
ANNUAL FINANCIAL REPORT STEWART COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2008



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ANNUAL FINANCIAL REPORT
STEWART COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2008

DEPARTMENT OF AUDIT
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Comptroller of the Treasury

DIVISION OF COUNTY AUDIT
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Director

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State Auditors

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

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STEWART COUNTY, TENNESSEE TABLE OF CONTENTS

	Exhibit	Page(s)
Audit Highlights		9-10
<u>INTRODUCTORY SECTION</u>		11
Stewart County Officials		13
<u>FINANCIAL SECTION</u>		15
Independent Auditor's Report		17-19
BASIC FINANCIAL STATEMENTS:		21
Government-wide Financial Statements:		
Statement of Net Assets	A	23
Statement of Activities	B	24-25
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C-1	26
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	C-2	27
Statement of Revenues, Expenditures, and Changes in Fund Balances	C-3	28
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C-4	29
Fiduciary Funds:		
Statement of Fiduciary Assets and Liabilities	D	30
Notes to the Financial Statements		31-61
REQUIRED SUPPLEMENTARY INFORMATION:		63
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Fund	E-1	65-67
Highway/Public Works Fund	E-2	68
Schedule of Funding Progress – Pension Plan	E-3	69
Schedule of Funding Progress – Other Post Employment Benefits Plans – Primary Government and Discretely Presented Stewart County School Department	E-4	70
Notes to the Required Supplementary Information		71

	Exhibit	Page(s)
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		73
Nonmajor Governmental Funds:		75
Combining Balance Sheet	F-1	77
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	F-2	78
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
Drug Control Fund	F-3	79
General Capital Projects Fund	F-4	80
Major Governmental Fund:		81
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
General Debt Service Fund	G	83
Fiduciary Funds:		85
Combining Statement of Fiduciary Assets and Liabilities	H-1	87
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	H-2	88
Component Unit:		
Discretely Presented Stewart County School Department:		89
Statement of Activities	I-1	91
Balance Sheet – Governmental Funds	I-2	92
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	I-3	93
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	I-4	94
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	I-5	95
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
General Purpose School Fund	I-6	96-97
School Federal Projects Fund	I-7	98
Central Cafeteria Fund	I-8	99
School Transportation Fund	I-9	100
Miscellaneous Schedules:		101
Schedule of Changes in Long-term Notes, Capital Lease, and Bonds	J-1	103
Schedule of Long-term Debt Requirements by Year	J-2	104
Schedule of Transfers – Primary Government and Discretely Presented Stewart County School Department	J-3	105
Schedule of Salaries and Official Bonds of Principal Officials – Primary Government and Discretely Presented Stewart County School Department	J-4	106
Schedule of Detailed Revenues – All Governmental Fund Types	J-5	107-111

	Exhibit	Page(s)
Schedule of Detailed Revenues – All Governmental Fund Types – Discretely Presented Stewart County School Department	J-6	112-113
Schedule of Detailed Expenditures – All Governmental Fund Types	J-7	114-138
Schedule of Detailed Expenditures – All Governmental Fund Types – Discretely Presented Stewart County School Department	J-8	139-151
Schedule of Detailed Receipts, Disbursements, and Changes in Cash Balance – City Agency Fund	J-9	152
 <u>SINGLE AUDIT SECTION</u>		 153
Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>		155-157
Auditor’s Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With <u>OMB Circular A-133</u>		159-161
Schedule of Expenditures of Federal Awards and State Grants		163-164
Schedule of Audit Findings Not Corrected		165
Schedule of Findings and Questioned Costs		167-176
Auditee Reporting Responsibilities		177

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Audit Highlights
Annual Financial Report
Stewart County, Tennessee
For the Year Ended June 30, 2008

Scope

We have audited the basic financial statements of Stewart County as of and for the year ended June 30, 2008.

Results

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

Our audit resulted in 13 findings and recommendations, which we have reviewed with Stewart County management. Detailed findings, recommendations, and management's responses are included in the Single Audit section of this report.

Findings

The following are summaries of the audit findings:

OFFICE OF COUNTY MAYOR

- ◆ The General Fund required material audit adjustments for proper financial statement presentation.
- ◆ Expenditures exceeded appropriations approved by the County Commission in certain major appropriation categories (the legal level of control) in the General and General Debt Service funds.

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.
 - ◆ In some instances, supervisors did not sign the employees' time cards as evidence of supervisory review and approval.
-

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ The School Department does not have the resources to produce financial statements and notes to the financial statements.
 - ◆ The School Federal Projects Fund had a cash overdraft of \$13,256 at June 30, 2008.
-

OFFICE OF ASSESSOR OF PROPERTY

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

OFFICES OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK AND CLERK AND MASTER

- ◆ The software applications used by these offices generated daily logs that displayed changes made by users. Management did not begin reviewing these logs until several months into the fiscal year.
-

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.
- ◆ The county used a questionable method of funding retirement contributions for employees of the Highway Department.
- ◆ Duties were not segregated adequately among officials and employees in the Offices of Director of Schools; Trustee; County Clerk; Circuit, General Sessions, and Juvenile Courts Clerk; Clerk and Master; Register; and Sheriff.

INTRODUCTORY SECTION

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Stewart County Officials

June 30, 2008

Officials

Rick Joiner, County Mayor
Jerry Cunningham, County Engineer
Dr. Phillip Wallace, Director of Schools
Wilby Williams, Trustee
Connie Brigham, Assessor of Property
Jimmy Fitzhugh, County Clerk
Jason Wallace, Circuit, General Sessions, and Juvenile Courts Clerk
Jane Link, Clerk and Master
Ruth Mathis, Register
John Vinson, Sheriff

Board of County Commissioners

Rick Joiner, Chairman	Marty Grasty
Don Cherry	Andy Luton
Roger Allen	Jimmie Mullins
Jerry Barnes	Randall Redmon
Marty Blane	Thurston Smith
Randy Blane	Neal Bruce Wallace
Mark Dortch	Eric Watkins
Terry Fitzhugh	

Board of Education

Billy Sexton, Chairman
Kenny Collins
Lesa Fitzhugh
Darrell Gillum
Billy Gray
Bobby Morgan
Lana Sanders

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FINANCIAL SECTION

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**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7841**

INDEPENDENT AUDITOR'S REPORT

February 18, 2009

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 the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Stewart County, Tennessee, as of and for the year ended June 30, 2008, which collectively comprise Stewart County's basic financial statements as listed in the table of contents. 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 auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements of the Stewart County Emergency Communications District, a component unit requiring discrete presentation, had not been made available by other auditors as of the date of this report. Accordingly, the aggregate discretely presented component units financial statements referred to above do not include amounts for the

Stewart County Emergency Communications District which should be included to conform with accounting principles generally accepted in the United States of America. The effects on the financial statements of the aggregate discretely presented component units are not reasonably determinable.

In our opinion, except for the effects of not including the financial statements of the Stewart County Emergency Communications District, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of Stewart County, Tennessee, at June 30, 2008, and the results of operations of the aggregate discretely presented component units, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Additionally, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Stewart County, Tennessee, as of June 30, 2008, 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 18, 2009, 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 V.B., Stewart County has implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. For the first time, the financial statements include the government-wide financial statements. Also, Stewart County has implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions; Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues; and Statement No. 50, Pension Disclosures.

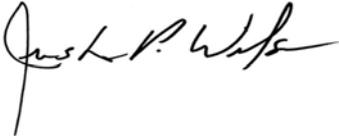
The management of Stewart County did not prepare a management's discussion and analysis. The management's discussion and analysis section is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States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

The budgetary comparison, pension, and other postemployment benefits information on pages 65 through 71 are not required parts of the basic financial statements but they do provide 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, combining and individual fund financial statements of the Stewart County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Stewart County School Department (a discretely presented component unit), and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a long vertical stroke extending downwards from the end.

Justin P. Wilson
Comptroller of the Treasury

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BASIC FINANCIAL STATEMENTS

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Exhibit A

Stewart County, Tennessee
Statement of Net Assets
June 30, 2008

	Primary Government Governmental Activities	Component Unit Stewart County School Department
<u>ASSETS</u>		
Cash	\$ 1,253	\$ 714
Equity in Pooled Cash and Investments	3,918,436	2,166,025
Accounts Receivable	763,522	0
Allowance for Uncollectibles	(236,313)	0
Due from Other Governments	738,493	523,086
Due from Primary Government	0	4,806
Property Taxes Receivable	4,162,342	759,022
Allowance for Uncollectible Property Taxes	(113,845)	(20,822)
Accrued Interest Receivable	0	28,848
Capital Assets:		
Assets Not Depreciated:		
Land	933,629	1,104,110
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	2,556,536	28,100,719
Infrastructure	686,790	0
Other Capital Assets	978,985	1,835,465
Total Assets	<u>\$ 14,389,828</u>	<u>\$ 34,501,973</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 47,413	\$ 680
Payroll Deductions Payable	46,378	0
Cash Overdraft	0	13,256
Contracts Payable	110,706	0
Due to State of Tennessee	1,005	0
Accrued Interest Payable	257,276	0
Deferred Revenue - Current Property Taxes	3,905,969	716,556
Noncurrent Liabilities:		
Due Within One Year	1,480,106	0
Due in More Than One Year	27,156,690	39,594
Total Liabilities	<u>\$ 33,005,543</u>	<u>\$ 770,086</u>
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	\$ 3,900,409	\$ 0
Invested in Capital Assets	0	31,040,294
Restricted for:		
Resort District	36,455	0
Capital Outlay	747,258	0
Highway/Public Works	459,278	0
Debt Service	1,044,647	0
Central Cafeteria	0	418,984
School Transportation	0	515,492
Capital Projects	65,922	0
Other Purposes	123,457	67,756
Unrestricted	(24,993,141)	1,689,361
Total Net Assets	<u>\$ (18,615,715)</u>	<u>\$ 33,731,887</u>

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

Exhibit B

Stewart County, Tennessee
Statement of Activities
For the Year Ended June 30, 2008

Functions/Programs	Program Revenues						Net (Expense) Revenue and Changes in Net Assets		Component Unit Stewart County School Department
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions	Primary Government Total Governmental Activities			
			32,204 \$	7,349		0 \$	(320,204) \$	0	
Primary Government:									
Governmental Activities:									
General Government	\$ 447,815	\$ 95,407	\$ 32,204	\$ 0	\$ 0	\$ (320,204)	\$ 0	0	
Finance	624,366	309,845	7,349	0	0	(307,172)	0	0	
Administration of Justice	555,168	217,131	29,176	0	0	(308,861)	0	0	
Public Safety	2,033,253	69,121	54,262	367,296	0	(1,542,574)	0	0	
Public Health and Welfare	1,507,598	734,084	199,265	68,000	0	(506,249)	0	0	
Social, Cultural, and Recreational Services	537,655	0	57,128	0	0	(480,527)	0	0	
Agriculture and Natural Resources	75,626	0	0	0	0	(75,626)	0	0	
Other Operations	562,301	0	41,465	213,280	0	(307,556)	0	0	
Highway/Public Works	2,034,293	45,424	1,644,211	145,552	0	(199,106)	0	0	
Interest on Long-term Debt	1,133,618	0	164,639	0	0	(968,979)	0	0	
Other Debt Service	38,036	0	0	0	0	(38,036)	0	0	
Total Primary Government	\$ 9,549,729	\$ 1,471,012	\$ 2,229,699	\$ 794,128	\$ 0	\$ (5,054,890)	\$ 0	0	
Component Unit:									
Stewart County School Department	\$ 17,724,873	\$ 523,097	\$ 2,158,380	\$ 0	\$ 0	\$ 0	\$ (15,043,396)	0	
Total Component Unit	\$ 17,724,873	\$ 523,097	\$ 2,158,380	\$ 0	\$ 0	\$ 0	\$ (15,043,396)	0	

(Continued)

Exhibit B

Stewart County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Component	
				Primary Governmental Activities	Stewart County School Department
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes				\$ 2,794,699	\$ 765,171
Property Taxes Levied for Debt Service				1,394,316	0
Local Option Sales Taxes				394,475	752,022
Wheel Tax				408,788	0
Wholesale Beer Tax				130,336	0
Other Local Taxes				145,230	38,195
Grants and Contributions Not Restricted to Specific Programs				982,850	13,029,132
Unrestricted Investment Income				62,299	100,123
Miscellaneous				39,634	62,947
Total General Revenues				\$ 6,352,627	\$ 14,747,590
Change in Net Assets				\$ 1,297,737	\$ (295,806)
Net Assets, July 1, 2007				(19,913,452)	34,027,693
Net Assets, June 30, 2008				\$ (18,615,715)	\$ 33,731,887

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

Exhibit C-1

Stewart County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2008

	Major Funds			Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
ASSETS					
Cash	\$ 0	\$ 0	\$ 0	\$ 1,253	\$ 1,253
Equity in Pooled Cash and Investments	2,426,015	206,838	1,198,791	86,792	3,918,436
Accounts Receivable	756,643	6,879	0	0	763,522
Allowance for Uncollectibles	(236,313)	0	0	0	(236,313)
Due from Other Governments	457,393	281,100	0	0	738,493
Due from Other Funds	1,253	0	59,086	0	60,339
Property Taxes Receivable	2,561,695	152,612	1,403,380	44,655	4,162,342
Allowance for Uncollectible Property Taxes	(70,277)	(4,431)	(38,257)	(880)	(113,845)
Other Loans Receivable - Long-term	0	0	5,551	0	5,551
Total Assets	\$ 5,896,409	\$ 642,998	\$ 2,628,551	\$ 131,820	\$ 9,299,778
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 46,347	\$ 66	\$ 1,000	\$ 0	\$ 47,413
Payroll Deductions Payable	46,378	0	0	0	46,378
Contracts Payable	110,706	0	0	0	110,706
Due to Other Funds	37,210	0	0	23,129	60,339
Due to State of Tennessee	1,005	0	0	0	1,005
Deferred Revenue - Current Property Taxes	2,418,376	143,312	1,325,628	18,653	3,905,969
Deferred Revenue - Delinquent Property Taxes	60,364	4,024	32,640	24,992	122,020
Other Deferred Revenues	677,349	140,830	19,643	0	837,822
Other Loans Payable - Long-term	0	0	0	5,551	5,551
Total Liabilities	\$ 3,397,735	\$ 288,232	\$ 1,378,911	\$ 72,325	\$ 5,137,203
Fund Balances					
Reserved for Encumbrances	\$ 53,900	\$ 4,622	\$ 0	\$ 0	\$ 58,522
Reserved for Resort District	36,455	0	0	0	36,455
Reserved for Purchase of Electronic Fingerprint Imaging System	0	0	0	8,002	8,002
Reserved for Alcohol and Drug Treatment	36,541	0	0	0	36,541
Reserved for Sexual Offender Registration	4,400	0	0	0	4,400
Reserved for Computer System - Register	11,893	0	0	0	11,893
Reserved for Automation Purposes - General Sessions Court	7,299	0	0	0	7,299
Reserved for Automation Purposes - Sheriff	9,967	0	0	0	9,967
Reserved for Long-term Notes Receivable	0	0	5,551	0	5,551
Reserved for Capital Outlay	747,258	0	0	0	747,258
Reserved for Other General Purposes	34,792	0	0	0	34,792
Unreserved, Reported In:					
General Fund	1,556,169	0	0	0	1,556,169
Special Revenue Funds	0	350,144	0	10,563	360,707
Debt Service Funds	0	0	1,244,089	0	1,244,089
Capital Projects Funds	0	0	0	40,930	40,930
Total Fund Balances	\$ 2,498,674	\$ 354,766	\$ 1,249,640	\$ 59,495	\$ 4,162,575
Total Liabilities and Fund Balances	\$ 5,896,409	\$ 642,998	\$ 2,628,551	\$ 131,820	\$ 9,299,778

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
June 30, 2008

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$	4,162,575
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	933,629	
Add: buildings and improvements net of accumulated depreciation		2,556,536	
Add: infrastructure net of accumulated depreciation		686,790	
Add: other capital assets net of accumulated depreciation		<u>978,985</u>	5,155,940
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: notes payable	\$	(1,490,000)	
Less: capital leases payable		(2,727)	
Less: bonds payable		(26,807,000)	
Less: other long-term liabilities		(221,704)	
Less: compensated absences payable		(109,255)	
Less: other postemployment benefits		(6,110)	
Less: accrued interest on notes and bonds		<u>(257,276)</u>	(28,894,072)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>959,842</u>
Net assets of governmental activities (Exhibit A)			<u>\$ (18,615,715)</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
For the Year Ended June 30, 2008

