\$ 415,000	\$ 16,955
Other Local Revenues	11,603	27,000	27,000	(15,397)
State of Tennessee	11,851	11,500	11,500	351
Federal Government	489,063	450,000	450,000	39,063
Total Revenues	<u>\$ 944,472</u>	<u>\$ 903,500</u>	<u>\$ 903,500</u>	<u>\$ 40,972</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 931,088	\$ 973,161	\$ 973,161	\$ 42,073
Total Expenditures	<u>\$ 931,088</u>	<u>\$ 973,161</u>	<u>\$ 973,161</u>	<u>\$ 42,073</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 13,384</u>	<u>\$ (69,661)</u>	<u>\$ (69,661)</u>	<u>\$ 83,045</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 16,015	\$ 17,000	\$ 17,000	\$ (985)
Total Other Financing Sources (Uses)	<u>\$ 16,015</u>	<u>\$ 17,000</u>	<u>\$ 17,000</u>	<u>\$ (985)</u>
Net Change in Fund Balance	\$ 29,399	\$ (52,661)	\$ (52,661)	\$ 82,060
Fund Balance, July 1, 2005	<u>357,141</u>	<u>356,919</u>	<u>356,919</u>	<u>222</u>
Fund Balance, June 30, 2006	<u>\$ 386,540</u>	<u>\$ 304,258</u>	<u>\$ 304,258</u>	<u>\$ 82,282</u>

Exhibit D-4

Stewart County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Stewart County School Department
School Transportation Fund
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 140,862	\$ 133,810	\$ 133,810	\$ 7,052
Total Revenues	\$ 140,862	\$ 133,810	\$ 133,810	\$ 7,052
<u>Expenditures</u>				
<u>Support Services</u>				
Board of Education	\$ 2,800	\$ 2,600	\$ 2,900	\$ 100
Transportation	129,290	131,210	130,910	1,620
Total Expenditures	\$ 132,090	\$ 133,810	\$ 133,810	\$ 1,720
Excess (Deficiency) of Revenues Over Expenditures	\$ 8,772	\$ 0	\$ 0	\$ 8,772
Net Change in Fund Balance	\$ 8,772	\$ 0	\$ 0	\$ 8,772
Fund Balance, July 1, 2005	7,533	0	0	7,533
Fund Balance, June 30, 2006	\$ 16,305	\$ 0	\$ 0	\$ 16,305

**STEWART COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF STEWART COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2006**

BUDGETARY INFORMATION

The School Department 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 Stewart 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 Purpose School Fund major categories: Regular Instruction Program, Alternative Instruction Program, Special Education Program, Vocational Education Program, etc.). Management may make revisions within major categories, but only the Stewart County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

The School Department'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.

MISCELLANEOUS SCHEDULES

Exhibit E-1

Stewart County, Tennessee
Schedule of Transfers
Stewart County School Department
For the Year Ended June 30, 2006

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General Purpose School	Central Cafeteria	To provide funds for deferred compensation and insurance match	\$ 16,015
Total			<u>\$ 16,015</u>

Exhibit E-2

Stewart County, Tennessee
Schedule of Salary and Official Bond of Principal Official
Stewart County School Department
For the Year Ended June 30, 2006

<u>Official</u>	<u>Authorization for Salary</u>	<u>Salary Paid During Period</u>	<u>Bond</u>	<u>Surety</u>
Director of Schools	State Board of Education and County Board of Education	\$ 84,135 (1) \$	100,000	State Automobile Mutual Insurance Company
Employee Blanket Bond:				
Director of Schools:				
All Employees				
			150,000	Tennessee Schools Boards Risk Management Trust

(1) Includes chief executive officer training supplement of \$1,000.

Exhibit E-3

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

	General Purpose School	School Federal Projects	Central Cafeteria	School Transpor - tation	Education Capital Projects	Total
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 533,058	\$ 0	\$ 0	\$ 133,815	\$ 0	\$ 666,873
Trustee's Collections - Prior Year	31,843	0	0	4,328	0	36,171
Circuit/Clerk & Master Collections - Prior Years	9,941	0	0	1,750	0	11,691
Interest and Penalty	3,384	0	0	844	0	4,228
Payments in-Lieu-of Taxes - T.V.A.	257	0	0	0	0	257
Payments in-Lieu-of Taxes - Other	16,757	0	0	0	0	16,757
<u>County Local Option Taxes</u>						
Local Option Sales Tax	850,514	0	0	0	0	850,514
Business Tax	36,579	0	0	0	0	36,579
<u>Statutory Local Taxes</u>						
Bank Excise Tax	500	0	0	125	0	625
Interstate Telecommunications Tax	2,136	0	0	0	0	2,136
Total Local Taxes	\$ 1,484,969	\$ 0	\$ 0	\$ 140,862	\$ 0	\$ 1,625,831
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Marriage Licenses	\$ 665	\$ 0	\$ 0	\$ 0	\$ 0	\$ 665
Total Licenses and Permits	\$ 665	\$ 0	\$ 0	\$ 0	\$ 0	\$ 665
<u>Charges for Current Services</u>						
<u>Education Charges</u>						
Tuition - Regular Day Students	\$ 1,629	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,629
Lunch Payments - Children	0	0	210,939	0	0	210,939
Lunch Payments - Adults	0	0	28,554	0	0	28,554
Income from Breakfast	0	0	34,424	0	0	34,424
A la carte Sales	0	0	156,729	0	0	156,729
Receipts from Individual Schools	24,146	0	1,309	0	0	25,455
<u>Other Charges for Services</u>						
Other Charges for Services	40,829	0	0	0	0	40,829
Total Charges for Current Services	\$ 66,604	\$ 0	\$ 431,955	\$ 0	\$ 0	\$ 498,559
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 80,140	\$ 0	\$ 4,077	\$ 0	\$ 61,005	\$ 145,222
Miscellaneous Refunds	13,751	0	7,526	0	0	21,277

(Continued)

Exhibit E-3

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

	General Purpose School	School Federal Projects	Central Cafeteria	School Transpor - tation	Education Capital Projects	Total
<u>Other Local Revenues (Cont.)</u>						
<u>Nonrecurring Items</u>						
Sale of Property	\$ 13,081	\$ 0	\$ 0	\$ 0	\$ 0	\$ 13,081
<u>Other Local Revenues</u>						
Other Local Revenues	295	0	0	0	0	295
Total Other Local Revenues	\$ 107,267	\$ 0	\$ 11,603	\$ 0	\$ 61,005	\$ 179,875
<u>State of Tennessee</u>						
<u>State Education Funds</u>						
Basic Education Program	\$ 9,103,101	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,103,101
Early Childhood Education	163,610	0	0	0	0	163,610
School Food Service	0	0	11,851	0	0	11,851
Other State Education Funds	137,787	0	0	0	0	137,787
Career Ladder Program	111,028	0	0	0	0	111,028
Career Ladder - Extended Contract	81,775	0	0	0	0	81,775
<u>Other State Revenues</u>						
Mixed Drink Tax	1,777	0	0	0	0	1,777
State Revenue Sharing - T.V.A.	1,395,709	0	0	0	0	1,395,709
Other State Grants	97,775	0	0	0	0	97,775
Other State Revenues	19,904	0	0	0	0	19,904
Total State of Tennessee	\$ 11,112,466	\$ 0	\$ 11,851	\$ 0	\$ 0	\$ 11,124,317
<u>Federal Government</u>						
<u>Federal Through State</u>						
USDA School Lunch Program	\$ 0	\$ 0	\$ 352,329	\$ 0	\$ 0	\$ 352,329
Breakfast	0	0	136,734	0	0	136,734
Adult Education State Grant Program	109,664	0	0	0	0	109,664
Vocational Education - Basic Grants to States	0	55,587	0	0	0	55,587
Title I Grants to Local Education Agencies	0	325,910	0	0	0	325,910
Innovative Education Program Strategies	0	6,833	0	0	0	6,833
Special Education - Grants to States	163	378,610	0	0	0	378,773
Special Education Preschool Grants	0	16,401	0	0	0	16,401
Eisenhower Professional Development State Grants	0	103,350	0	0	0	103,350
Other Federal through State	58,332	10,943	0	0	0	69,275
<u>Direct Federal Revenue</u>						
Public Law 874 - Maintenance and Operation	351,886	0	0	0	0	351,886
Total Federal Government	\$ 520,045	\$ 897,634	\$ 489,063	\$ 0	\$ 0	\$ 1,906,742
Total	\$ 13,292,016	\$ 897,634	\$ 944,472	\$ 140,862	\$ 61,005	\$ 15,335,989

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

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 3,908,422	
Career Ladder Program	62,204	
Career Ladder Extended Contracts	87,000	
Homebound Teachers	11,865	
Educational Assistants	183,332	
Non-certified Substitute Teachers	128,484	
Social Security	263,223	
State Retirement	220,625	
Medical Insurance	532,939	
Unemployment Compensation	4,095	
Employer Medicare	61,560	
Other Fringe Benefits	3,638	
Maintenance & Repair Services - Equipment	11,024	
Other Contracted Services	1,500	
Instructional Supplies and Materials	50,667	
Textbooks	145,790	
Other Supplies and Materials	13,102	
Fee Waivers	2,492	
Other Charges	1,880	
Regular Instruction Equipment	42,303	
Total Regular Instruction Program		\$ 5,736,145

Alternative Instruction Program

Teachers	\$ 42,634	
Educational Assistants	11,062	
Social Security	3,331	
State Retirement	2,345	
Medical Insurance	3,577	
Unemployment Compensation	85	
Employer Medicare	779	
Other Fringe Benefits	331	
Instructional Supplies and Materials	910	
Total Alternative Instruction Program		65,054

Special Education Program

Teachers	\$ 627,532
Career Ladder Program	14,000
Educational Assistants	21,113
Non-certified Substitute Teachers	14,535

(Continued)

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Social Security	\$	40,210	
State Retirement		35,284	
Medical Insurance		92,544	
Unemployment Compensation		609	
Employer Medicare		9,404	
Other Fringe Benefits		280	
Instructional Supplies and Materials		1,829	
Other Charges		2,394	
Special Education Equipment		1,694	
Total Special Education Program			\$ 861,428

Vocational Education Program

Teachers	\$	403,611	
Career Ladder Program		8,000	
Educational Assistants		11,546	
Social Security		24,982	
State Retirement		22,639	
Medical Insurance		65,131	
Unemployment Compensation		317	
Employer Medicare		5,842	
Tuition		3,072	
Instructional Supplies and Materials		17,694	
Vocational Instruction Equipment		18,766	
Total Vocational Education Program			581,600

Adult Education Program

Teachers	\$	74,515	
Other Salaries & Wages		40,304	
Social Security		7,145	
State Retirement		2,120	
Medical Insurance		10,037	
Unemployment Compensation		166	
Employer Medicare		1,671	
Other Fringe Benefits		614	
Instructional Supplies and Materials		21,880	
Other Supplies and Materials		4,204	
Total Adult Education Program			162,656

(Continued)

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

General Purpose School Fund (Cont.)