	Major Funds			Nonmajor	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 3,334,239	\$ 172,978	\$ 1,861,564	\$ 61,786	\$ 5,430,567
Licenses and Permits	11,573	0	0	0	11,573
Fines, Forfeitures, and Penalties	49,652	0	0	1,948	51,600
Charges for Current Services	705,050	16,896	0	0	721,946
Other Local Revenues	259,463	34,011	31	887	294,392
Fees Received from County Officials	556,733	0	0	0	556,733
State of Tennessee	1,315,562	1,789,763	0	0	3,105,325
Federal Government	229,904	0	0	0	229,904
Other Governments and Citizens Groups	69,795	0	164,639	0	234,434
Total Revenues	\$ 6,531,971	\$ 2,013,648	\$ 2,026,234	\$ 64,621	\$ 10,636,474
<u>Expenditures</u>					
Current:					
General Government	\$ 729,870	\$ 0	\$ 0	\$ 0	\$ 729,870
Finance	636,392	0	0	0	636,392
Administration of Justice	590,187	0	0	0	590,187
Public Safety	2,327,714	0	0	1,034	2,328,748
Public Health and Welfare	1,373,722	0	0	0	1,373,722
Social, Cultural, and Recreational Services	282,261	0	0	0	282,261
Agriculture and Natural Resources	79,074	0	0	0	79,074
Other Operations	661,884	0	0	461	662,345
Highways	0	1,982,784	0	0	1,982,784
Debt Service:					
Principal on Debt	0	83,334	1,499,294	0	1,582,628
Interest on Debt	0	3,210	1,146,554	0	1,149,764
Other Debt Service	0	0	38,036	0	38,036
Capital Projects	0	0	0	235,990	235,990
Total Expenditures	\$ 6,681,104	\$ 2,069,328	\$ 2,683,884	\$ 237,485	\$ 11,671,801
Excess (Deficiency) of Revenues Over Expenditures					
	\$ (371,633)	\$ (55,680)	\$ (657,650)	\$ (172,864)	\$ (1,257,827)
<u>Other Financing Sources (Uses)</u>					
Insurance Recovery	\$ 6,685	\$ 1,482	\$ 0	\$ 0	\$ 8,167
Transfers In	0	17,257	207,547	0	224,804
Transfers Out	(224,804)	0	0	0	(224,804)
Total Other Financing Sources (Uses)	\$ (218,119)	\$ 18,739	\$ 207,547	\$ 0	\$ 8,167
Net Change in Fund Balances					
Fund Balance, July 1, 2007	\$ (367,252)	\$ (36,941)	\$ (450,103)	\$ (172,864)	\$ (1,027,160)
	2,865,926	391,707	1,699,743	232,359	5,189,735
Fund Balance, June 30, 2008	\$ 2,498,674	\$ 354,766	\$ 1,249,640	\$ 59,495	\$ 4,162,575

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
For the Year Ended June 30, 2008

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)		\$ (1,027,160)
<p>(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:</p>		
Add: capital assets purchased in the current period	\$ 831,460	
Less: current year depreciation expense	<u>(310,416)</u>	521,044
<p>(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Add: deferred delinquent property taxes and other deferred June 30, 2008	\$ 959,842	
Less: deferred delinquent property taxes and other deferred June 30, 2007	<u>(748,850)</u>	210,992
<p>(3) The issuance of long-term debt (e.g. notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.</p>		
Add: principal payments on notes	\$ 291,628	
Add: principal payments on capital leases	1,075	
Add: principal payments on other long-term liabilities	796	
Add: principal payments on bonds	<u>1,291,000</u>	1,584,499
<p>(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
Change in accrued interest payable	\$ 16,146	
Change in compensated absences payable	(1,674)	
Change in other postemployment benefits	<u>(6,110)</u>	<u>8,362</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 1,297,737</u>

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

Exhibit D

Stewart County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2008

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 637,470
Due from Other Governments	<u>58,986</u>
Total Assets	<u><u>\$ 696,456</u></u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 58,986
Due to Litigants, Heirs, and Others	<u>637,470</u>
Total Liabilities	<u><u>\$ 696,456</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, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

Stewart County is a public municipal corporation governed by an elected 15-member board. As required by GAAP, these financial statements present Stewart County (the primary government) and its component units. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

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

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

The 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 financial statements of the Stewart County Emergency Communications District were not available from other auditors in time for inclusion in this report.

The Stewart County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the School Department are included in this report as listed in the table of contents. Although required by GAAP, the financial statements of the Stewart County Emergency Communications District were not available in time for inclusion, as previously mentioned. 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. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. However, when applicable, interfund services provided and used between functions are not eliminated in the process of consolidation in the statement of activities. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities, which rely to a significant extent on fees and charges, are required to be reported separately from governmental activities in government-wide financial statements. However, the primary government of Stewart County does not have any business-type activities to report. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The Stewart County School Department component unit only reports governmental activities in the government-wide financial statements.

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

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

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

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

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

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

Fund financial statements of 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. The fiduciary funds in total are reported in a single column.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the county considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. 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 taxes, interest, and miscellaneous taxes are all considered to be susceptible to accrual and have been recognized as revenues of the current period.

Applicable business taxes, litigation taxes, state-shared excise taxes, fines, forfeitures, and penalties are not susceptible to accrual since they are not measurable (reasonably estimable). All other revenue items are considered to be measurable and available only when the county receives cash.

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

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 types:

Capital Projects Funds – These funds account for transactions for the acquisition or construction of major capital facilities.

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.

The discretely presented Stewart County 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.

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.

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

State statutes authorize the government to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; 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 and the discretely presented Stewart County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the School Department's 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 at the balance sheet date.

2. Receivables and Payables

Activity between funds for unremitted current collections 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.

All ambulance and property taxes receivable are shown with an allowance for uncollectibles. Ambulance receivables allowance for uncollectibles is based on historical collection data. The allowance for uncollectible property taxes is equal to 1.4 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 (e.g., roads, bridges, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$10,000 or more and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, equipment, and infrastructure of the primary government and the discretely presented School Department are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	20-40
Other Capital Assets	5-20
Infrastructure:	
Roads	8-20
Bridges	15-30

4. Compensated Absences

It is the county's policy to permit full-time employees to accumulate a limited amount of earned but unused vacation, 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. All vacation pay and compensatory time is accrued when incurred in the government-wide financial statements of the county. 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.

There is no liability for unpaid accumulated vacation leave benefits for employees of the discretely presented Stewart County 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. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line method. Debt issuance costs are reported as deferred charges and amortized over the term of the related debt. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is netted against the new debt and amortized over the remaining life of the refunded debt or the life of the new debt issued, whichever is shorter.

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

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

6. Net Assets and Fund Equity

In the government-wide financial statements, equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

The government-wide statement of net assets reports \$2,477,017 of restricted net assets, of which \$36,455 is restricted by enabling legislation.

As of June 30, 2008, Stewart County had \$27,265,900 in outstanding debt for capital purposes for the discretely presented Stewart County 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, Stewart County has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the county's capital assets.

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Primary Government

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

Discretely Presented Stewart County School Department

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

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

Primary Government

Exhibit C-4 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the changes in net assets of governmental activities reported in the government-wide statement of activities.

Discretely Presented Stewart County School Department

Exhibit I-5 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the change in net assets of governmental activities reported in the government-wide statement of activities.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the Constitutional Officers - Fees Fund (special revenue fund) which is not budgeted, and the 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, Board of Equalization, County Mayor, County Attorney, etc.). Management may make revisions within major categories, but only the County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

The county's budgetary basis of accounting is consistent with GAAP, except instances in which encumbrances are treated as budgeted expenditures. The difference between the budgetary basis and 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 \$5,551 at June 30, 2008. This fund deficit resulted from a long-term interfund loan of \$5,551 due to the General Debt Service Fund at June 30, 2008. 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. Cash Overdraft

The discretely presented School Federal Projects Fund had a cash overdraft of \$13,256 at June 30, 2008. This cash overdraft resulted from the issuance of warrants exceeding cash on deposit with the county trustee. The cash overdraft was liquidated subsequent to June 30, 2008.

D. Expenditures Exceeded Appropriations

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

<u>Fund/Major Appropriation Category</u>	<u>Amount Overspent</u>
General:	
Housing and Urban Development	\$ 99,520
Other Charges	683
Highway/Public Works:	
Administration	37
Other Charges	120
Employee Benefits	66
General Debt Service:	
Other Debt Service - Education	1,000

Such overexpenditures are a violation of state statutes. These overexpenditures were funded by greater than anticipated revenues in the General Fund and by available fund balances in the Highway/Public Works and General Debt Service funds.

IV. 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 county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Cash reflected on the balance sheets or statements of net assets represents nonpooled amounts held separately by individual funds.

Deposits

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

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

Investments

Legal Provisions. Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; 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, 2008.

B. Capital Assets

Capital assets activity for the year ended June 30, 2008, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-07	Increases	Balance 6-30-08
Capital Assets Not Depreciated:			
Land	\$ 817,913	\$ 115,716	\$ 933,629
Total Capital Assets Not Depreciated	<u>\$ 817,913</u>	<u>\$ 115,716</u>	<u>\$ 933,629</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 3,406,716	\$ 271,612	\$ 3,678,328
Infrastructure	722,473	30,487	752,960
Other Capital Assets	2,399,019	413,645	2,812,664
Total Capital Assets Depreciated	<u>\$ 6,528,208</u>	<u>\$ 715,744</u>	<u>\$ 7,243,952</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 1,046,009	\$ 75,783	\$ 1,121,792
Infrastructure	37,481	28,689	66,170
Other Capital Assets	1,627,735	205,944	1,833,679
Total Accumulated Depreciation	<u>\$ 2,711,225</u>	<u>\$ 310,416</u>	<u>\$ 3,021,641</u>
Total Capital Assets Depreciated, Net	<u>\$ 3,816,983</u>	<u>\$ 405,328</u>	<u>\$ 4,222,311</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,634,896</u>	<u>\$ 521,044</u>	<u>\$ 5,155,940</u>

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

Governmental Activities:

General Government	\$ 22,427
Finance	105
Administration of Justice	286
Public Safety	81,064
Public Health and Welfare	110,865
Social, Cultural, and Recreational Services	10,400
Agriculture and Natural Resources	30
Highway/Public Works	<u>85,239</u>
 Total Depreciation Expense - Governmental Activities	 <u><u>\$ 310,416</u></u>

Discretely Presented Stewart County School Department**Governmental Activities:**

	Balance 7-1-07	Increases	Decreases	Balance 6-30-08
Capital Assets Not Depreciated:				
Land	\$ 1,104,110	\$ 0	\$ 0	\$ 1,104,110
Total Capital Assets Not Depreciated	<u>\$ 1,104,110</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,104,110</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 34,994,284	\$ 23,801	\$ 0	\$ 35,018,085
Other Capital Assets	3,762,061	260,363	(271,245)	3,751,179
Total Capital Assets Depreciated	<u>\$ 38,756,345</u>	<u>\$ 284,164</u>	<u>\$ (271,245)</u>	<u>\$ 38,769,264</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 6,050,201	\$ 867,165	\$ 0	\$ 6,917,366
Other Capital Assets	1,905,678	267,283	(257,247)	1,915,714
Total Accumulated Depreciation	<u>\$ 7,955,879</u>	<u>\$ 1,134,448</u>	<u>\$ (257,247)</u>	<u>\$ 8,833,080</u>
Total Capital Assets Depreciated, Net	<u>\$ 30,800,466</u>	<u>\$ (850,284)</u>	<u>\$ (13,998)</u>	<u>\$ 29,936,184</u>
Governmental Activities Capital Assets, Net	<u>\$ 31,904,576</u>	<u>\$ (850,284)</u>	<u>\$ (13,998)</u>	<u>\$ 31,040,294</u>

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

Governmental Activities:

Instruction	\$ 774,173
Support Services	264,063
Operation of Non-Instructional Services	<u>96,212</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,134,448</u>

C. Construction Commitments

At June 30, 2008, the General Fund had uncompleted construction contracts of approximately \$48,500 for the construction of an agricultural pavilion. Funding has been received for these future expenditures.

At June 30, 2008, the Highway Department had uncompleted construction contracts of approximately \$4,622 for the construction of a bridge. Funding for these future expenditures is expected to be received from state grants.

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2008, is as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 1,253
General Debt Service	General	37,210
General Debt Service	Nonmajor governmental	21,876

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	\$ 5,551

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:

A receivable in the discretely presented General Purpose School Fund (\$4,806) was in transit from the General Fund at June 30, 2008.

Interfund Transfers:

Interfund transfers for the year ended June 30, 2008, consisted of the following amounts:

Primary Government

Transfers Out	Transfers In	
	Highway/ Public Works Fund	General Debt Service Fund
General Fund	\$ 17,257	\$ 207,547

**Discretely Presented Stewart County
School Department**

Transfer Out	Transfer In
	Central Cafeteria Fund
General Purpose School Fund	\$ 22,279

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.

E. Capital Leases

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 from the General Fund.

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2008, were as follows:

Year Ending June 30	Governmental Funds
2009	\$ 1,403
2010	1,403
2011	234
Total Minimum Lease Payments	\$ 3,040
Amount Representing Interest	(313)
Present Value of Minimum Lease Payments	<u>\$ 2,727</u>

F. Long-term Debt

Primary Government

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 12 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, 2008, will be retired from the General, the Highway/Public Works, and the General Debt Service funds.

General obligation bonds, capital outlay notes, and the capital lease outstanding as of June 30, 2008, are as follows:

Type	Interest Rates	Original Amount of Issue	Balance 6-30-08
General Obligation Bonds	3 to 5%	\$ 12,754,000	\$ 4,967,000
General Obligation Bonds - Refunding	2.5 to 4.55	24,090,000	21,840,000
Capital Outlay Notes	4.3	1,600,000	1,490,000
Capital Lease	9.87	5,519	2,727

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2008, including interest payments, are presented in the following table:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2009	\$ 1,351,000	\$ 1,007,824	\$ 2,358,824
2010	1,396,000	962,997	2,358,997
2011	1,446,000	915,066	2,361,066
2012	1,491,000	864,972	2,355,972
2013	1,561,000	812,266	2,373,266
2014-2018	8,062,000	3,155,486	11,217,486
2019-2023	6,805,000	1,742,154	8,547,154
2024-2028	4,000,000	542,263	4,542,263
2029	695,000	27,661	722,661
Total	\$ 26,807,000	\$ 10,030,689	\$ 36,837,689

Year Ending June 30	Notes		
	Principal	Interest	Total
2009	\$ 120,000	\$ 64,070	\$ 184,070
2010	120,000	58,910	178,910
2011	125,000	53,750	178,750
2012	130,000	48,375	178,375
2013	130,000	42,785	172,785
2014-2018	705,000	127,925	832,925
2019	160,000	6,880	166,880
Total	\$ 1,490,000	\$ 402,695	\$ 1,892,695

There is \$1,244,089 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$2,167, based on the 2000 federal census. Debt per capita, including bonds, notes, and capital leases totaled \$2,288, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2008, was as follows:

Governmental Activities:

	Bonds	Notes
Balance, July 1, 2007	\$ 28,098,000	\$ 1,781,628
Deductions	1,291,000	291,628
Balance, June 30, 2008	\$ 26,807,000	\$ 1,490,000
Balance Due Within One Year	\$ 1,351,000	\$ 120,000

	Capital Lease	Other Long-term Liabilities
Balance, July 1, 2007	\$ 3,802	\$ 0
Additions	0	222,500
Deductions	1,075	796
Balance, June 30, 2008	\$ 2,727	\$ 221,704
Balance Due Within One Year	\$ 1,187	\$ 2,457

	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2007	\$ 107,581	\$ 0
Additions	126,293	20,559
Deductions	124,619	14,449
Balance, June 30, 2008	\$ 109,255	\$ 6,110
Balance Due Within One Year	\$ 5,462	\$ 0

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2008	\$ 28,636,796
Less: Balance Due Within One Year	<u>(1,480,106)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 27,156,690</u>

Other long-term liabilities represents the county's share of the debt incurred by the City of Dover on the Senior Citizens Center and will be paid from the General Fund. Other compensated absences and other postemployment benefits will be paid from the employing funds, primarily the General and the Highway/Public Works funds.