Support Services

Attendance

Supervisor/Director	\$	55,521	
Career Ladder Program		1,000	
Social Security		3,327	
State Retirement		3,109	
Medical Insurance		9,741	
Unemployment Compensation		28	
Employer Medicare		778	
Travel		959	
Other Contracted Services		7,245	
Other Supplies and Materials		6,912	
In Service/Staff Development		552	
Attendance Equipment		2,605	
Total Attendance	\$		91,777

Health Services

Medical Personnel	\$	120,340	
Other Salaries & Wages		17,490	
Social Security		8,229	
State Retirement		6,550	
Medical Insurance		22,585	
Unemployment Compensation		164	
Employer Medicare		1,924	
Other Fringe Benefits		522	
Travel		6,875	
Other Contracted Services		58,241	
Drugs and Medical Supplies		2,584	
Other Supplies and Materials		9,901	
In Service/Staff Development		2,591	
Other Charges		749	
Health Equipment		15,126	
Other Equipment		4,000	
Total Health Services			277,871

Other Student Support

Career Ladder Program	\$	3,000	
Guidance Personnel		187,151	
Secretary(ies)		15,285	
Other Salaries & Wages		6,053	
Social Security		11,641	

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

State Retirement	\$	9,192	
Medical Insurance		4,071	
Unemployment Compensation		177	
Employer Medicare		3,056	
Other Fringe Benefits		471	
Evaluation and Testing		11,163	
Other Supplies and Materials		18,051	
In Service/Staff Development		132	
Other Charges		16	
Other Equipment		3,086	
Total Other Student Support			\$ 272,545

Regular Instruction Program

Supervisor/Director	\$	123,352	
Career Ladder Program		6,000	
Librarians		135,538	
Secretary(ies)		27,107	
Educational Assistants		29,862	
Other Salaries & Wages		16,970	
Social Security		20,349	
State Retirement		15,502	
Medical Insurance		40,447	
Unemployment Compensation		270	
Employer Medicare		4,759	
Other Fringe Benefits		1,727	
Consultants		300	
Travel		8,324	
Library Books/Media		18,797	
Other Supplies and Materials		688	
In Service/Staff Development		9,597	
Other Charges		82	
Total Regular Instruction Program			459,671

Special Education Program

Supervisor/Director	\$	36,317	
Career Ladder Program		3,000	
Psychological Personnel		37,626	
Secretary(ies)		19,765	
Social Security		6,005	

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Special Education Program (Cont.)

State Retirement	\$	4,232	
Medical Insurance		3,903	
Unemployment Compensation		68	
Employer Medicare		1,404	
Other Fringe Benefits		590	
Travel		2,962	
Other Supplies and Materials		2,777	
In Service/Staff Development		734	
Other Charges		184	
Total Special Education Program			\$ 119,567

Vocational Education Program

Travel	\$	435	
Total Vocational Education Program			435

Adult Programs

Supervisor/Director	\$	51,300	
Social Security		3,116	
Medical Insurance		8,910	
Unemployment Compensation		28	
Employer Medicare		729	
Other Fringe Benefits		1,532	
Travel		2,792	
In Service/Staff Development		1,391	
Other Charges		2,875	
Other Equipment		3,094	
Total Adult Programs			75,767

Board of Education

Secretary to Board	\$	2,000	
Board and Committee Members Fees		19,800	
Social Security		1,352	
Unemployment Compensation		36	
Employer Medicare		316	
Audit Services		3,400	
Dues and Memberships		11,262	
Legal Services		10,322	
Travel		5,498	
Other Contracted Services		3,945	

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education (Cont.)

Other Supplies and Materials	\$	1,574	
Liability Insurance		23,343	
Premiums on Corporate Surety Bonds		1,647	
Trustee's Commission		59,405	
Workers' Compensation Insurance		87,513	
In Service/Staff Development		2,010	
Criminal Investigation of Applicants - TBI		480	
Other Charges		4,987	
Total Board of Education			\$ 238,890

Director of Schools

County Official/Administrative Officer	\$	83,135	
Career Ladder Program		1,000	
Secretary(ies)		20,955	
Clerical Personnel		18,691	
Social Security		7,427	
State Retirement		4,627	
Medical Insurance		7,292	
Unemployment Compensation		84	
Employer Medicare		1,737	
Other Fringe Benefits		1,148	
Communication		24,883	
Postal Charges		5,526	
Travel		2,802	
Office Supplies		5,940	
Other Charges		9,743	
Administration Equipment		2,631	
Total Director of Schools			197,621

Office of the Principal

Principals	\$	175,281	
Career Ladder Program		5,000	
Accountants/Bookkeepers		57,674	
Assistant Principals		164,268	
Secretary(ies)		60,517	
Social Security		28,024	
State Retirement		18,950	
Medical Insurance		44,126	
Unemployment Compensation		358	

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal (Cont.)

Employer Medicare	\$	6,554	
Other Fringe Benefits		3,095	
Data Processing Services		3,960	
Other Supplies and Materials		1,950	
Other Charges		6,120	
Administration Equipment		6,536	
Total Office of the Principal			\$ 582,413

Fiscal Services

Accountants/Bookkeepers	\$	60,158	
Social Security		3,539	
Medical Insurance		7,292	
Unemployment Compensation		56	
Employer Medicare		828	
Other Fringe Benefits		1,787	
Data Processing Services		7,200	
Travel		685	
Data Processing Supplies		2,086	
Office Supplies		1,773	
Total Fiscal Services			85,404

Operation of Plant

Guards	\$	17,853	
Custodial Personnel		309,039	
Social Security		20,204	
Medical Insurance		10,030	
Unemployment Compensation		736	
Employer Medicare		4,725	
Other Fringe Benefits		5,358	
Disposal Fees		11,236	
Other Contracted Services		2,841	
Custodial Supplies		52,749	
Electricity		428,805	
Natural Gas		95,968	
Water and Sewer		43,026	
Other Supplies and Materials		3,365	
Boiler Insurance		3,831	
Building and Contents Insurance		78,040	
Other Charges		1,936	

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Plant Operation Equipment	\$ 7,500	
Total Operation of Plant		\$ 1,097,242

Maintenance of Plant

Supervisor/Director	\$ 40,934	
Maintenance Personnel	163,725	
Social Security	12,681	
Medical Insurance	24,858	
Unemployment Compensation	208	
Employer Medicare	2,966	
Other Fringe Benefits	5,942	
Maintenance & Repair Services - Buildings	31,133	
Maintenance & Repair Services - Equipment	4,469	
Maintenance & Repair Services - Vehicles	967	
Travel	704	
Other Contracted Services	37,615	
General Construction Materials	12,563	
Other Supplies and Materials	63,453	
Other Charges	1,442	
Maintenance Equipment	26,883	
Total Maintenance of Plant		430,543

Transportation

Mechanic(s)	\$ 50,522
Bus Drivers	393,198
Social Security	27,982
Medical Insurance	11,747
Unemployment Compensation	1,027
Employer Medicare	6,544
Other Fringe Benefits	7,912
Contracts with Private Agencies	1,586
Maintenance & Repair Services - Vehicles	27,619
Medical and Dental Services	3,911
Rentals	644
Travel	954
Other Contracted Services	550
Diesel Fuel	170,039
Gasoline	20,545
Lubricants	7,371

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Tires and Tubes	\$	48,025	
Vehicle Parts		35,133	
Other Supplies and Materials		2,916	
Vehicle and Equipment Insurance		21,548	
Other Charges		1,827	
Administration Equipment		180	
Transportation Equipment		49,392	
Total Transportation			\$ 891,172

Central and Other

Supervisor/Director	\$	27,173	
Other Salaries & Wages		29,236	
Social Security		3,273	
Medical Insurance		7,232	
Unemployment Compensation		56	
Employer Medicare		765	
Other Fringe Benefits		839	
Maintenance & Repair Services - Equipment		6,681	
Travel		2,423	
Other Contracted Services		3,249	
Other Supplies and Materials		2,295	
Total Central and Other			83,222

Operation of Non-Instructional Services

Food Service

Food Supplies	\$	7,798	
Total Food Service			7,798

Community Services

Supervisor/Director	\$	19,031	
Clerical Personnel		8,946	
Social Security		1,736	
Unemployment Compensation		44	
Employer Medicare		406	
Other Fringe Benefits		813	
Travel		271	
Other Supplies and Materials		1,511	
In Service/Staff Development		280	
Total Community Services			33,038

(Continued)

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Early Childhood Education

Teachers	\$	79,840	
Educational Assistants		19,426	
Social Security		5,858	
State Retirement		4,391	
Medical Insurance		18,753	
Unemployment Compensation		110	
Employer Medicare		1,370	
Other Fringe Benefits		300	
Travel		214	
Other Contracted Services		30	
Instructional Supplies and Materials		20,000	
Other Supplies and Materials		20,000	
Other Charges		4,638	
Other Equipment		4,000	
Total Early Childhood Education			\$ 178,930

Capital Outlay

Regular Capital Outlay

Building Construction	\$	11,944	
Building Improvements		142,431	
Site Development		112,960	
Other Capital Outlay		643	
Total Regular Capital Outlay			267,978

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$	584,578	
Total Education			584,578

Total General Purpose School Fund \$ 13,383,345

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	195,674	
Educational Assistants		47,730	
Other Salaries & Wages		12,781	
Certified Substitute Teachers		1,000	
Social Security		15,512	

(Continued)

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Regular Instruction Program (Cont.)