Defeasance of Prior Debt

In the prior year, Stewart County defeased certain outstanding general obligation bonds by placing the proceeds of new bonds into an irrevocable trust to provide for all future debt service payments on the old bonds. The trustee is empowered and required to pay all principal and interest on the defeased bonds as originally scheduled until the defeased bonds are called. Accordingly, the trust accounts and the defeased bonds are not included in the county's financial statements. At June 30, 2008, the following outstanding bonds are considered defeased:

	<u>Amount</u>	<u>Call Date</u>
School Bonds, Series 2004	\$ 5,005,000	3-1-14
School Bonds, Series 2005	430,000	3-1-13

Discretely Presented Stewart County School Department

Changes in Long-term Liabilities

Long-term liability activity for the discretely presented Stewart County School Department for the year ended June 30, 2008, was as follows:

Governmental Activities:

	<u>Other Postemployment Benefits</u>
Balance, July 1, 2007	\$ 0
Additions	122,530
Deductions	<u>82,936</u>
Balance, June 30, 2008	<u>\$ 39,594</u>
Balance Due Within One Year	<u>\$ 0</u>

Other postemployment benefits will be paid from the employing funds, primarily the General Purpose School, School Federal Projects, and Central Cafeteria funds.

G. On-Behalf Payments – Discretely Presented Stewart County School Department

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Stewart County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state’s Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2008 were \$38,479 and \$9,200, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

H. Short-term Debt

During the year, Stewart County issued tax anticipation notes in advance of property tax collections and deposited the proceeds in the Highway/Public Works Fund. These notes were necessary because funds were not available for general operating expenses coming due before current tax collections and other revenue sources. Short-term debt activity for the year ended June 30, 2008, was as follows:

	Balance 7-1-07	Issued	Paid	Balance 6-30-08
Tax Anticipation Notes	\$ 0	\$ 100,000	\$ 100,000	\$ 0

V. OTHER INFORMATION

A. Risk Management

Employee Health Insurance

Primary Government

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 (TCA), 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.

Discretely Presented Stewart County School Department

The discretely presented Stewart County School Department participates in the Local Education Group Insurance Fund (LEGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local education agencies. In accordance with Section 8-27-301, 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.

Workers' Compensation, General Liability, Property, and Casualty Insurance

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

B. Accounting Changes

At the beginning of the year, Stewart County implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. In the prior year, Stewart County had elected only to implement the provisions of Statement No. 34 that related to the fund financial statements. Also, provisions of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions; Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues and Statement No. 50, Pension Disclosures became effective for the year ended June 30, 2008.

GASB Statement No. 45 establishes reporting requirements for Other Postemployment Benefits (OPEB). OPEB includes postemployment healthcare, as well as other forms of postemployment benefits (for example, life insurance) when provided separately from a pension plan. This statement establishes standards for the measurement, recognition, and display of OPEB expenses/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the county's financial statements. In previous years, Stewart County and the Stewart County School Department had only recognized current year cost (expense) of these benefits. GASB Statement No. 45 was implemented prospectively with a zero net OPEB obligation at transition.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions are sales or collateralized borrowings and provides guidance on how to account for sales or pledges of receivables or future revenues. This statement provides additional guidance for sales of receivables and future revenues within the same reporting entity. This statement also requires governments to disclose in the notes to the financial statements the nature of any receivables or future revenues that have been pledged or sold. Tennessee state statutes do not currently allow counties to sell or pledge receivables or sell future revenue streams. Therefore, those provisions of GASB Statement No. 48 that pertain to the sale or pledge of receivables or sale of future revenue will not apply to Stewart County. GASB Statement No. 48 had no effect on the financial statements of Stewart County for the year ended June 30, 2008, since the county has not pledged any of its future revenues. However, it is reasonably expected that Stewart County may pledge a future revenue stream toward the payment of debt in subsequent years.

GASB Statement No. 50 amends previous guidance concerning pension information. This statement closely aligns the financial reporting requirements for pensions with those for OPEB and enhances the information disclosed in the notes to the financial statements or presented as required supplementary information for pension plans. This statement requires Stewart County to provide additional and more detailed pension plan note disclosures than in previous years.

C. Subsequent Events

On September 29, 2008, the county's General Fund issued a \$100,000 tax anticipation note to the Highway/Public Works Fund for temporary operating funds.

On February 12, 2009, the County Commission approved the issuance of \$200,000 in capital outlay notes for the purchase of highway equipment. On February 18, 2009, Stewart County issued \$65,888 of these notes. The county intends to issue the remaining capital outlay notes in the coming months.

D. Contingent Liabilities

The county is involved in two pending lawsuits. 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. Therefore, no amount is reflected in the county's financial statements for this lawsuit. The county attorney has advised that any potential claim resulting from the other lawsuit should not materially affect the county's financial statements.

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.

E. Jointly Governed Organizations

Primary Government

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 and Houston counties. 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 Montgomery County Mayor and three individuals appointed by him, the Stewart County Mayor 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.

Discretely Presented Stewart County School Department

The discretely presented School Department participates in the Volunteer State Cooperative (VOLCO), which represents a cost-sharing arrangement. The cooperative was established through a contractual agreement between the Boards of Education of Bedford County, Coffee County, Dickson County, Fayetteville City, Humphreys County, Manchester City, Marshall County, Maury County, Robertson County, and Stewart 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 (Stewart County School Department) and a service provider to offer these services. The cooperative is governed by a Representative Committee, comprising 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.

Complete financial statements for the Volunteer State Cooperative can be obtained from its administrative office at the following address:

Administrative Office:

Volunteer State Cooperative
P.O. Box 433
110 Natcor Drive
Dover, TN 37058

F. Retirement Commitments

Employees

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 <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, 2008, was 12.7 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, 2008, Stewart County’s annual pension cost of \$223,454 to TCRS was equal to the county’s required and actual contributions. The required contribution was determined as part of the July 1, 2005, 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 postretirement 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 zero years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-08	\$223,454	100%	\$0
6-30-07	0	100	0
6-30-06	0	100	0

Funded Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was zero million, and the actuarial value of assets was zero million, resulting in an unfunded actuarial accrued liability (UAAL) of zero million. The covered payroll (annual payroll of active employees covered by the plan) was zero million, and the ratio of the UAAL to the covered payroll was zero percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents

multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The annual required contribution was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

School Teachers

Plan Description

The 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.

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, 2008, was 6.24 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, 2008, 2007, and 2006, were \$454,915, \$419,080, and \$367,214, respectively, equal to the required contributions for each year.

G. Other Postemployment Benefits (OPEB)

Plan Description

Stewart County and the Stewart County School Department participate in the state-administered Local Government Group Insurance Plan and the Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, the plans are agent multiple-employer defined benefits OPEB plans. Benefits are established and amended by an insurance committee created by Section 8-27-207, Tennessee Code Annotated (TCA), for local governments and Section 8-27-302, TCA, for teachers and support personnel. Prior to reaching the age of 65, all members have the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state administered Medicare supplement plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tennessee.gov/finance/act/cafr.html>.

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop their own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state does not provide a partial subsidy for local government participants; however, the state does provide a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. Retirees' contributions vary depending on the insurance options they select. During the year ended June 30, 2008, Stewart County and the Stewart County School Department contributed \$14,449 and \$82,936, respectively, for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Government Group Plan	Local Education Group Plan
ARC	\$ 20,559	\$ 122,530
Interest on the NPO	0	0
Adjustment to the ARC	0	0
Annual OPEB cost	\$ 20,559	\$ 122,530
Less: Amount of contribution	(14,449)	(82,936)
Increase/decrease in NPO	\$ 6,110	\$ 39,594
Net OPEB obligation, 7-1-07	0	0
Net OPEB obligation, 6-30-08	<u>\$ 6,110</u>	<u>\$ 39,594</u>

Year Ended*	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-08	Local Government Group	\$ 20,559	70 %	\$ 6,110
6-30-08	Local Education Group	122,530	68	39,594

* Data not available for two preceding years.

Funding Status and Funding Progress

The funded status of the plan as of June 30, 2008, was as follows:

	Local Government Group Plan	Local Education Group Plan
Actuarial valuation date	6-30-07	6-30-07
Actuarial accrued liability (AAL)	\$ 137,485	\$ 1,208,048
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 137,485	\$ 1,208,048
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 2,157,890	\$ 5,265,847
UAAL as a % of covered payroll	6%	23%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the June 30, 2007, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 11 percent initially, reduced by decrements to an ultimate rate of six percent after ten years. Both rates include a three percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level of percentage of payroll on a closed basis over a 30-year period beginning with June 30, 2008.

H. 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 \$10,000 (excluding emergency purchases) to be made based on competitive bids solicited through newspaper advertisement.

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.

Office of Director of Schools

Purchasing procedures for the discretely presented Stewart County School Department are governed by purchasing laws applicable to schools as set forth in Section 49-2-203, TCA, 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.

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**REQUIRED SUPPLEMENTARY
INFORMATION**

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Exhibit E-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, 2008

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Revenues							
Local Taxes	\$ 3,334,239	\$ 0	\$ 0	\$ 3,334,239	\$ 2,977,065	\$ 3,184,612	\$ 149,627
Licenses and Permits	11,573	0	0	11,573	10,000	10,000	1,573
Fines, Forfeitures, and Penalties	49,652	0	0	49,652	48,480	48,480	1,172
Charges for Current Services	705,050	0	0	705,050	714,250	716,780	(11,730)
Other Local Revenues	259,463	0	0	259,463	37,000	215,423	44,040
Fees Received from County Officials	556,733	0	0	556,733	530,000	530,000	26,733
State of Tennessee	1,315,562	0	0	1,315,562	893,870	966,409	349,153
Federal Government	229,904	0	0	229,904	381,605	362,366	(132,462)
Other Governments and Citizens Groups	69,795	0	0	69,795	83,335	85,684	(15,889)
Total Revenues	\$ 6,531,971	\$ 0	\$ 0	\$ 6,531,971	\$ 5,675,605	\$ 6,119,754	\$ 412,217
Expenditures							
General Government							
County Commission	\$ 25,838	\$ 0	\$ 0	\$ 25,838	\$ 28,230	\$ 28,230	\$ 2,392
County Mayor/Executive	133,144	0	0	133,144	138,457	139,107	5,963
Election Commission	114,414	0	0	114,414	115,344	123,772	9,358
Register of Deeds	116,579	(252)	0	116,327	126,588	127,317	10,990
Geographical Information Systems	9,744	0	0	9,744	9,745	9,745	1
County Buildings	298,838	0	5,400	304,238	200,268	322,304	18,066
Other General Administration	31,064	0	0	31,064	33,079	35,833	4,769
Preservation of Records	249	0	0	249	1,250	1,250	1,001
Finance							
Accounting and Budgeting	59,559	0	0	59,559	58,596	59,989	430
Property Assessor's Office	152,674	0	0	152,674	155,199	156,696	4,022
Reappraisal Program	31,967	0	0	31,967	38,321	38,938	6,971
County Trustee's Office	189,487	0	0	189,487	195,501	197,338	7,851
County Clerk's Office	202,705	(5,650)	0	197,055	197,516	202,341	5,286

(Continued)

Exhibit E-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 7/1/2007	Add: Encumbrances 6/30/2008	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	\$ 181,743	\$ 0	\$ 0	\$ 181,743	\$ 170,430	\$ 181,875	\$ 132
General Sessions Judge	96,628	0	0	96,628	100,075	100,075	3,447
General Sessions Court Clerk	56,201	0	0	56,201	54,640	56,346	145
Chancery Court	117,625	0	0	117,625	122,710	123,359	5,734
Juvenile Court	92,676	0	0	92,676	102,485	104,140	11,464
District Attorney General	2,585	0	0	2,585	2,585	2,585	0
Other Administration of Justice	42,729	0	0	42,729	48,350	49,077	6,348
<u>Public Safety</u>							
Sheriff's Department	1,197,721	(7,502)	0	1,190,219	1,145,410	1,200,817	10,598
Jail	580,783	(319)	0	580,464	516,532	588,273	7,809
Juvenile Services	64,795	(597)	0	64,198	56,389	64,202	4
Fire Prevention and Control	75,000	0	0	75,000	75,000	75,000	0
Rescue Squad	6,000	0	0	6,000	6,000	6,000	0
Other Emergency Management	216,709	0	0	216,709	207,433	216,868	159
County Coroner/Medical Examiner	20,033	0	0	20,033	17,552	20,037	4
Public Safety Grant Programs	166,673	0	0	166,673	216,619	217,269	50,596
Other Public Safety	0	0	0	0	24,554	25,173	25,173
<u>Public Health and Welfare</u>							
Local Health Center	63,005	0	0	63,005	32,000	101,925	38,920
Ambulance/Emergency Medical Services	1,109,121	0	0	1,109,121	1,064,560	1,111,325	2,204
Other Local Health Services	15,784	0	0	15,784	0	15,789	5
Waste Pickup	28,987	0	0	28,987	29,237	29,237	250
Other Public Health and Welfare	156,825	0	0	156,825	170,900	173,830	17,005
<u>Social, Cultural, and Recreational Services</u>							
Senior Citizens Assistance	12,000	0	0	12,000	12,000	12,000	0
Libraries	217,326	(6,611)	0	210,715	210,137	217,492	6,777

(Continued)

Exhibit E-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 7/1/2007	Add: Encumbrances 6/30/2008	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	\$ 52,935	\$ 0	\$ 0	\$ 52,935	\$ 65,996	\$ 58,017	\$ 5,082
<u>Agriculture and Natural Resources</u>							
Agriculture Extension Service	54,362	0	0	54,362	54,457	54,457	95
Soil Conservation	24,712	0	0	24,712	24,774	25,373	661
<u>Other Operations</u>							
Tourism	20,675	0	0	20,675	23,100	23,100	2,425
Housing and Urban Development	277,086	0	0	277,086	39,750	177,566	(99,520)
Other Economic and Community Development	26,231	0	48,500	74,731	15,500	90,869	16,138
Veterans' Services	58,848	0	0	58,848	60,252	61,179	2,331
Other Charges	181,523	0	0	181,523	180,840	180,840	(683)
Miscellaneous	97,521	0	0	97,521	102,976	102,976	5,455
Total Expenditures	\$ 6,681,104	\$ (20,931)	\$ 53,900	\$ 6,714,073	\$ 6,251,337	\$ 6,909,931	\$ 195,858
<u>Excess (Deficiency) of Revenues</u> <u>Over Expenditures</u>	\$ (149,133)	\$ 20,931	\$ (53,900)	\$ (182,102)	\$ (575,732)	\$ (790,177)	\$ 608,075
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 6,685	\$ 0	\$ 0	\$ 6,685	\$ 0	\$ 8,655	\$ (1,970)
Transfers Out	(224,804)	0	0	(224,804)	0	(228,047)	3,243
Total Other Financing Sources (Uses)	\$ (218,119)	\$ 0	\$ 0	\$ (218,119)	\$ 0	\$ (219,392)	\$ 1,273
Net Change in Fund Balance	\$ (367,252)	\$ 20,931	\$ (53,900)	\$ (400,221)	\$ (575,732)	\$ (1,009,569)	\$ 609,348
Fund Balance, July 1, 2007	2,865,926	(20,931)	0	2,844,995	2,689,348	2,689,348	155,647
Fund Balance, June 30, 2008	\$ 2,498,674	\$ 0	\$ (53,900)	\$ 2,444,774	\$ 2,113,616	\$ 1,679,779	\$ 764,995

Exhibit E-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, 2008

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 172,978	\$ 0	\$ 0	\$ 172,978	\$ 167,723	\$ 172,126	\$ 852
Charges for Current Services	16,896	0	0	16,896	10,000	16,749	147
Other Local Revenues	34,011	0	0	34,011	26,000	34,011	0
State of Tennessee	1,789,763	0	0	1,789,763	1,822,846	1,770,992	18,771
Total Revenues	\$ 2,013,648	\$ 0	\$ 0	\$ 2,013,648	\$ 2,026,569	\$ 1,993,878	\$ 19,770
<u>Expenditures</u>							
<u>Highways</u>							
Administration	\$ 125,360	\$ 0	\$ 0	\$ 125,360	\$ 128,676	\$ 125,323	\$ (37)
Highway and Bridge Maintenance	979,730	0	0	979,730	1,009,450	981,810	2,080
Operation and Maintenance of Equipment	306,144	0	0	306,144	264,600	306,146	2
Other Charges	112,849	0	0	112,849	113,678	112,729	(120)
Employee Benefits	250,564	0	0	250,564	265,465	250,498	(66)
Capital Outlay	208,137	(19,523)	4,622	193,236	326,501	193,985	749
Principal on Debt							
Highways and Streets	83,334	0	0	83,334	83,334	83,334	0
Interest on Debt							
Highways and Streets	3,210	0	0	3,210	3,219	3,219	9
Total Expenditures	\$ 2,069,328	\$ (19,523)	\$ 4,622	\$ 2,054,427	\$ 2,194,923	\$ 2,057,044	\$ 2,617
Excess (Deficiency) of Revenues Over Expenditures	\$ (55,680)	\$ 19,523	\$ (4,622)	\$ (40,779)	\$ (168,354)	\$ (63,166)	\$ 22,387
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 1,482	\$ 0	\$ 0	\$ 1,482	\$ 0	\$ 1,482	\$ 0
Transfers In	17,257	0	0	17,257	0	17,257	0
Total Other Financing Sources (Uses)	\$ 18,739	\$ 0	\$ 0	\$ 18,739	\$ 0	\$ 18,739	\$ 0
Net Change in Fund Balance Fund Balance, July 1, 2007	\$ (36,941)	\$ 19,523	\$ (4,622)	\$ (22,040)	\$ (168,354)	\$ (44,427)	\$ 22,387
	391,707	(19,523)	0	372,184	254,728	254,728	117,456
Fund Balance, June 30, 2008	\$ 354,766	\$ 0	\$ (4,622)	\$ 350,144	\$ 86,374	\$ 210,301	\$ 139,843

Exhibit E-3

Stewart County, Tennessee
Schedule of Funding Progress – Pension Plan
June 30, 2008

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-07	\$ 0	\$ 0	\$ 0	0%	\$ 0	0%

The Governmental Accounting Standards Board requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the entry age actuarial cost method was a change made during the year; and therefore only the most current year is presented.