State Retirement	\$	11,369	
Medical Insurance		29,142	
Unemployment Compensation		270	
Employer Medicare		3,628	
Other Fringe Benefits		1,227	
Instructional Supplies and Materials		15,153	
Other Supplies and Materials		3,498	
Other Charges		682	
Regular Instruction Equipment		8,250	
Total Regular Instruction Program			\$ 345,916

Special Education Program

Teachers	\$	86,264	
Homebound Teachers		3,700	
Educational Assistants		211,837	
Other Salaries & Wages		300	
Social Security		18,327	
State Retirement		4,948	
Medical Insurance		18,669	
Unemployment Compensation		651	
Employer Medicare		4,286	
Other Fringe Benefits		3,156	
Contracts with Private Agencies		56,067	
Other Contracted Services		1,712	
Instructional Supplies and Materials		6,366	
Special Education Equipment		1,196	
Total Special Education Program			417,479

Vocational Education Program

Instructional Supplies and Materials	\$	9,223	
Other Charges		600	
Vocational Instruction Equipment		27,227	
Total Vocational Education Program			37,050

Support Services

Other Student Support

Travel	\$	7,704	
Other Supplies and Materials		4,318	
In Service/Staff Development		7,665	

(Continued)

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Other Charges	\$ 88	
Total Other Student Support		\$ 19,775

Regular Instruction Program

Supervisor/Director	\$ 24,191	
Social Security	1,349	
State Retirement	1,331	
Medical Insurance	9,721	
Unemployment Compensation	16	
Employer Medicare	316	
Consultants	5,225	
Travel	3,578	
Other Supplies and Materials	8,389	
In Service/Staff Development	47,982	
Other Charges	4,204	
Total Regular Instruction Program		106,302

Vocational Education Program

Travel	\$ 76	
Other Supplies and Materials	582	
In Service/Staff Development	1,662	
Other Charges	762	
Total Vocational Education Program		3,082

Total School Federal Projects Fund \$ 929,604

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$ 45,563
Clerical Personnel	22,332
Cafeteria Personnel	305,281
Social Security	23,357
Medical Insurance	6,683
Unemployment Compensation	895
Employer Medicare	5,463
Other Fringe Benefits	8,983
Communication	1,816
Maintenance & Repair Services - Equipment	20,775

(Continued)

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

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Travel	\$	2,454	
Other Contracted Services		4,359	
Food Preparation Supplies		19,708	
Food Supplies		383,418	
Office Supplies		12,577	
Uniforms		2,004	
Other Supplies and Materials		31,356	
In Service/Staff Development		2,218	
Other Charges		23,655	
Food Service Equipment		8,191	
Total Food Service			\$ 931,088

Total Central Cafeteria Fund \$ 931,088

School Transportation Fund

Support Services

Board of Education

Trustee's Commission	\$	2,800	
Total Board of Education			\$ 2,800

Transportation

Transportation Equipment	\$	129,290	
Total Transportation			129,290

Total School Transportation Fund 132,090

Education Capital Projects Fund

Capital Projects

Education Capital Projects

Architects	\$	34,236	
Building Construction		4,658,292	
Total Education Capital Projects			\$ 4,692,528

Total Education Capital Projects Fund 4,692,528

Total Governmental Funds - Stewart County School Department \$ 20,068,655

SINGLE AUDIT REPORT
STEWART COUNTY, TENNESSEE
AND
STEWART COUNTY SCHOOL DEPARTMENT
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

NORM R. NORMENT, CGFM
Audit Manager

NOLAN R. BRADFORD, CPA, CGFM
Auditor 4

KATINA VALENTINE
WENDY HEATH, CFE
State Auditors

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

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STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
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JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0269
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 20, 2007

Stewart County Mayor, Board of County Commissioners,
Director of Schools, and Board of Education
Stewart County, Tennessee

To the County Mayor, Board of County Commissioners,
Director of Schools, and Board of Education:

We have audited the financial statements of each major fund and the aggregate remaining fund information of Stewart County, Tennessee, and the governmental activities and each major fund of the Stewart County School Department as of and for the year ended June 30, 2006, which collectively comprise a portion of Stewart County's and the Stewart County School Department's basic financial statements and have issued our reports thereon dated February 20, 2007. Our report on the financial statements of Stewart County expresses an adverse opinion because the government-wide financial statements were not presented in accordance with Governmental Accounting Standards Board Statement No. 34. Our report on the financial statements of the Stewart County School Department was unqualified. 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 Stewart County's and the Stewart County School Department'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 Stewart County's and the Stewart County School Department'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 06.04, 06.05, 06.09, and 06.10.

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 none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Stewart County's and the Stewart County School Department's financial statements are free of material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying Schedule of Findings and Questioned Costs as items 06.01, 06.02, 06.03, 06.06, 06.07, and 06.08.

We also noted certain matters that we reported to the management of Stewart County and the Stewart County School Department in separate communications.

This report is intended solely for the information and use of the Board of County Commissioners, Board of Education, 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/rc



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 20, 2007

Stewart County Mayor, Board of County Commissioners,
Director of Schools, and Board of Education
Stewart County, Tennessee

To the County Mayor, Board of County Commissioners,
Director of Schools, and Board of Education:

Compliance

We have audited the compliance of Stewart County and the Stewart County School Department 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 their major federal programs for the year ended June 30, 2006. Stewart County's and the Stewart County School Department'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 their major federal programs is the responsibility of Stewart County's and the Stewart County School Department's management. Our responsibility is to express an opinion on Stewart County's and the Stewart County School Department's compliance based on our audit.

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

In our opinion, Stewart County and the Stewart County School Department complied, in all material respects, with the requirements referred to above that are applicable to each of their major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Stewart County and the Stewart County School Department 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 considered Stewart County's and the Stewart County School Department'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 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 each major fund and the aggregate remaining fund information of Stewart County, Tennessee, and the governmental activities and each major fund of the Stewart County School Department as of and for the year ended June 30, 2006, and have issued our reports thereon dated February 20, 2007. Our report on the financial statements of Stewart County expresses an adverse opinion because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. Our report on the financial statements of the Stewart County School Department was unqualified. 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 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, Board of Education, 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" with a horizontal flourish extending to the right.

John G. Morgan
Comptroller of the Treasury

JGM/rc

Stewart County, Tennessee, and the Stewart County School Department
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	\$ 95,363
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	136,734
National School Lunch Program	10.555	N/A	352,329
Passed-through State Department of Human Services:			
Child and Adult Care Food Program	10.558	DA0600110	3,831
Total U.S. Department of Agriculture			<u>\$ 588,257</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic & Community Development:			
Community Development Block Grants/State's Program	14.228	GG0511668	\$ 268,799
Total U.S. Department of Housing and Urban Development			<u>\$ 268,799</u>
U.S. Department of Interior:			
Direct Program:			
Payments in-Lieu-of Taxes	15.226	N/A	\$ 124,248
Total U.S. Department of Interior			<u>\$ 124,248</u>
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	Z06002647-00	\$ 870
Total U.S. Department of Justice			<u>\$ 870</u>
U.S. Department of Labor:			
Passed-through Workforce Essentials, Inc.:			
WIA Youth Activities	17.259	(2)	\$ 19,904
Passed-through State Department of Labor and Workforce Development:			
Incentive Grants - WIA Section 503	17.267	Z06030917	2,300
Total U.S. Department of Labor			<u>\$ 22,204</u>
U.S. Department of Education:			
Direct Programs:			
Impact Aid	84.041	N/A	\$ 351,886
Safe and Drug-Free Schools and Communities - National Programs	84.184	N/A	44,723
Fund for the Improvement of Education	84.215	N/A	36,341
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	(3)	107,364
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	335,412
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	401,241
Special Education - Preschool Grants	84.173	N/A	16,401
Vocational Education - Basic Grants to States	84.048	N/A	55,587
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	10,943
State Grants for Innovative Programs	84.298	N/A	6,833
Education Technology State Grants	84.318	(2)	6,962
Improving Teacher Quality State Grants	84.367	N/A	96,388
Total U.S. Department of Education			<u>\$ 1,470,081</u>

Continued

Stewart County, Tennessee, and the Stewart County School Department
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 Health and Human Services:			
Passed-through State Department of Labor and Workforce Development: Temporary Assistance for Needy Families	93.558	Z06027220	\$ 16,991
Passed-through State Department of Health: Block Grants for Prevention and Treatment of Substance Abuse	93.959	Z-05020782-01	18,677
Total U.S. Department of Health and Human Services			<u>\$ 35,668</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military: Homeland Security Cluster:			
State Domestic Preparedness Equipment Support Program	97.004	Z0402295-01	\$ 17,369
Homeland Security Grant Program	97.067	Z05025210-00	8,952
Total U.S. Department of Homeland Security			<u>\$ 26,321</u>
Total Expenditures of Federal Awards			<u>\$ 2,536,448</u>
State Grants:			
Litter Program - State Department of Transportation	N/A	Contract Number (2)	\$ 11,687 (6)
Litter Program - State Department of Transportation	N/A	Z06028011-00	28,288 (6)
Lottery for Education Afterschool Program - State Department of Education	N/A	Z05027730-00	106,511
Fingerprint Imaging Systems - State Department of Finance and Administration	N/A	Z06027052-00	15,000
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	7,274
Juvenile Justice and Delinquency Prevention - State Department of Children's Services	N/A	(4)	28,281
UT Center for Literacy Studies - State Department of Education	N/A	(2)	8,633
Adult Education - State Department of Labor and Workforce Development	N/A	(5)	28,540
Families First - State Department of Labor and Workforce Development	N/A	Z06027220	31,554
Family Resource Center - State Department of Education	N/A	(2)	33,300
Touching the Lives of Children - State Department of Education	N/A	(2)	7,119
Safe Schools Act of 2003 - State Department of Education	N/A	(2)	14,262
Coordinated School Health - State Department of Education	N/A	(2)	63,431
Coordinated School Health Improvement of Essential Structures - State Department of Education	N/A	(2)	<u>5,000</u>
Total State Grants			<u>\$ 388,880</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) Z06027818: \$95,275; Z0502226500: \$12,089
- (4) Z06002647-00: \$8,805; GG0611970-00: \$19,476
- (5) Z06027818: \$25,326; Z0502226500: \$3,214
- (6) Total Litter Program from the State Department of Transportation \$39,975

Stewart County, Tennessee, and the Stewart County School Department
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 of Stewart County, Tennessee, and the Stewart County School Department for the year ended June 30, 2005, which have not been corrected.

STEWART COUNTY

Finding Number	Page Number	Subject
05.01	12	Government-wide financial statements were not presented in accordance with generally accepted accounting principles

OFFICE OF COUNTY MAYOR

Finding Number	Page Number	Subject
05.02	13	General Fund expenditures exceeded appropriations at the major category level of control

OFFICE OF COUNTY ENGINEER

Finding Number	Page Number	Subject
05.04	14	Purchase orders were not completed properly
05.06	15	The Highway Department did not maintain a system to account for the use of road materials

OFFICE OF DIRECTOR OF SCHOOLS

Finding Number	Page Number	Subject
05.07(A)	15, 16	The department had purchasing deficiencies

Stewart County, Tennessee, and the Stewart County School Department
Schedule of Audit Findings Not Corrected (Cont.)