Note: Stewart County started contributing into the Tennessee Consolidated Retirement System during the 2007-08 fiscal year. Therefore, there were no plan assets or unfunded liability at June 30, 2007, the actuarial valuation date.

Exhibit E-4

Stewart County, Tennessee
Schedule of Funding Progress - Other Postemployment Benefits Plans
Primary Government and the Discretely Presented Stewart County School Department
June 30, 2008

(Dollar amounts in thousands)

	Actuarial Valuation Date*	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Local Government Group Plan	6-30-07	\$ 0	\$ 137	\$ 137	0%	\$ 2,158	6%
Local Education Group Plan	6-30-07	0	1,208	1,208	0	5,266	0

* Data not available for two preceding years.

STEWART COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2008

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 and Highway/Public Works funds:

Fund/Major Appropriation Category	Amount Overspent
General:	
Housing and Urban Development	\$ 99,520
Other Charges	683
Highway/Public Works:	
Administration	37
Other Charges	120
Employee Benefits	66

Such overexpenditures are a violation of state statutes. These overexpenditures were funded by greater than anticipated revenues in the General Fund and by available fund balance in the Highway/Public Works Fund.

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

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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.

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Exhibit F-1

Stewart County, Tennessee
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2008

	Special Revenue Funds			Capital Projects Funds			Total Nonmajor Governmental Funds
	Drug Control	Constitutional Officers - Fees	Total	General Capital Projects	Highway Capital Projects	Total	
\$	0	1,253	1,253	0	0	0	1,253
Equity in Pooled Cash and Investments	18,565	0	18,565	46,387	21,840	68,227	86,792
Property Taxes Receivable	0	0	0	18,975	25,680	44,655	44,655
Allowance for Uncollectible Property Taxes	0	0	0	(521)	(359)	(880)	(880)
Total Assets	\$ 18,565	\$ 1,253	\$ 19,818	\$ 64,841	\$ 47,161	\$ 112,002	\$ 131,820

ASSETS

Cash
 Equity in Pooled Cash and Investments
 Property Taxes Receivable
 Allowance for Uncollectible Property Taxes
 Total Assets

LIABILITIES AND FUND BALANCES

\$	0	1,253	1,253	0	21,876	21,876	23,129
Due to Other Funds	0	0	0	17,914	739	18,653	18,653
Deferred Revenue - Current Property Taxes	0	0	0	446	24,546	24,992	24,992
Deferred Revenue - Delinquent Property Taxes	0	0	0	0	5,551	5,551	5,551
Other Loans Payable - Long-term	0	0	0	0	0	0	0
Total Liabilities	\$ 0	\$ 1,253	\$ 1,253	\$ 18,360	\$ 52,712	\$ 71,072	\$ 72,325
Fund Balances	\$ 8,002	\$ 0	\$ 8,002	\$ 0	\$ 0	\$ 0	\$ 8,002
Reserved for Purchase of Electronic Fingerprint Imaging System	10,563	0	10,563	46,481	(5,551)	40,930	51,493
Unreserved (Deficit)	18,565	0	18,565	46,481	(5,551)	40,930	59,495
Total Fund Balances	\$ 18,565	\$ 0	\$ 18,565	\$ 46,481	\$ (5,551)	\$ 40,930	\$ 59,495
Total Liabilities and Fund Balances	\$ 18,565	\$ 1,253	\$ 19,818	\$ 64,841	\$ 47,161	\$ 112,002	\$ 131,820

Liabilities

Due to Other Funds
 Deferred Revenue - Current Property Taxes
 Deferred Revenue - Delinquent Property Taxes
 Other Loans Payable - Long-term
 Total Liabilities

Fund Balances

Reserved for Purchase of Electronic Fingerprint Imaging System
 Unreserved (Deficit)
 Total Fund Balances
 Total Liabilities and Fund Balances

Exhibit F-2

Stewart County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2008

	Special Revenue Fund	Capital Projects Funds			Total Nonmajor Governmental Funds
	Drug Control	General Capital Projects	Highway Capital Projects	Total	
<u>Revenues</u>					
Local Taxes	\$ 0	\$ 39,772	\$ 22,014	\$ 61,786	\$ 61,786
Fines, Forfeitures, and Penalties	1,520	428	0	428	1,948
Other Local Revenues	0	887	0	887	887
Total Revenues	\$ 1,520	\$ 41,087	\$ 22,014	\$ 63,101	\$ 64,621
<u>Expenditures</u>					
Current:					
Public Safety	\$ 1,034	\$ 0	\$ 0	\$ 0	\$ 1,034
Other Operations	15	0	446	446	461
Capital Projects	0	235,990	0	235,990	235,990
Total Expenditures	\$ 1,049	\$ 235,990	\$ 446	\$ 236,436	\$ 237,485
Excess (Deficiency) of Revenues Over Expenditures					
	\$ 471	\$ (194,903)	\$ 21,568	\$ (173,335)	\$ (172,864)
Net Change in Fund Balances					
Fund Balance, July 1, 2007	\$ 18,094	\$ 241,384	(27,119)	214,265	232,359
Fund Balance, June 30, 2008	\$ 18,565	\$ 46,481	\$ (5,551)	\$ 40,930	\$ 59,495

Exhibit F-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, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 1,520	\$ 1,500	\$ 1,500	\$ 20
Total Revenues	\$ 1,520	\$ 1,500	\$ 1,500	\$ 20
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 1,034	\$ 6,000	\$ 5,990	\$ 4,956
<u>Other Operations</u>				
Other Charges	15	20	30	15
Total Expenditures	\$ 1,049	\$ 6,020	\$ 6,020	\$ 4,971
Excess (Deficiency) of Revenues Over Expenditures	\$ 471	\$ (4,520)	\$ (4,520)	\$ 4,991
Net Change in Fund Balance	\$ 471	\$ (4,520)	\$ (4,520)	\$ 4,991
Fund Balance, July 1, 2007	18,094	18,095	18,095	(1)
Fund Balance, June 30, 2008	\$ 18,565	\$ 13,575	\$ 13,575	\$ 4,990

Exhibit F-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, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 39,772	\$ 56,123	\$ 56,123	\$ (16,351)
Fines, Forfeitures, and Penalties	428	0	0	428
Other Local Revenues	887	0	0	887
Total Revenues	<u>\$ 41,087</u>	<u>\$ 56,123</u>	<u>\$ 56,123</u>	<u>\$ (15,036)</u>
<u>Expenditures</u>				
<u>Capital Projects</u>				
Public Safety Projects	\$ 235,990	\$ 400	\$ 236,050	\$ 60
Total Expenditures	<u>\$ 235,990</u>	<u>\$ 400</u>	<u>\$ 236,050</u>	<u>\$ 60</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (194,903)</u>	<u>\$ 55,723</u>	<u>\$ (179,927)</u>	<u>\$ (14,976)</u>
Net Change in Fund Balance	\$ (194,903)	\$ 55,723	\$ (179,927)	\$ (14,976)
Fund Balance, July 1, 2007	241,384	259,792	259,792	(18,408)
Fund Balance, June 30, 2008	<u>\$ 46,481</u>	<u>\$ 315,515</u>	<u>\$ 79,865</u>	<u>\$ (33,384)</u>

Major Governmental Fund

General Debt Service Fund

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

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Exhibit G

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, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,861,564	\$ 2,121,854	\$ 1,841,854	\$ 19,710
Other Local Revenues	31	22,300	22,300	(22,269)
Other Governments and Citizens Groups	164,639	60,000	140,000	24,639
Total Revenues	<u>\$ 2,026,234</u>	<u>\$ 2,204,154</u>	<u>\$ 2,004,154</u>	<u>\$ 22,080</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 122,884	\$ 122,885	\$ 122,885	\$ 1
Education	1,376,410	1,376,410	1,376,410	0
<u>Interest on Debt</u>				
General Government	48,349	52,559	52,559	4,210
Education	1,098,205	1,098,219	1,098,219	14
<u>Other Debt Service</u>				
General Government	36,186	36,000	38,150	1,964
Education	1,850	3,000	850	(1,000)
Total Expenditures	<u>\$ 2,683,884</u>	<u>\$ 2,689,073</u>	<u>\$ 2,689,073</u>	<u>\$ 5,189</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (657,650)</u>	<u>\$ (484,919)</u>	<u>\$ (684,919)</u>	<u>\$ 27,269</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 207,547	\$ 0	\$ 200,000	\$ 7,547
Total Other Financing Sources (Uses)	<u>\$ 207,547</u>	<u>\$ 0</u>	<u>\$ 200,000</u>	<u>\$ 7,547</u>
Net Change in Fund Balance	\$ (450,103)	\$ (484,919)	\$ (484,919)	\$ 34,816
Fund Balance, July 1, 2007	<u>1,699,743</u>	<u>1,631,384</u>	<u>1,631,384</u>	<u>68,359</u>
Fund Balance, June 30, 2008	<u>\$ 1,249,640</u>	<u>\$ 1,146,465</u>	<u>\$ 1,146,465</u>	<u>\$ 103,175</u>

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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.

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Exhibit H-1

Stewart County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2008

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 637,470	\$ 637,470
Due from Other Governments	58,986	0	58,986
Total Assets	<u>\$ 58,986</u>	<u>\$ 637,470</u>	<u>\$ 696,456</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 58,986	\$ 0	\$ 58,986
Due to Litigants, Heirs, and Others	0	637,470	637,470
Total Liabilities	<u>\$ 58,986</u>	<u>\$ 637,470</u>	<u>\$ 696,456</u>

Exhibit H-2

Stewart County, Tennessee

Combining Statement of Changes in Assets and Liabilities - All Agency Funds

For the Year Ended June 30, 2008

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 328,165	\$ 328,165	\$ 0
Due from Other Governments	50,237	58,986	50,237	58,986
Total Assets	\$ 50,237	\$ 387,151	\$ 378,402	\$ 58,986
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 50,237	\$ 387,151	\$ 378,402	\$ 58,986
Total Liabilities	\$ 50,237	\$ 387,151	\$ 378,402	\$ 58,986
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 833,944	\$ 2,878,046	\$ 3,074,520	\$ 637,470
Total Assets	\$ 833,944	\$ 2,878,046	\$ 3,074,520	\$ 637,470
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 833,944	\$ 2,878,046	\$ 3,074,520	\$ 637,470
Total Liabilities	\$ 833,944	\$ 2,878,046	\$ 3,074,520	\$ 637,470
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 328,165	\$ 328,165	\$ 0
Cash	833,944	2,878,046	3,074,520	637,470
Due from Other Governments	50,237	58,986	50,237	58,986
Total Assets	\$ 884,181	\$ 3,265,197	\$ 3,452,922	\$ 696,456
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 50,237	\$ 387,151	\$ 378,402	\$ 58,986
Due to Litigants, Heirs, and Others	833,944	2,878,046	3,074,520	637,470
Total Liabilities	\$ 884,181	\$ 3,265,197	\$ 3,452,922	\$ 696,456

Stewart County School Department

This section presents combining and individual fund financial statements for the Stewart County School Department, a discretely presented component unit. The Stewart County School Department uses a General Fund and three Special Revenue Funds.

General Purpose School Fund – The General Purpose School Fund is used to account for general operations of the School Department.

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

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

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

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Exhibit I-1

Stewart County, Tennessee
Statement of Activities
Discretely Presented Stewart County School Department
For the Year Ended June 30, 2008

Functions/Programs	Program Revenues		Charges for Services		Expenses	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets Total Governmental Activities
	Operating Grants and Contributions	Charges for Services	Expenses	Operating Grants and Contributions			
Governmental Activities:							
Instruction		\$ 745	\$ 9,719,406	\$ 745	\$ 9,719,406	\$ 746,210	\$ (8,972,451)
Support Services			6,149,576	55,886	6,205,462	359,386	(5,734,304)
Operation of Non-Instructional Services			1,691,252	466,466	2,157,718	1,052,784	(172,002)
Other Debt Service			164,639	0	164,639	0	(164,639)
Total Governmental Activities			\$ 17,724,873	\$ 523,097	\$ 17,724,873	\$ 2,158,380	\$ (15,043,396)
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes							\$ 765,171
Local Option Sales Taxes							752,022
Other Local Taxes							38,195
Grants and Contributions Not Restricted for Specific Programs							13,029,132
Unrestricted Investment Income							100,123
Miscellaneous							62,947
Total General Revenues							\$ 14,747,590
Change in Net Assets							\$ (295,806)
Net Assets, July 1, 2007							34,027,693
Net Assets, June 30, 2008							\$ 33,731,887

Exhibit I-2

Stewart County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Stewart County School Department
June 30, 2008

	Major Funds			Nonmajor	Total Govern- mental Funds
	General Purpose School	Central Cafeteria	School Transpor- tation	Fund School Federal Projects	
<u>ASSETS</u>					
Cash	\$ 0	\$ 714	\$ 0	\$ 0	\$ 714
Equity in Pooled Cash and Investments	1,289,507	365,355	511,163	0	2,166,025
Due from Other Governments	418,371	52,915	0	51,800	523,086
Due from Primary Government	4,806	0	0	0	4,806
Property Taxes Receivable	607,217	0	151,805	0	759,022
Allowance for Uncollectible Property Taxes	(16,658)	0	(4,164)	0	(20,822)
Accrued Interest Receivable	28,848	0	0	0	28,848
Total Assets	<u>\$ 2,332,091</u>	<u>\$ 418,984</u>	<u>\$ 658,804</u>	<u>\$ 51,800</u>	<u>\$ 3,461,679</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 680	\$ 0	\$ 0	\$ 0	\$ 680
Cash Overdraft	0	0	0	13,256	13,256
Deferred Revenue - Current Property Taxes	573,244	0	143,312	0	716,556
Deferred Revenue - Delinquent Property Taxes	14,310	0	3,578	0	17,888
Other Deferred Revenues	104,540	0	0	0	104,540
Total Liabilities	<u>\$ 692,774</u>	<u>\$ 0</u>	<u>\$ 146,890</u>	<u>\$ 13,256</u>	<u>\$ 852,920</u>
<u>Fund Balances</u>					
Reserved for Capital Outlay	\$ 0	\$ 0	\$ 196,602	\$ 0	\$ 196,602
Reserved for Career Ladder - Extended Contract	29,212	0	0	0	29,212
Reserved for Title I Grants to Local Education Agencies	0	0	0	12,850	12,850
Reserved for Special Education - Grants to States	0	0	0	7,387	7,387
Other Federal Reserves	0	0	0	18,307	18,307
Unreserved, Reported In:					
General Fund	1,610,105	0	0	0	1,610,105
Special Revenue Funds	0	418,984	315,312	0	734,296
Total Fund Balances	<u>\$ 1,639,317</u>	<u>\$ 418,984</u>	<u>\$ 511,914</u>	<u>\$ 38,544</u>	<u>\$ 2,608,759</u>
Total Liabilities and Fund Balances	<u>\$ 2,332,091</u>	<u>\$ 418,984</u>	<u>\$ 658,804</u>	<u>\$ 51,800</u>	<u>\$ 3,461,679</u>