OFFICE OF ASSESSOR OF PROPERTY

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.08	16	Assessment records were changed during the year as property transfers were made

OFFICE OF SHERIFF

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.09	17	Funds were not deposited within three days of collection

OTHER FINDINGS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.10	17	A central system of accounting, budgeting, and purchasing had not been adopted
05.11	18	Duties were not segregated adequately in the Offices of Trustee; County Clerk; Circuit, General Sessions, and Juvenile Courts Clerk; Clerk and Master; Register; and Sheriff

**STEWART COUNTY, TENNESSEE, AND THE
STEWART COUNTY SCHOOL DEPARTMENT**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2006

PART I, SUMMARY OF AUDITOR'S RESULTS

1. An adverse opinion was issued on the financial statements of Stewart County, and an unqualified opinion was issued on the financial statements of the Stewart County School Department.
2. The audit of the financial statements of Stewart County and the Stewart County School Department disclosed reportable conditions in internal control. None of these conditions was considered to be a material weakness.
3. The audit disclosed one instance of noncompliance that is material to the financial statements of Stewart County. The Stewart County School Department did not have any material instances of noncompliance.
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 Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555), the Title I Grants to Local Educational Agencies (CFDA No. 84.010), the Special Education Cluster: Special Education – Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173), and the Impact Aid (CFDA No. 84.041) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Stewart County and the Stewart County School Department did not qualify as low-risk auditees.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. The written responses of the county mayor, director of schools, and assessor of property have been 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.

STEWART COUNTY

FINDING 06.01 **GOVERNMENT-WIDE FINANCIAL STATEMENTS WERE NOT PRESENTED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**
(Material Noncompliance Under Government Auditing Standards)

Stewart County did not identify and determine the historical value of its capital assets and the related depreciation amounts of these assets. Therefore, Stewart County was unable to provide the information necessary to prepare government-wide financial statements for all of its activities, as required by Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. GASB is the standard-setting body for accounting principles that state and local governments are required to follow. As a result of this omission, Stewart County’s financial statements are not presented in accordance with generally accepted accounting principles; thus, we have issued an adverse opinion on the county’s financial statements.

The Office of the Comptroller of the Treasury, State of Tennessee, requires governments that do not implement GASB Statement 34 to issue a financial report in compliance with Financial Reporting Standards for County Governments, Component Units of County Governments, and Special School Districts That Do Not Implement Governmental Accounting Standards Board Statement 34, established by the Comptroller of the Treasury. Stewart County’s financial statements are presented in compliance with these requirements.

RECOMMENDATION

Stewart County should present government-wide financial statements in conformity with generally accepted accounting principles, and should compile and maintain records that properly account for its capital assets. These records should document the historical costs of the county’s capital assets and the related depreciation amounts of these assets. This information is necessary to present the financial statements in accordance with generally accepted accounting principles.

MANAGEMENT’S RESPONSE – COUNTY MAYOR (DIRECT QUOTE)

Becoming GASB 34 compliant is a priority for the Mayor’s Office. We are working on becoming compliant and hope to have the process completed soon.

OFFICE OF COUNTY MAYOR

**FINDING 06.02 **GENERAL FUND EXPENDITURES EXCEEDED
APPROPRIATIONS AT THE MAJOR CATEGORY LEVEL OF
CONTROL****

(Noncompliance Under Government Auditing Standards)

General Fund expenditures and encumbrances exceeded appropriations approved by the County Commission in the Election Commission (\$72,903), Other General Administration (\$540), County Coroner/Medical Examiner (\$330), and Other Charges (\$4,703) major appropriation categories (the legal level of control). Section 5-9-401, Tennessee Code Annotated, states, "All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies."

RECOMMENDATION

Expenditures and encumbrances should be held within appropriations approved by the County Commission as required by state statute.

MANAGEMENT'S RESPONSE – COUNTY MAYOR (DIRECT QUOTE)

The reason the funds were overspent was due to a lack of knowledge of outstanding expenditures when we did budget amendments to clean up the budget for year end. Each year we try to correct all the line items for each account before year end but occasionally do overlook expenditures. In the future, we will be more cautious and make every effort to insure that the budget is adjusted for all outstanding expenditures before year end.

**FINDING 06.03 **PAYROLL TAXES WERE NOT DEPOSITED ON A TIMELY
BASIS****

(Noncompliance Under Government Auditing Standards)

The office did not deposit payroll taxes with the Internal Revenue Service (IRS) on a timely basis for the quarters ended June 30, 2005, and December 31, 2005. As a result, the office was required to pay interest and penalty charges totaling \$5,856. IRS Circular E – Employer's Tax Guide requires employers to deposit employee payroll taxes in a U.S. Treasury bank account within three days of each payroll.

RECOMMENDATION

The office should deposit payroll taxes on a timely basis to avoid interest and penalty charges.

MANAGEMENT'S RESPONSE – COUNTY MAYOR (DIRECT QUOTE)

We acknowledge that we were late in making payroll tax deposits and will make every effort not to make this mistake again.

OFFICE OF COUNTY ENGINEER

**FINDING 06.04 PURCHASE ORDERS WERE NOT COMPLETED PROPERLY
(Internal Control – Reportable Condition Under Government Auditing Standards)**

Our examination of purchase orders disclosed that descriptions and dollar amounts of purchases were not listed on purchase orders until the invoices were received from the vendors. The dollar amount and descriptions of items on purchase orders are necessary to quantify purchasing commitments and to identify the items purchased.

RECOMMENDATION

The office should improve purchasing procedures by including the dollar amounts and descriptions of items on the purchase orders when the purchase orders are issued.

**FINDING 06.05 THE HIGHWAY DEPARTMENT DID NOT MAINTAIN A SYSTEM TO ACCOUNT FOR THE USE OF ROAD MATERIALS
(Internal Control – Reportable Condition Under Government Auditing Standards)**

The Highway Department had a system to determine the use of materials, such as bridge lumber 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 DIRECTOR OF SCHOOLS

FINDING 06.06 **THE DEPARTMENT HAD PURCHASING DEFICIENCIES
(Noncompliance Under Government Auditing Standards)**

Our review of purchasing procedures revealed the following deficiencies:

- A. Competitive bids were not solicited for moving portable classrooms (\$37,615). Section 49-2-203, Tennessee Code Annotated (TCA), requires that competitive bids be solicited through newspaper advertisement on all purchases estimated to exceed \$10,000.

- B. Competitive bids were solicited through public advertisement for tires and a tire changer. However, the bid specifications listed a particular brand and/or make/model. Using bid specifications that apply only to a particular brand violates the intent of Section 49-2-203, TCA.

RECOMMENDATION

Purchases estimated to exceed \$10,000 should be competitively bid as required by state statute. The office should develop bid specifications that are not brand specific. Bids should then be evaluated on the basis of several criteria, including price, quality, availability, warranty, maintenance costs, experience, etc.

MANAGEMENT’S RESPONSE – DIRECTOR OF SCHOOLS (DIRECT QUOTE)

- A. It was our belief that a bid solicitation in the prior fiscal year would suffice due to the nature of the service to be provided and with only one bid received at that time. In the future, all purchases estimated to exceed \$10,000 will be competitively bid through a newspaper advertisement for the proper time period.

- B. In the future, all purchases estimated to exceed \$10,000 will be competitively bid through a newspaper advertisement in a manner as required by state statute. The Stewart County School System will not use bid specifications that are brand specific.

OFFICE OF ASSESSOR OF PROPERTY

FINDING 06.07 **ASSESSMENT RECORDS WERE CHANGED DURING THE YEAR AS PROPERTY TRANSFERS WERE MADE
(Noncompliance Under Government Auditing Standards)**

The assessor updated the assessment records as property transfers were made during the year to reflect the current property owners. Section 67-5-502, Tennessee Code Annotated (TCA), requires all property to be assessed “to the person or persons owning or claiming to own the same on January 1 for the year for which the assessment is made.”

RECOMMENDATION

Property should be assessed to the person or persons owning the property as of January 1 in compliance with state statute.

MANAGEMENT’S RESPONSE – ASSESSOR OF PROPERTY (DIRECT QUOTE)

As assessor of property for Stewart County, I have found that updating the assessment records as sales occur accommodates the public in providing the most recent ownership and tax information. By making the updates, new property owners receive the assessment change notice and have the option to appeal the value for the current year. The majority of the deeds recorded in Stewart County requests that the property tax notice be sent to the new owner. Therefore, I am following the wishes for the parties in the legal document. Bankers, realtors, appraisers, lawyers, and property owners in Stewart County have also stated they prefer updating the property ownership as the transfers occur. Records in my office stay current and also serve the public’s wishes.

REBUTTAL

As stated above, updating the assessment records as property transfers occur clearly violates the provisions of Section 67-5-502, TCA, which requires all property to be assessed to the person owning the property as of January 1 for the year the assessment is made.

OFFICE OF SHERIFF

FINDING 06.08 **FUNDS WERE NOT DEPOSITED WITHIN THREE DAYS OF COLLECTION**
(Noncompliance Under Government Auditing Standards)

The Sheriff’s Department did not deposit collections to the office bank account within three days of collection as required by Section 5-8-207, Tennessee Code Annotated. This statute requires that county officials deposit all funds within three days of collection. During the period under examination, as many as ten days lapsed between the date funds were received, and the date funds were deposited to the bank. Failure to deposit collections within three days weakens internal controls over funds and increases the potential for loss or theft.

RECOMMENDATION

To strengthen internal controls over cash collections and deposits, the department should deposit funds to the office bank account within three days of collection as required by state statute.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 06.09 **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 the County Financial Management System of 1981 or a private act that would provide for a central system of accounting, budgeting, and purchasing covering all county departments.

MANAGEMENT'S RESPONSE – COUNTY MAYOR (DIRECT QUOTE)

A central system of accounting has been a desire of the Stewart County Mayor's Office for some time. A finance director has been appointed for all funds that are under oversight of the Mayor's Office with hopes of bringing other funds under the oversight of a Finance Department in the future.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS (DIRECT QUOTE)

Stewart County School System, in conjunction with the Stewart County Mayor's Office, is presently in the process of studying the feasibility, including the advantages and disadvantages, of adopting a system of central accounting, budgeting, and purchasing.

FINDING 06.10 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF TRUSTEE; COUNTY CLERK; 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 the officials and employees in the Offices of Trustee; County Clerk; 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, depositing, 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.

**STEWART COUNTY, TENNESSEE, AND THE
STEWART COUNTY SCHOOL DEPARTMENT
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.