Exhibit I-3

Stewart County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
Discretely Presented Stewart County School Department
June 30, 2008

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

Total fund balances - balance sheet - governmental funds (Exhibit I-2)	\$ 2,608,759
(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	28,100,719
Add: other capital assets net of accumulated depreciation	<u>1,835,465</u> 31,040,294
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	
Less: other postemployment benefits	(39,594)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.	
	<u>122,428</u>
Net assets of governmental activities (Exhibit A)	<u>\$ 33,731,887</u>

Exhibit I-4

Stewart County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Discretely Presented Stewart County School Department
For the Year Ended June 30, 2008

	Major Funds			Nonmajor	Total Governmental Funds
	General Purpose School	Central Cafeteria	School Transpor - tation	Fund School Federal Projects	
<u>Revenues</u>					
Local Taxes	\$ 1,414,296	\$ 0	\$ 154,358	\$ 0	\$ 1,568,654
Licenses and Permits	632	0	0	0	632
Charges for Current Services	56,541	466,556	0	0	523,097
Other Local Revenues	169,158	18,398	0	0	187,556
State of Tennessee	13,370,897	12,747	0	0	13,383,644
Federal Government	260,377	568,453	0	928,206	1,757,036
Total Revenues	\$ 15,271,901	\$ 1,066,154	\$ 154,358	\$ 928,206	\$ 17,420,619
<u>Expenditures</u>					
Current:					
Instruction	\$ 8,115,609	\$ 0	\$ 0	\$ 764,083	\$ 8,879,692
Support Services	5,758,602	0	248,391	169,573	6,176,566
Operation of Non-Instructional Services	401,808	1,100,218	0	0	1,502,026
Capital Outlay	56,876	0	0	0	56,876
Debt Service:					
Other Debt Service	164,639	0	0	0	164,639
Total Expenditures	\$ 14,497,534	\$ 1,100,218	\$ 248,391	\$ 933,656	\$ 16,779,799
Excess (Deficiency) of Revenues Over Expenditures					
	\$ 774,367	\$ (34,064)	\$ (94,033)	\$ (5,450)	\$ 640,820
<u>Other Financing Sources (Uses)</u>					
Insurance Recovery	\$ 10,365	\$ 0	\$ 0	\$ 0	\$ 10,365
Transfers In	0	22,279	0	0	22,279
Transfers Out	(22,279)	0	0	0	(22,279)
Total Other Financing Sources (Uses)	\$ (11,914)	\$ 22,279	\$ 0	\$ 0	\$ 10,365
Net Change in Fund Balances					
Fund Balance, July 1, 2007	\$ 876,864	\$ 430,769	\$ 605,947	\$ 43,994	\$ 1,957,574
Fund Balance, June 30, 2008	\$ 1,639,317	\$ 418,984	\$ 511,914	\$ 38,544	\$ 2,608,759

Exhibit I-5

Stewart County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Discretely Presented Stewart County School Department
For the Year Ended June 30, 2008

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

Net change in fund balances - total governmental funds (Exhibit I-4)		\$ 651,185
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$ 284,164	
Less: current year depreciation expense	<u>(1,134,448)</u>	(850,284)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.		
Less: loss on disposal of capital assets		(13,998)
(3) 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, 2007	\$ (165,543)	
Add: deferred delinquent property taxes and other deferred June 30, 2008	<u>122,428</u>	(43,115)
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in other postemployment benefits		<u>(39,594)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ (295,806)</u>

Exhibit I-6

Stewart County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Stewart County School Department
General Purpose School Fund
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,414,296	\$ 1,320,636	\$ 1,437,278	\$ (22,982)
Licenses and Permits	632	400	400	232
Charges for Current Services	56,541	48,600	48,600	7,941
Other Local Revenues	169,158	85,000	88,918	80,240
State of Tennessee	13,370,897	12,755,499	12,884,766	486,131
Federal Government	260,377	244,107	274,107	(13,730)
Total Revenues	\$ 15,271,901	\$ 14,454,242	\$ 14,734,069	\$ 537,832
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 6,456,605	\$ 6,354,800	\$ 6,467,015	\$ 10,410
Alternative Instruction Program	60,088	69,975	69,975	9,887
Special Education Program	919,020	936,085	936,085	17,065
Vocational Education Program	624,961	640,450	633,950	8,989
Adult Education Program	54,935	91,088	103,581	48,646
<u>Support Services</u>				
Attendance	86,934	88,200	88,200	1,266
Health Services	317,824	280,403	320,631	2,807
Other Student Support	343,277	401,825	364,625	21,348
Regular Instruction Program	539,581	560,335	560,335	20,754
Special Education Program	125,918	128,582	129,039	3,121
Vocational Education Program	1,255	8,000	8,000	6,745
Adult Programs	80,333	75,134	94,175	13,842
Other Programs	47,679	0	47,679	0
Board of Education	259,134	267,800	267,800	8,666
Director of Schools	238,951	232,870	247,772	8,821
Office of the Principal	761,509	777,800	779,314	17,805
Fiscal Services	106,422	113,200	114,562	8,140
Operation of Plant	1,324,476	1,334,335	1,335,193	10,717
Maintenance of Plant	433,733	458,160	454,111	20,378
Transportation	971,134	983,950	985,283	14,149
Central and Other	120,442	146,060	128,917	8,475
<u>Operation of Non-Instructional Services</u>				
Food Service	3,682	8,500	8,500	4,818
Community Services	33,823	33,300	33,952	129
Early Childhood Education	364,303	385,390	385,389	21,086
<u>Capital Outlay</u>				
Regular Capital Outlay	56,876	67,000	57,400	524
<u>Other Debt Service</u>				
Education	164,639	60,000	176,642	12,003
Total Expenditures	\$ 14,497,534	\$ 14,503,242	\$ 14,798,125	\$ 300,591

(Continued)

Exhibit I-6

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Excess (Deficiency) of Revenues Over Expenditures	\$ 774,367	\$ (49,000)	\$ (64,056)	\$ 838,423
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 10,365	\$ 0	\$ 10,000	\$ 365
Transfers Out	(22,279)	(13,000)	(22,300)	21
Total Other Financing Sources (Uses)	\$ (11,914)	\$ (13,000)	\$ (12,300)	\$ 386
Net Change in Fund Balance	\$ 762,453	\$ (62,000)	\$ (76,356)	\$ 838,809
Fund Balance, July 1, 2007	876,864	1,018,621	1,018,621	(141,757)
Fund Balance, June 30, 2008	\$ 1,639,317	\$ 956,621	\$ 942,265	\$ 697,052

Exhibit I-7

Stewart County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Stewart County School Department
School Federal Projects Fund
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 928,206	\$ 1,241,091	\$ 1,246,980	\$ (318,774)
Total Revenues	\$ 928,206	\$ 1,241,091	\$ 1,246,980	\$ (318,774)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 287,558	\$ 329,873	\$ 345,724	\$ 58,166
Special Education Program	455,826	587,216	588,484	132,658
Vocational Education Program	20,699	15,764	20,699	0
<u>Support Services</u>				
Other Student Support	20,889	23,035	23,020	2,131
Regular Instruction Program	145,708	279,704	266,077	120,369
Vocational Education Program	2,976	5,500	2,976	0
Total Expenditures	\$ 933,656	\$ 1,241,092	\$ 1,246,980	\$ 313,324
Excess (Deficiency) of Revenues Over Expenditures	\$ (5,450)	\$ (1)	\$ 0	\$ (5,450)
Net Change in Fund Balance	\$ (5,450)	\$ (1)	\$ 0	\$ (5,450)
Fund Balance, July 1, 2007	43,994	159,536	159,536	(115,542)
Fund Balance, June 30, 2008	\$ 38,544	\$ 159,535	\$ 159,536	\$ (120,992)

Exhibit I-8

Stewart County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Stewart County School Department
Central Cafeteria Fund
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 466,556	\$ 459,000	\$ 459,000	\$ 7,556
Other Local Revenues	18,398	12,500	22,516	(4,118)
State of Tennessee	12,747	12,000	12,000	747
Federal Government	568,453	586,547	586,547	(18,094)
Total Revenues	<u>\$ 1,066,154</u>	<u>\$ 1,070,047</u>	<u>\$ 1,080,063</u>	<u>\$ (13,909)</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 1,100,218	\$ 1,149,136	\$ 1,159,153	\$ 58,935
Total Expenditures	<u>\$ 1,100,218</u>	<u>\$ 1,149,136</u>	<u>\$ 1,159,153</u>	<u>\$ 58,935</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (34,064)</u>	<u>\$ (79,089)</u>	<u>\$ (79,090)</u>	<u>\$ 45,026</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 22,279	\$ 13,000	\$ 13,000	\$ 9,279
Total Other Financing Sources (Uses)	<u>\$ 22,279</u>	<u>\$ 13,000</u>	<u>\$ 13,000</u>	<u>\$ 9,279</u>
Net Change in Fund Balance	\$ (11,785)	\$ (66,089)	\$ (66,090)	\$ 54,305
Fund Balance, July 1, 2007	<u>430,769</u>	<u>429,980</u>	<u>429,980</u>	<u>789</u>
Fund Balance, June 30, 2008	<u>\$ 418,984</u>	<u>\$ 363,891</u>	<u>\$ 363,890</u>	<u>\$ 55,094</u>

Exhibit I-9

Stewart County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Stewart County School Department
School Transportation Fund
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 154,358	\$ 141,184	\$ 141,184	\$ 13,174
Total Revenues	\$ 154,358	\$ 141,184	\$ 141,184	\$ 13,174
<u>Expenditures</u>				
<u>Support Services</u>				
Board of Education	\$ 3,062	\$ 0	\$ 3,200	\$ 138
Transportation	245,329	240,000	245,329	0
Total Expenditures	\$ 248,391	\$ 240,000	\$ 248,529	\$ 138
Excess (Deficiency) of Revenues Over Expenditures	\$ (94,033)	\$ (98,816)	\$ (107,345)	\$ 13,312
Net Change in Fund Balance	\$ (94,033)	\$ (98,816)	\$ (107,345)	\$ 13,312
Fund Balance, July 1, 2007	605,947	605,179	605,179	768
Fund Balance, June 30, 2008	\$ 511,914	\$ 506,363	\$ 497,834	\$ 14,080

MISCELLANEOUS SCHEDULES

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Exhibit J-1

Stewart County, Tennessee
Schedule of Changes in Long-term Notes, Capital Lease, and Bonds
For the Year Ended June 30, 2008

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-07	Adjustment (1)	Paid and/or Matured During Period	Outstanding 6-30-08
<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	\$ 83,334	\$ 0	\$ 83,334	\$ 0
Total Payable through Highway/Public Works Fund					\$ 83,334	\$ 0	\$ 83,334	\$ 0
<u>Payable through General Debt Service Fund</u>								
Parking Lot	124,715	3.8	4-28-05	4-28-08	\$ 41,571	\$ 0	\$ 41,571	\$ 0
School Buses	170,167	3.8	4-28-05	4-28-08	56,723	0	56,723	0
Capital Outlay Notes, Series 2007	1,600,000	4.3	2-16-07	2-1-19	1,600,000	0	110,000	1,490,000
Total Payable through General Debt Service Fund					\$ 1,698,294	\$ 0	\$ 208,294	\$ 1,490,000
Total Notes Payable					\$ 1,781,628	\$ 0	\$ 291,628	\$ 1,490,000
<u>CAPITAL LEASE PAYABLE</u>								
<u>Payable through General Fund</u>								
Defibrillators	5,519	9.87	4-21-05	8-25-10	\$ 3,802	\$ 0	\$ 1,075	\$ 2,727
Total Capital Lease Payable					\$ 3,802	\$ 0	\$ 1,075	\$ 2,727
<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	\$ 168,000	\$ 0	\$ 16,000	\$ 152,000
School Bonds, Series 2001	1,200,000	4 to 5	3-6-01	3-1-21	615,000	(285,000)	50,000	280,000
School Refunding, Series 2003	6,035,000	3.4	5-11-03	9-1-16	5,065,000	0	430,000	4,635,000
School Refunding, Series 2003A	8,255,000	2.5 to 4.55	12-1-03	12-1-23	8,140,000	0	350,000	7,790,000
School Bonds, Series 2004	9,500,000	3 to 4.75	8-1-04	3-1-29	5,005,000	(1,245,000)	255,000	3,505,000
School Bonds, Series 2005	1,600,000	3 to 4.65	1-1-05	3-1-29	430,000	650,000	50,000	1,030,000
School Refunding, Series 2005	3,470,000	3.79	3-3-05	6-1-24	3,225,000	0	140,000	3,085,000
School Refunding, Series 2007	6,330,000	3.98	1-26-07	3-1-29	6,330,000	0	0	6,330,000
Total Bonds Payable					\$ 28,978,000	\$ (880,000)	\$ 1,291,000	\$ 26,807,000

(1) Refunded bonds were shown at incorrect amounts in prior year.

Exhibit J-2

Stewart County, Tennessee
Schedule of Long-term Debt Requirements by Year

Year Ending June 30	Note Principal	Note Interest	Total Note Requirements
2009	\$ 120,000	\$ 64,070	\$ 184,070
2010	120,000	58,910	178,910
2011	125,000	53,750	178,750
2012	130,000	48,375	178,375
2013	130,000	42,785	172,785
2014	130,000	37,195	167,195
2015	135,000	31,605	166,605
2016	140,000	25,800	165,800
2017	145,000	19,780	164,780
2018	155,000	13,545	168,545
2019	160,000	6,880	166,880
Total	\$ 1,490,000	\$ 402,695	\$ 1,892,695

Year Ending June 30	Capital Lease Principal	Capital Lease Interest	Total Capital Lease Requirements
2009	\$ 1,187	\$ 216	\$ 1,403
2010	1,309	94	1,403
2011	231	3	234
Total	\$ 2,727	\$ 313	\$ 3,040

Year Ending June 30	Bond Principal	Bond Interest	Total Bond Requirements
2009	\$ 1,351,000	\$ 1,007,824	\$ 2,358,824
2010	1,396,000	962,997	2,358,997
2011	1,446,000	915,066	2,361,066
2012	1,491,000	864,972	2,355,972
2013	1,561,000	812,266	2,373,266
2014	1,611,000	755,060	2,366,060
2015	1,676,000	693,437	2,369,437
2016	1,735,000	631,411	2,366,411
2017	1,805,000	566,615	2,371,615
2018	1,235,000	508,963	1,743,963
2019	1,290,000	458,685	1,748,685
2020	1,340,000	405,367	1,745,367
2021	1,400,000	350,427	1,750,427
2022	1,360,000	292,341	1,652,341
2023	1,415,000	235,334	1,650,334
2024	1,475,000	175,506	1,650,506
2025	595,000	128,156	723,156
2026	620,000	104,475	724,475
2027	640,000	79,799	719,799
2028	670,000	54,327	724,327
2029	695,000	27,661	722,661
Total	\$ 26,807,000	\$ 10,030,689	\$ 36,837,689

Exhibit J-3

Stewart County, Tennessee
Schedule of Transfers
Primary Government and Discretely Presented Stewart County School Department
For the Year Ended June 30, 2008

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
General	General Debt Service	Debt payments	\$ 207,547
General	Highway/Public Works	Retirement match	17,257
Total Transfers Primary Government			<u>\$ 224,804</u>
<u>DISCRETELY PRESENTED STEWART COUNTY SCHOOL DEPARTMENT</u>			
General Purpose School	Central Cafeteria	Deferred compensation, insurance, and retirement match	\$ 22,279
Total Transfers Discretely Presented Stewart County School Department			<u>\$ 22,279</u>

Exhibit J-4

Stewart County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Primary Government and Discretely Presented Stewart County School Department
For the Year Ended June 30, 2008

Official	Authorization for Salary	\$	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$	67,414	\$	25,000
County Engineer	Section 8-24-102, <u>TCA</u>		60,360	100,000	"
Director of Schools	State Board of Education and County Board of Education		88,766 (1)	100,000	"
Trustee	Section 8-24-102, <u>TCA</u>		54,872	838,000	"
Assessor of Property	Section 8-24-102, <u>TCA</u>		54,872	10,000	"
County Clerk	Section 8-24-102, <u>TCA</u>		54,872	25,000	"
Circuit, General Sessions, and Juvenile Courts Clerk	Section 8-24-102, <u>TCA</u>		54,872	25,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u>		54,872 (2)	45,000	"
Register	Section 8-24-102, <u>TCA</u>		54,872	15,000	"
Sheriff	Section 8-24-102, <u>TCA</u>		60,360 (3)	25,000	"
Employee Blanket Bonds:					
County Mayor and County Engineer:				150,000	Tennessee Risk Management Trust
All Employees				150,000	"

- (1) Includes chief executive officer training supplement of \$1,000.
- (2) Does not include special commissioner fees of \$1,700.
- (3) Does not include a law enforcement training supplement of \$600.

Exhibit J-5

Stewart County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2008

	Special Revenue Funds			Debt Service Fund		Capital Projects Funds			Total
	General	Drug Control	Highway / Public Works	General Debt Service	General Capital Projects	Highway Capital Projects			
<u>Local Taxes</u>									
County Property Taxes									
Current Property Tax	\$ 2,467,351	\$ 0	\$ 164,029	\$ 1,334,200	\$ 18,275	\$ 21,714	\$ 4,005,569		
Trustee's Collections - Prior Year	52,038	0	3,545	28,524	385	237	84,729		
Trustee's Collections - Bankruptcy	6,152	0	365	3,372	46	0	9,935		
Circuit/Clerk & Master Collections - Prior Years	38,400	0	2,076	18,570	260	0	59,306		
Interest and Penalty	12,839	0	797	7,001	97	63	20,797		
Payments in-Lieu-of-Taxes - Other	79,508	0	61	43,581	594	0	123,744		
<u>County Local Option Taxes</u>									
Local Option Sales Tax	391,152	0	0	0	0	0	391,152		
Hotel/Motel Tax	18,840	0	0	0	0	0	18,840		
Wheel Tax	0	0	0	408,788	0	0	408,788		
Litigation Tax - General	58,310	0	0	0	0	0	58,310		
Litigation Tax - Special Purpose	27,538	0	0	0	0	0	27,538		
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	19,881	0	19,881		
Business Tax	18,825	0	0	450	0	0	19,275		
<u>Statutory Local Taxes</u>									
Bank Excise Tax	31,582	0	2,105	17,078	234	0	50,999		
Wholesale Beer Tax	130,336	0	0	0	0	0	130,336		
Interstate Telecommunications Tax	1,368	0	0	0	0	0	1,368		
Total Local Taxes	\$ 3,334,239	\$ 0	\$ 172,978	\$ 1,861,564	\$ 39,772	\$ 22,014	\$ 5,430,567		
<u>Licenses and Permits</u>									
Licenses									
Cable TV Franchise	\$ 8,026	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,026		
Permits									
Beer Permits	3,547	0	0	0	0	0	3,547		
Total Licenses and Permits	\$ 11,573	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,573		
<u>Fines, Forfeitures, and Penalties</u>									
Circuit Court									
Fines	\$ 1,512	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,512		
Officers Costs	644	0	0	0	0	0	644		
Game and Fish Fines	22	0	0	0	0	0	22		

(Continued)

Exhibit J-5

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	Highway / Public Works	General Debt Service	General Capital Projects	Highway Capital Projects	General Capital Projects	Highway Capital Projects		
<u>Fines, Forfeitures, and Penalties (Cont.)</u>										
<u>Circuit Court (Cont.)</u>										
Data Entry Fee - Circuit Court	98 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	98
Victims Assistance Assessments	43	0	0	0	0	0	0	0	0	43
<u>Criminal Court</u>										
DUI Treatment Fines	380	0	0	0	0	0	0	0	0	380
<u>General Sessions Court</u>										
Fines	9,030	0	0	0	0	0	0	0	0	9,030
Officers Costs	21,660	0	0	0	0	0	0	0	0	21,660
Game and Fish Fines	143	0	0	0	0	0	0	0	0	143
Drug Control Fines	0	1,520	0	0	0	0	0	0	0	1,520
Jail Fees	3,809	0	0	0	428	0	0	0	0	4,237
DUI Treatment Fines	3,116	0	0	0	0	0	0	0	0	3,116
Data Entry Fee - General Sessions Court	3,154	0	0	0	0	0	0	0	0	3,154
Courtroom Security Fee	16	0	0	0	0	0	0	0	0	16
<u>Juvenile Court</u>										
Fines	180	0	0	0	0	0	0	0	0	180
Officers Costs	1,878	0	0	0	0	0	0	0	0	1,878
Courtroom Security Fee	4	0	0	0	0	0	0	0	0	4
<u>Chancery Court</u>										
Officers Costs	760	0	0	0	0	0	0	0	0	760
Data Entry Fee - Chancery Court	646	0	0	0	0	0	0	0	0	646
Courtroom Security Fee	28	0	0	0	0	0	0	0	0	28
<u>Other Fines, Forfeitures, and Penalties</u>										
Other Fines, Forfeitures, and Penalties	2,529	0	0	0	0	0	0	0	0	2,529
Total Fines, Forfeitures, and Penalties	\$ 49,652 \$	1,520 \$	0 \$	0 \$	0 \$	428 \$	0 \$	0 \$	0 \$	51,600
<u>Charges for Current Services</u>										
<u>General Service Charges</u>										
Patient Charges	684,871 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	684,871
Work Release Charges for Board Fees	1,245	0	0	0	0	0	0	0	0	1,245
Copy Fees	182	0	0	0	0	0	0	0	0	182
Telephone Commissions	9,094	0	0	0	0	0	0	0	0	9,094

(Continued)

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	Highway / Public Works	General Debt Service	General Debt Service	Highway Capital Projects	Capital Projects Funds			
							General Capital Projects	Highway Capital Projects		
<u>Charges for Current Services (Cont.)</u>										
<u>Fees (Cont.)</u>										
Data Processing Fee - Register	\$ 5,974	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,974
Data Processing Fee - Sheriff	2,384	0	0	0	0	0	0	0	0	2,384
Sexual Offender Registration Fees - Sheriff	1,300	0	0	0	0	0	0	0	0	1,300
<u>Other Charges for Services</u>										
Other Charges for Services	0	0	16,896	0	0	0	0	0	0	16,896
Total Charges for Current Services	\$ 705,050	\$ 0	\$ 16,896	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 721,946
<u>Other Local Revenues</u>										
<u>Recurring Items</u>										
Investment Income	\$ 62,299	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 62,299
Lease/Rentals	3,000	0	0	0	0	0	0	0	0	3,000
Sale of Materials and Supplies	38	0	0	0	0	0	0	0	0	38
Sale of Gasoline	0	0	28,528	0	0	0	0	0	0	28,528
Miscellaneous Refunds	22,513	0	5,483	31	887	0	887	0	0	28,914
<u>Nonrecurring Items</u>										
Sale of Equipment	11,230	0	0	0	0	0	0	0	0	11,230
Damages Recovered from Individuals	1,728	0	0	0	0	0	0	0	0	1,728
Contributions and Gifts	100	0	0	0	0	0	0	0	0	100
Performance Bond Forfeitures	1,500	0	0	0	0	0	0	0	0	1,500
<u>Other Local Revenues</u>										
Other Local Revenues	157,055	0	0	0	0	0	0	0	0	157,055
Total Other Local Revenues	\$ 259,463	\$ 0	\$ 34,011	\$ 31	\$ 887	\$ 0	\$ 887	\$ 0	\$ 0	\$ 294,392
<u>Fees Received from County Officials</u>										
<u>Fees in-Lieu-of Salary</u>										
County Clerk	\$ 116,276	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 116,276
Circuit Court Clerk	23,119	0	0	0	0	0	0	0	0	23,119
General Sessions Court Clerk	92,826	0	0	0	0	0	0	0	0	92,826
Clerk and Master	50,615	0	0	0	0	0	0	0	0	50,615
Register	74,640	0	0	0	0	0	0	0	0	74,640
Sheriff	5,688	0	0	0	0	0	0	0	0	5,688
Trustee	193,569	0	0	0	0	0	0	0	0	193,569
Total Fees Received from County Officials	\$ 556,733	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 556,733

(Continued)

Exhibit J-5

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	Highway / Public Works	General Debt Service	General Capital Projects	Highway Capital Projects			
<u>State of Tennessee</u>									
<u>General Government Grants</u>									
Juvenile Services Program	\$ 29,176	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 29,176
<u>Public Safety Grants</u>									
Law Enforcement Training Programs	8,400	0	0	0	0	0	0	0	8,400
Other Public Safety Grants	43,568	0	0	0	0	0	0	0	43,568
<u>Health and Welfare Grants</u>									
Health Department Programs	171,417	0	0	0	0	0	0	0	171,417
<u>Public Works Grants</u>									
State Aid Program	0	0	145,552	0	0	0	0	0	145,552
Litter Program	33,239	0	0	0	0	0	0	0	33,239
<u>Other State Revenues</u>									
Flood Control	1,558	0	0	0	0	0	0	0	1,558
Income Tax	18,198	0	0	0	0	0	0	0	18,198
Resort District Sales Tax	72,910	0	0	0	0	0	0	0	72,910
Beer Tax	19,312	0	0	0	0	0	0	0	19,312
Alcoholic Beverage Tax	31,304	0	0	0	0	0	0	0	31,304
Mixed Drink Tax	1,901	0	0	0	0	0	0	0	1,901
State Revenue Sharing - T.V.A.	695,603	0	0	0	0	0	0	0	695,603
Contracted Prisoner Boarding	17,640	0	0	0	0	0	0	0	17,640
Gasoline and Motor Fuel Tax	0	0	1,634,277	0	0	0	0	0	1,634,277
Petroleum Special Tax	0	0	9,934	0	0	0	0	0	9,934
Reappraisal Program Reimbursement	7,349	0	0	0	0	0	0	0	7,349
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	0	16,380
Other State Grants	86,389	0	0	0	0	0	0	0	86,389
Other State Revenues	61,218	0	0	0	0	0	0	0	61,218
Total State of Tennessee	\$ 1,315,562	\$ 0	\$ 1,789,763	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,105,325
<u>Federal Government</u>									
<u>Federal Through State</u>									
Homeland Security Grants	\$ 1,904	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,904
Other Federal through State	217,600	0	0	0	0	0	0	0	217,600
<u>Direct Federal Revenue</u>									
Police Service (Lake Area)	10,400	0	0	0	0	0	0	0	10,400
Total Federal Government	\$ 229,904	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 229,904

(Continued)

Exhibit J-5

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	Highway / Public Works	General Debt Service	Highway Capital Projects	General Capital Projects	Highway Capital Projects		
<u>Other Governments and Citizens Groups</u>									
<u>Other Governments</u>									
Contributions	\$ 41,400	\$ 0	\$ 0	\$ 164,639	\$ 0	\$ 0	\$ 0	\$ 0	\$ 206,039
Contracted Services	22,481	0	0	0	0	0	0	0	22,481
<u>Citizens Groups</u>									
Donations	4,914	0	0	0	0	0	0	0	4,914
Other	1,000	0	0	0	0	0	0	0	1,000
Total Other Governments and Citizens Groups	\$ 69,795	\$ 0	\$ 0	\$ 164,639	\$ 0	\$ 0	\$ 0	\$ 0	\$ 234,434
Total	\$ 6,531,971	\$ 1,520	\$ 2,013,648	\$ 2,026,234	\$ 41,087	\$ 22,014	\$ 10,636,474		

Exhibit J-6

Stewart County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 Discretely Presented Stewart County School Department
 For the Year Ended June 30, 2008

	General Purpose School	School Federal Projects	Central Cafeteria	School Transpor- tation	Total
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 584,848	\$ 0	\$ 0	\$ 145,754	\$ 730,602
Trustee's Collections - Prior Year	12,339	0	0	3,546	15,885
Trustee's Collections - Bankruptcy	1,458	0	0	365	1,823
Circuit/Clerk & Master Collections - Prior Years	9,375	0	0	2,008	11,383
Interest and Penalty	3,042	0	0	760	3,802
Payments in-Lieu-of Taxes - Other	15,214	0	0	54	15,268
<u>County Local Option Taxes</u>					
Local Option Sales Tax	742,361	0	0	0	742,361
Business Tax	36,579	0	0	0	36,579
<u>Statutory Local Taxes</u>					
Bank Excise Tax	7,486	0	0	1,871	9,357
Interstate Telecommunications Tax	1,594	0	0	0	1,594
Total Local Taxes	\$ 1,414,296	\$ 0	\$ 0	\$ 154,358	\$ 1,568,654
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 632	\$ 0	\$ 0	\$ 0	\$ 632
Total Licenses and Permits	\$ 632	\$ 0	\$ 0	\$ 0	\$ 632
<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Tuition - Regular Day Students	\$ 745	\$ 0	\$ 0	\$ 0	\$ 745
Lunch Payments - Children	0	0	217,335	0	217,335
Lunch Payments - Adults	0	0	30,373	0	30,373
Income from Breakfast	0	0	19,848	0	19,848
A la carte Sales	0	0	174,431	0	174,431
Receipts from Individual Schools	20,989	0	24,569	0	45,558
TBI Criminal Background Fees	266	0	0	0	266
<u>Other Charges for Services</u>					
Other Charges for Services	34,541	0	0	0	34,541
Total Charges for Current Services	\$ 56,541	\$ 0	\$ 466,556	\$ 0	\$ 523,097
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 107,382	\$ 0	\$ 8,289	\$ 0	\$ 115,671
Miscellaneous Refunds	36,871	0	9,844	0	46,715
<u>Nonrecurring Items</u>					
Sale of Property	15,843	0	265	0	16,108
Contributions and Gifts	8,938	0	0	0	8,938
<u>Other Local Revenues</u>					
Other Local Revenues	124	0	0	0	124
Total Other Local Revenues	\$ 169,158	\$ 0	\$ 18,398	\$ 0	\$ 187,556
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
On-Behalf Contributions for OPEB	\$ 47,679	\$ 0	\$ 0	\$ 0	\$ 47,679
<u>State Education Funds</u>					
Basic Education Program	11,092,500	0	0	0	11,092,500

(Continued)

Exhibit J-6

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

	General Purpose School	School Federal Projects	Central Cafeteria	School Transpor - tation	Total
<u>State of Tennessee (Cont.)</u>					
<u>State Education Funds (Cont.)</u>					
Early Childhood Education	\$ 364,305	\$ 0	\$ 0	\$ 0	\$ 364,305
School Food Service	0	0	12,747	0	12,747
Other State Education Funds	206,977	0	0	0	206,977
Career Ladder Program	115,343	0	0	0	115,343
Career Ladder - Extended Contract	81,741	0	0	0	81,741
<u>Other State Revenues</u>					
Mixed Drink Tax	1,901	0	0	0	1,901
State Revenue Sharing - T.V.A.	1,395,709	0	0	0	1,395,709
Other State Grants	64,742	0	0	0	64,742
Total State of Tennessee	<u>\$ 13,370,897</u>	<u>\$ 0</u>	<u>\$ 12,747</u>	<u>\$ 0</u>	<u>\$ 13,383,644</u>
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	\$ 0	\$ 0	\$ 398,334	\$ 0	\$ 398,334
Breakfast	0	0	170,119	0	170,119
Adult Education State Grant Program	96,854	0	0	0	96,854
Vocational Education - Basic Grants to States	0	37,659	0	0	37,659
Title I Grants to Local Education Agencies	0	376,795	0	0	376,795
Innovative Education Program Strategies	0	3,443	0	0	3,443
Special Education - Grants to States	0	402,318	0	0	402,318
Special Education Preschool Grants	0	16,224	0	0	16,224
English Language Acquisition Grants	0	1,126	0	0	1,126
Eisenhower Professional Development State Grants	0	81,959	0	0	81,959
Other Federal through State	0	8,682	0	0	8,682
<u>Direct Federal Revenue</u>					
Public Law 874 - Maintenance and Operation	163,523	0	0	0	163,523
Total Federal Government	<u>\$ 260,377</u>	<u>\$ 928,206</u>	<u>\$ 568,453</u>	<u>\$ 0</u>	<u>\$ 1,757,036</u>
Total	<u>\$ 15,271,901</u>	<u>\$ 928,206</u>	<u>\$ 1,066,154</u>	<u>\$ 154,358</u>	<u>\$ 17,420,619</u>

Exhibit J-7

Stewart County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2008

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	19,656	
Social Security		1,219	
Employer Medicare		285	
Audit Services		2,903	
Dues and Memberships		1,775	
Total County Commission			\$ 25,838

County Mayor/Executive

County Official/Administrative Officer	\$	67,414	
Secretary(ies)		22,991	
Longevity Pay		300	
Social Security		5,624	
State Retirement		11,000	
Life Insurance		95	
Unemployment Compensation		56	
Employer Medicare		1,315	
Communication		3,046	
Data Processing Services		8,206	
Dues and Memberships		1,709	
Postal Charges		2,780	
Printing, Stationery, and Forms		55	
Rentals		125	
Travel		3,595	
Office Supplies		3,751	
Office Equipment		1,082	
Total County Mayor/Executive			133,144

Election Commission

County Official/Administrative Officer	\$	49,385	
Part-time Personnel		14,199	
Election Commission		3,000	
Election Workers		5,705	
Social Security		3,981	
State Retirement		6,307	
Life Insurance		95	
Unemployment Compensation		62	
Local Retirement		631	
Employer Medicare		931	
Communication		2,703	
Data Processing Services		8,400	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Dues and Memberships	\$	50	
Legal Notices, Recording, and Court Costs		3,077	
Maintenance and Repair Services - Buildings		652	
Postal Charges		1,159	
Printing, Stationery, and Forms		1,440	
Rentals		1,016	
Travel		1,771	
Office Supplies		2,028	
Uniforms		48	
Other Charges		71	
Office Equipment		3,803	
Voting Machines		3,800	
Other Equipment		100	
Total Election Commission			\$ 114,414

Register of Deeds

County Official/Administrative Officer	\$	54,872	
Accountants/Bookkeepers		25,818	
Longevity Pay		800	
Social Security		4,948	
State Retirement		9,154	
Employee and Dependent Insurance		4,279	
Life Insurance		189	
Medical Insurance		63	
Dental Insurance		308	
Unemployment Compensation		56	
Local Retirement		403	
Employer Medicare		1,157	
Communication		1,462	
Dues and Memberships		498	
Operating Lease Payments		7,348	
Postal Charges		457	
Travel		1,346	
Office Supplies		1,573	
Office Equipment		1,848	
Total Register of Deeds			116,579

Geographical Information Systems

Part-time Personnel	\$	9,000
Social Security		558

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Geographical Information Systems (Cont.)

Unemployment Compensation	\$	56	
Employer Medicare		130	
Total Geographical Information Systems			\$ 9,744

County Buildings

Custodial Personnel	\$	21,049
Maintenance Personnel		25,772
Part-time Personnel		28,034
Longevity Pay		700
Social Security		4,527
State Retirement		727
Employee and Dependent Insurance		4,279
Life Insurance		307
Medical Insurance		158
Dental Insurance		397
Unemployment Compensation		241
Employer Medicare		1,059
Communication		1,232
Contracts with Private Agencies		4,815
Engineering Services		17,600
Laundry Service		150
Maintenance Agreements		7,970
Maintenance and Repair Services - Buildings		30,707
Maintenance and Repair Services - Equipment		493
Maintenance and Repair Services - Vehicles		3,705
Pest Control		2,250
Rentals		430
Permits		145
Custodial Supplies		4,349
Electricity		38,271
Gasoline		2,431
Office Supplies		4
Propane Gas		38
Uniforms		218
Water and Sewer		3,788
Other Charges		87
Principal on Notes		796
Interest on Notes		3,148
Building Improvements		77,746
Heating and Air Conditioning Equipment		10,233

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Maintenance Equipment	\$	563	
Other Equipment		419	
Total County Buildings			\$ 298,838

Other General Administration

Accounting Services	\$	250	
Contracts with Government Agencies		860	
Operating Lease Payments		5,891	
Legal Services		10,555	
Legal Notices, Recording, and Court Costs		8,182	
Maintenance Agreements		2,454	
Medical and Dental Services		638	
Printing, Stationery, and Forms		227	
Penalties		1,695	
Duplicating Supplies		312	
Total Other General Administration			31,064

Preservation of Records

Maintenance Agreements	\$	249	
Total Preservation of Records			249

Finance

Accounting and Budgeting

Accountants/Bookkeepers	\$	49,385	
Longevity Pay		450	
Social Security		2,981	
State Retirement		1,393	
Employee and Dependent Insurance		4,279	
Life Insurance		95	
Medical Insurance		63	
Dental Insurance		154	
Unemployment Compensation		56	
Employer Medicare		697	
Dues and Memberships		6	
Total Accounting and Budgeting			59,559

Property Assessor's Office

County Official/Administrative Officer	\$	54,872	
Deputy(ies)		27,261	
Clerical Personnel		25,818	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Longevity Pay	\$	1,750	
Social Security		6,647	
State Retirement		9,922	
Employee and Dependent Insurance		8,557	
Life Insurance		284	
Medical Insurance		127	
Dental Insurance		423	
Unemployment Compensation		112	
Local Retirement		1,247	
Employer Medicare		1,555	
Communication		1,816	
Contracts with Private Agencies		4,930	
Dues and Memberships		1,058	
Operating Lease Payments		57	
Maintenance Agreements		435	
Maintenance and Repair Services - Buildings		165	
Postal Charges		484	
Travel		1,467	
Office Supplies		471	
Other Charges		41	
Motor Vehicles		2,800	
Office Equipment		375	
Total Property Assessor's Office			\$ 152,674

Reappraisal Program

Assessment Personnel	\$	21,860
Longevity Pay		350
Board and Committee Members Fees		520
Social Security		1,333
State Retirement		616
Employee and Dependent Insurance		3,005
Life Insurance		95
Medical Insurance		63
Unemployment Compensation		56
Local Retirement		502
Employer Medicare		312
Data Processing Services		2,039
Licenses		17
Maintenance and Repair Services - Vehicles		414
Postal Charges		174

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

Reappraisal Program (Cont.)

Printing, Stationery, and Forms	\$	190	
Gasoline		388	
Office Supplies		33	
Total Reappraisal Program			\$ 31,967

County Trustee's Office

County Official/Administrative Officer	\$	54,872	
Deputy(ies)		65,239	
Longevity Pay		1,050	
Social Security		7,247	
State Retirement		9,493	
Employee and Dependent Insurance		14,961	
Life Insurance		284	
Medical Insurance		190	
Dental Insurance		154	
Unemployment Compensation		169	
Local Retirement		1,701	
Employer Medicare		1,695	
Communication		2,466	
Data Processing Services		7,710	
Dues and Memberships		493	
Operating Lease Payments		1,744	
Maintenance Agreements		574	
Maintenance and Repair Services - Office Equipment		75	
Postal Charges		5,744	
Rentals		70	
Travel		1,373	
Data Processing Supplies		6,343	
Office Supplies		2,267	
Other Charges		195	
Office Equipment		3,378	
Total County Trustee's Office			189,487

County Clerk's Office

County Official/Administrative Officer	\$	54,872
Deputy(ies)		93,465
Longevity Pay		2,250
Social Security		9,177
State Retirement		11,090
Employee and Dependent Insurance		8,557

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

Life Insurance	\$	440	
Medical Insurance		148	
Dental Insurance		461	
Unemployment Compensation		224	
Local Retirement		1,723	
Employer Medicare		2,146	
Communication		2,975	
Dues and Memberships		483	
Maintenance and Repair Services - Office Equipment		300	
Postal Charges		3,325	
Office Supplies		5,144	
Office Equipment		5,925	
Total County Clerk's Office			\$ 202,705

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	54,872
Deputy(ies)		47,304
Longevity Pay		1,100
Jury and Witness Fees		6,455
In-Service Training		325
Social Security		6,242
State Retirement		9,618
Employee and Dependent Insurance		7,954
Life Insurance		292
Medical Insurance		53
Dental Insurance		128
Unemployment Compensation		112
Local Retirement		543
Employer Medicare		1,460
Communication		3,091
Data Processing Services		2,740
Dues and Memberships		383
Operating Lease Payments		1,699
Maintenance Agreements		501
Maintenance and Repair Services - Equipment		442
Postal Charges		1,200
Printing, Stationery, and Forms		50
Rentals		15
Travel		542

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

Office Supplies	\$	2,792	
Other Charges		20	
Office Equipment		3,566	
Other Equipment		28,244	
Total Circuit Court			\$ 181,743

General Sessions Judge

Judge(s)	\$	77,151	
Social Security		4,783	
State Retirement		11,847	
Life Insurance		95	
Employer Medicare		1,119	
Communication		408	
Dues and Memberships		315	
Travel		910	
Total General Sessions Judge			96,628

General Sessions Court Clerk

Deputy(ies)	\$	20,517	
Longevity Pay		1,350	
Overtime Pay		4,320	
Other Per Diem and Fees		12,522	
Social Security		2,429	
Life Insurance		95	
Dental Insurance		154	
Unemployment Compensation		164	
Local Retirement		624	
Employer Medicare		568	
Communication		1,863	
Data Processing Services		2,002	
Maintenance Agreements		486	
Maintenance and Repair Services - Equipment		442	
Medical and Dental Services		190	
Postal Charges		1,000	
Printing, Stationery, and Forms		92	
Travel		453	
Office Supplies		4,219	
Office Equipment		2,711	
Total General Sessions Court Clerk			56,201

(Continued)

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court

County Official/Administrative Officer	\$	54,872	
Deputy(ies)		22,881	
Part-time Personnel		68	
Longevity Pay		450	
Social Security		4,608	
State Retirement		9,074	
Employee and Dependent Insurance		10,683	
Life Insurance		189	
Medical Insurance		63	
Dental Insurance		154	
Unemployment Compensation		56	
Employer Medicare		1,078	
Communication		1,549	
Data Processing Services		4,788	
Dues and Memberships		443	
Legal Notices, Recording, and Court Costs		240	
Postal Charges		2,154	
Office Supplies		2,431	
Other Charges		561	
Office Equipment		1,283	
Total Chancery Court			\$ 117,625

Juvenile Court

Probation Officer(s)	\$	24,004
Youth Service Officer(s)		34,653
Longevity Pay		200
Social Security		3,489
State Retirement		1,654
Employee and Dependent Insurance		5,384
Life Insurance		95
Medical Insurance		63
Dental Insurance		13
Unemployment Compensation		112
Employer Medicare		816
Communication		4,335
Contracts with Government Agencies		3,068
Contracts with Private Agencies		1,694
Dues and Memberships		25
Operating Lease Payments		1,787
Maintenance Agreements		483

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Juvenile Court (Cont.)

Maintenance and Repair Services - Buildings	\$	165	
Maintenance and Repair Services - Vehicles		642	
Postal Charges		620	
Travel		768	
Food Supplies		202	
Gasoline		1,401	
Instructional Supplies and Materials		40	
Office Supplies		5,028	
Uniforms		800	
Other Charges		585	
Office Equipment		550	
Total Juvenile Court			\$ 92,676

District Attorney General

Other Contracted Services	\$	2,585	
Total District Attorney General			2,585

Other Administration of Justice

Youth Service Officer(s)	\$	25,772	
Longevity Pay		150	
Overtime Pay		2,362	
Social Security		1,435	
State Retirement		727	
Employee and Dependent Insurance		10,683	
Life Insurance		95	
Medical Insurance		63	
Dental Insurance		154	
Unemployment Compensation		56	
Employer Medicare		336	
Travel		271	
Office Supplies		347	
Uniforms		278	
Total Other Administration of Justice			42,729

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	60,360	
Supervisor/Director		37,336	
Deputy(ies)		239,645	
Investigator(s)		27,216	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Lieutenant(s)	\$	31,658
Sergeant(s)		59,530
Salary Supplements		8,400
Dispatchers/Radio Operators		169,728
Part-time Personnel		14,430
School Resource Officer		21,216
Longevity Pay		4,450
Overtime Pay		32,369
Other Salaries and Wages		8,912
In-Service Training		6,072
Social Security		42,056
State Retirement		20,420
Employee and Dependent Insurance		98,847
Life Insurance		1,675
Medical Insurance		443
Dental Insurance		1,321
Unemployment Compensation		1,529
Local Retirement		2,483
Employer Medicare		9,836
Communication		7,770
Contracts with Private Agencies		1,750
Data Processing Services		3,690
Dues and Memberships		1,741
Engineering Services		1,750
Operating Lease Payments		1,273
Licenses		68
Maintenance Agreements		3,527
Maintenance and Repair Services - Buildings		4,496
Maintenance and Repair Services - Equipment		1,334
Maintenance and Repair Services - Office Equipment		4
Maintenance and Repair Services - Vehicles		30,916
Medical and Dental Services		970
Postal Charges		1,537
Tow-in Services		525
Travel		3,884
Custodial Supplies		1,350
Diesel Fuel		90
Electricity		8,583
Gasoline		66,288
Instructional Supplies and Materials		940

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Law Enforcement Supplies	\$	4,849	
Office Supplies		5,699	
Propane Gas		2,724	
Tires and Tubes		5,570	
Uniforms		5,116	
Water and Sewer		811	
Other Charges		7,333	
Law Enforcement Equipment		30,996	
Motor Vehicles		79,964	
Office Equipment		6,639	
Other Equipment		5,602	
Total Sheriff's Department			\$ 1,197,721

Jail

Supervisor/Director	\$	32,864
Guards		219,290
Longevity Pay		1,800
Overtime Pay		9,809
In-Service Training		995
Social Security		15,420
State Retirement		3,197
Employee and Dependent Insurance		40,038
Life Insurance		686
Medical Insurance		222
Dental Insurance		961
Unemployment Compensation		712
Local Retirement		766
Employer Medicare		3,606
Operating Lease Payments		427
Maintenance Agreements		498
Maintenance and Repair Services - Buildings		4,335
Maintenance and Repair Services - Equipment		627
Medical and Dental Services		92,620
Travel		4,861
Custodial Supplies		3,030
Drugs and Medical Supplies		37,302
Electricity		11,060
Food Supplies		65,638
Office Supplies		1,053
Prisoners Clothing		831

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Uniforms	\$	2,282	
Water and Sewer		9,242	
Other Charges		1,690	
Office Equipment		2,145	
Other Equipment		12,776	
Total Jail			\$ 580,783

Juvenile Services

School Resource Officer	\$	51,453	
Longevity Pay		150	
Overtime Pay		2,770	
In-Service Training		220	
Social Security		3,266	
State Retirement		680	
Employee and Dependent Insurance		4,693	
Life Insurance		66	
Dental Insurance		24	
Unemployment Compensation		112	
Employer Medicare		764	
Other Charges		597	
Total Juvenile Services			64,795

Fire Prevention and Control

Contributions	\$	75,000	
Total Fire Prevention and Control			75,000

Rescue Squad

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

Other Emergency Management

Supervisor/Director	\$	30,461	
Part-time Personnel		2,050	
Longevity Pay		350	
In-Service Training		75	
Social Security		1,922	
State Retirement		879	
Employee and Dependent Insurance		5,229	
Life Insurance		91	
Dental Insurance		147	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Other Emergency Management (Cont.)

Unemployment Compensation	\$	61	
Employer Medicare		450	
Communication		2,149	
Contracts with Government Agencies		132	
Dues and Memberships		35	
Engineering Services		2,575	
Licenses		2,770	
Maintenance and Repair Services - Buildings		181	
Maintenance and Repair Services - Equipment		190	
Maintenance and Repair Services - Vehicles		601	
Travel		893	
Gasoline		916	
Office Supplies		621	
Uniforms		1,134	
Communication Equipment		160,438	
Heating and Air Conditioning Equipment		515	
Office Equipment		294	
Other Equipment		1,550	
Total Other Emergency Management			\$ 216,709

County Coroner/Medical Examiner

Other Salaries and Wages	\$	2,744	
Social Security		169	
State Retirement		77	
Unemployment Compensation		3	
Employer Medicare		39	
Medical and Dental Services		12,590	
Travel		411	
Other Contracted Services		4,000	
Total County Coroner/Medical Examiner			20,033

Public Safety Grant Programs

Other Equipment	\$	166,673	
Total Public Safety Grant Programs			166,673

Public Health and Welfare

Local Health Center

Maintenance Personnel	\$	2,000	
Social Security		118	
State Retirement		75	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

Unemployment Compensation	\$	5	
Employer Medicare		28	
Advertising		2,140	
Communication		974	
Dues and Memberships		135	
Maintenance and Repair Services - Buildings		31,825	
Maintenance and Repair Services - Equipment		35	
Postal Charges		70	
Rentals		670	
Travel		8	
Other Contracted Services		9,245	
Drugs and Medical Supplies		2,669	
Food Supplies		451	
Instructional Supplies and Materials		799	
Office Supplies		2,596	
Uniforms		514	
Other Supplies and Materials		149	
Other Charges		7,557	
Office Equipment		942	
Total Local Health Center			\$ 63,005

Ambulance/Emergency Medical Services

Supervisor/Director	\$	46,442
Medical Personnel		422,989
Secretary(ies)		24,865
Longevity Pay		3,850
Overtime Pay		221,507
Other Salaries and Wages		3,600
In-Service Training		1,918
Social Security		42,758
State Retirement		8,239
Employee and Dependent Insurance		80,932
Life Insurance		1,399
Medical Insurance		412
Dental Insurance		1,288
Unemployment Compensation		1,488
Local Retirement		2,510
Employer Medicare		10,000
Communication		9,428
Contracts with Government Agencies		150

(Continued)

Exhibit J-7

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.)

Data Processing Services	\$	32,890	
Dues and Memberships		185	
Operating Lease Payments		1,715	
Licenses		750	
Maintenance Agreements		2,752	
Maintenance and Repair Services - Buildings		3,219	
Maintenance and Repair Services - Equipment		4,205	
Maintenance and Repair Services - Vehicles		23,721	
Medical and Dental Services		487	
Postal Charges		2,073	
Printing, Stationery, and Forms		600	
Tow-in Services		610	
Travel		2,662	
Disposal Fees		3,280	
Custodial Supplies		357	
Diesel Fuel		40,311	
Drugs and Medical Supplies		30,189	
Electricity		13,712	
Gasoline		2,076	
Office Supplies		1,686	
Propane Gas		5,730	
Tires and Tubes		2,161	
Uniforms		4,471	
Water and Sewer		2,079	
Refunds		7,753	
Principal on Capital Leases		1,075	
Interest on Capital Leases		328	
Communication Equipment		5,525	
Furniture and Fixtures		5,785	
Motor Vehicles		2,800	
Office Equipment		455	
Other Equipment		19,704	
Total Ambulance/Emergency Medical Services			\$ 1,109,121

Other Local Health Services

Legal Notices, Recording, and Court Costs	\$	500	
Printing, Stationery, and Forms		54	
Instructional Supplies and Materials		15,230	
Total Other Local Health Services			15,784

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Waste Pickup

Temporary Personnel	\$	17,514	
In-Service Training		70	
Social Security		1,086	
State Retirement		124	
Unemployment Compensation		130	
Employer Medicare		254	
Maintenance and Repair Services - Vehicles		888	
Medical and Dental Services		192	
Rentals		970	
Disposal Fees		1,249	
Gasoline		1,366	
Instructional Supplies and Materials		4,430	
Other Supplies and Materials		114	
Litter Enforcement Awards		300	
Other Charges		300	
Total Waste Pickup			\$ 28,987

Other Public Health and Welfare

Data Processing Personnel	\$	11,414
Medical Personnel		61,812
Clerical Personnel		20,616
Custodial Personnel		20,456
Part-time Personnel		4,298
Longevity Pay		450
Social Security		6,335
State Retirement		903
Employee and Dependent Insurance		14,166
Life Insurance		252
Medical Insurance		90
Dental Insurance		244
Unemployment Compensation		346
Local Retirement		317
Employer Medicare		1,482
Communication		617
Contracts with Private Agencies		4,119
Legal Notices, Recording, and Court Costs		609
Medical and Dental Services		48
Travel		2,525
Custodial Supplies		3,478
Instructional Supplies and Materials		904

(Continued)

Exhibit J-7

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.)

Maintenance Equipment	\$ 1,344	
Total Other Public Health and Welfare		\$ 156,825

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Contributions	\$ 12,000	
Total Senior Citizens Assistance		12,000

Libraries

County Official/Administrative Officer	\$ 36,234	
Assistant(s)	50,446	
Librarians	22,991	
Custodial Personnel	2,144	
Part-time Personnel	3,492	
Longevity Pay	2,150	
Social Security	6,863	
State Retirement	2,229	
Employee and Dependent Insurance	20,023	
Life Insurance	378	
Medical Insurance	253	
Dental Insurance	461	
Unemployment Compensation	338	
Local Retirement	1,303	
Employer Medicare	1,605	
Communication	4,457	
Contracts with Private Agencies	1,500	
Data Processing Services	1,500	
Dues and Memberships	480	
Operating Lease Payments	10,179	
Maintenance Agreements	900	
Maintenance and Repair Services - Buildings	1,490	
Postal Charges	1,950	
Printing, Stationery, and Forms	63	
Travel	3,151	
Custodial Supplies	638	
Library Books/Media	21,084	
Office Supplies	3,920	
Periodicals	1,829	
Propane Gas	3,287	
Office Equipment	9,988	
Total Libraries		217,326

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Other Social, Cultural, and Recreational

Supervisor/Director	\$	19,217	
Teachers		4,698	
Paraprofessionals		13,382	
Longevity Pay		450	
Social Security		2,315	
State Retirement		646	
Life Insurance		95	
Medical Insurance		26	
Unemployment Compensation		201	
Employer Medicare		541	
Communication		494	
Dues and Memberships		35	
Postal Charges		50	
Travel		1,923	
Food Supplies		1,695	
Instructional Supplies and Materials		5,586	
Liability Insurance		750	
Workers' Compensation Insurance		500	
Other Charges		106	
Office Equipment		225	
Total Other Social, Cultural, and Recreational			\$ 52,935

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$	46,956	
Communication		2,250	
Contributions		2,500	
Dues and Memberships		500	
Maintenance and Repair Services - Equipment		112	
Office Supplies		6	
Office Equipment		2,038	
Total Agriculture Extension Service			54,362

Soil Conservation

Secretary(ies)	\$	21,236	
Longevity Pay		400	
Social Security		1,342	
State Retirement		599	
Life Insurance		95	
Medical Insurance		26	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Agriculture and Natural Resources (Cont.)

Soil Conservation (Cont.)

Dental Insurance	\$	154	
Unemployment Compensation		56	
Local Retirement		490	
Employer Medicare		314	
Total Soil Conservation			\$ 24,712

Other Operations

Tourism

Supervisor/Director	\$	17,100	
Contributions		500	
Dues and Memberships		75	
Other Charges		3,000	
Total Tourism			20,675

Housing and Urban Development

Building Construction	\$	277,086	
Total Housing and Urban Development			277,086

Other Economic and Community Development

Architects	\$	9,000	
Engineering Services		3,500	
Other Supplies and Materials		2,933	
Other Charges		798	
Building Construction		10,000	
Total Other Economic and Community Development			26,231

Veterans' Services

Supervisor/Director	\$	32,664	
Part-time Personnel		12,422	
Social Security		2,831	
State Retirement		926	
Life Insurance		158	
Medical Insurance		53	
Dental Insurance		115	
Unemployment Compensation		128	
Local Retirement		739	
Employer Medicare		662	
Communication		3,120	
Dues and Memberships		105	
Maintenance Agreements		552	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations (Cont.)

Veterans' Services (Cont.)

Maintenance and Repair Services - Buildings	\$	665	
Postal Charges		507	
Travel		1,346	
Office Supplies		1,054	
Uniforms		64	
Office Equipment		737	
Total Veterans' Services			\$ 58,848

Other Charges

Veterinary Services	\$	206	
Remittance of Revenue Collected		2,965	
Liability Insurance		61,980	
Premiums on Corporate Surety Bonds		100	
Trustee's Commission		74,394	
Workers' Compensation Insurance		36,878	
Liability Claims		5,000	
Total Other Charges			181,523

Miscellaneous

Contributions	\$	90,976	
Dues and Memberships		6,545	
Total Miscellaneous			97,521

Total General Fund \$ 6,681,104

Drug Control Fund

Public Safety

Drug Enforcement

Other Charges	\$	1,034	
Total Drug Enforcement			\$ 1,034

Other Operations

Other Charges

Trustee's Commission	\$	15	
Total Other Charges			15

Total Drug Control Fund 1,049

(Continued)

Exhibit J-7

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

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	60,360	
Accountants/Bookkeepers		19,052	
Secretary(ies)		28,362	
Advertising		715	
Communication		1,871	
Data Processing Services		4,460	
Dues and Memberships		2,486	
Freight Expenses		49	
Postal Charges		318	
Printing, Stationery, and Forms		736	
Travel		847	
Other Contracted Services		378	
Drugs and Medical Supplies		55	
Electricity		3,204	
Office Supplies		1,204	
Water and Sewer		419	
Other Charges		844	
Total Administration			\$ 125,360

Highway and Bridge Maintenance

Foremen	\$	75,362	
Equipment Operators - Heavy		182,754	
Equipment Operators - Light		79,036	
Truck Drivers		160,689	
Laborers		65,590	
Explosive and Drilling Services		1,540	
Rentals		15,141	
Other Contracted Services		7,220	
Asphalt - Hot Mix		59,124	
Asphalt - Liquid		95,004	
Concrete		6,283	
Crushed Stone		195,359	
Ice		377	
Pipe - Metal		22,234	
Road Signs		1,334	
Salt		9,845	
Structural Steel		639	
Wood Products		2,199	
Total Highway and Bridge Maintenance			979,730

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment

Foremen	\$	39,045	
Laborers		31,063	
Freight Expenses		547	
Laundry Service		2,190	
Maintenance and Repair Services - Equipment		6,001	
Rentals		1,466	
Disposal Fees		2,655	
Other Contracted Services		300	
Diesel Fuel		91,567	
Equipment and Machinery Parts		28,472	
Garage Supplies		11,344	
Gasoline		60,525	
Lubricants		6,491	
Propane Gas		5,647	
Tires and Tubes		18,831	
Total Operation and Maintenance of Equipment			\$ 306,144

Other Charges

Building and Contents Insurance	\$	1,905	
Liability Insurance		30,319	
Trustee's Commission		19,854	
Vehicle and Equipment Insurance		21,815	
Workers' Compensation Insurance		38,454	
Other Charges		502	
Total Other Charges			112,849

Employee Benefits

Longevity Pay	\$	20,550	
Social Security		45,661	
State Retirement		25,390	
Employee and Dependent Insurance		847	
Life Insurance		2,473	
Medical Insurance		126,147	
Dental Insurance		1,760	
Unemployment Compensation		5,284	
Local Retirement		11,773	
Employer Medicare		10,679	
Total Employee Benefits			250,564

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Capital Outlay

Engineering Services	\$	6,871	
Bridge Construction		19,523	
Office Equipment		1,768	
State Aid Projects		179,975	
Total Capital Outlay			\$ 208,137

Principal on Debt

Highways and Streets

Principal on Notes	\$	83,334	
Total Highways and Streets			83,334

Interest on Debt

Highways and Streets

Interest on Notes	\$	3,210	
Total Highways and Streets			3,210

Total Highway/Public Works Fund \$ 2,069,328

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	16,000	
Principal on Notes		106,884	
Total General Government			\$ 122,884

Education

Principal on Bonds	\$	1,275,000	
Principal on Notes		101,410	
Total Education			1,376,410

Interest on Debt

General Government

Interest on Bonds	\$	4,200	
Interest on Notes		44,149	
Total General Government			48,349

Education

Interest on Bonds	\$	1,066,911	
Interest on Notes		31,294	
Total Education			1,098,205

(Continued)

Exhibit J-7

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

General Debt Service Fund (Cont.)

Other Debt Service

General Government

Trustee's Commission	\$ 36,186	
Total General Government		\$ 36,186

Education

Other Debt Service	\$ 1,850	
Total Education		<u>1,850</u>

Total General Debt Service Fund		\$ 2,683,884
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General Capital Projects Fund

Capital Projects

Public Safety Projects

Trustee's Commission	\$ 490	
Land	<u>235,500</u>	
Total Public Safety Projects		<u>\$ 235,990</u>

Total General Capital Projects Fund		235,990
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Highway Capital Projects Fund

Other Operations

Other Charges

Trustee's Commission	\$ 446	
Total Other Charges		<u>\$ 446</u>

Total Highway Capital Projects Fund		<u>446</u>
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Total Governmental Funds - Primary Government		<u>\$ 11,894,301</u>
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Exhibit J-8

Stewart County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Stewart County School Department
For the Year Ended June 30, 2008

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	4,310,337	
Career Ladder Program		57,000	
Career Ladder Extended Contracts		66,000	
Homebound Teachers		21,935	
Educational Assistants		192,888	
Other Salaries and Wages		13,504	
Non-certified Substitute Teachers		166,988	
Social Security		287,821	
State Retirement		281,737	
Medical Insurance		600,161	
Unemployment Compensation		4,422	
Employer Medicare		67,472	
Other Fringe Benefits		2,269	
Maintenance and Repair Services - Equipment		2,711	
Other Contracted Services		1,650	
Instructional Supplies and Materials		71,696	
Textbooks		142,629	
Other Supplies and Materials		41,011	
Fee Waivers		827	
Other Charges		1,730	
Regular Instruction Equipment		121,817	
Total Regular Instruction Program			\$ 6,456,605

Alternative Instruction Program

Teachers	\$	41,473	
Educational Assistants		14,888	
Social Security		1,322	
State Retirement		450	
Unemployment Compensation		72	
Employer Medicare		810	
Instructional Supplies and Materials		489	
Other Supplies and Materials		584	
Total Alternative Instruction Program			60,088

Special Education Program

Teachers	\$	687,494
Career Ladder Program		18,000
Educational Assistants		2,644
Non-certified Substitute Teachers		7,035

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Social Security	\$	42,535	
State Retirement		44,068	
Medical Insurance		106,730	
Unemployment Compensation		566	
Employer Medicare		9,948	
Total Special Education Program			\$ 919,020

Vocational Education Program

Teachers	\$	439,079	
Career Ladder Program		7,000	
Educational Assistants		12,187	
Social Security		27,202	
State Retirement		27,836	
Medical Insurance		61,995	
Unemployment Compensation		362	
Employer Medicare		6,362	
Maintenance and Repair Services - Equipment		98	
Instructional Supplies and Materials		25,716	
Other Supplies and Materials		139	
Vocational Instruction Equipment		16,985	
Total Vocational Education Program			624,961

Adult Education Program

Teachers	\$	15,292	
Other Salaries and Wages		30,571	
Social Security		2,765	
State Retirement		203	
Medical Insurance		4,486	
Unemployment Compensation		65	
Employer Medicare		647	
Other Fringe Benefits		160	
Instructional Supplies and Materials		746	
Total Adult Education Program			54,935

Support Services

Attendance

Supervisor/Director	\$	58,262	
Career Ladder Program		1,000	
Social Security		3,507	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Attendance (Cont.)

State Retirement	\$	3,698	
Medical Insurance		10,775	
Unemployment Compensation		28	
Employer Medicare		820	
Travel		1,487	
Other Supplies and Materials		4,254	
In Service/Staff Development		1,156	
Attendance Equipment		1,947	
Total Attendance			\$ 86,934

Health Services

Medical Personnel	\$	148,387	
Other Salaries and Wages		52,403	
Social Security		12,050	
State Retirement		10,790	
Medical Insurance		24,773	
Unemployment Compensation		277	
Employer Medicare		2,818	
Other Fringe Benefits		721	
Travel		5,290	
Other Contracted Services		26,282	
Drugs and Medical Supplies		2,351	
Food Supplies		2,069	
Other Supplies and Materials		14,595	
In Service/Staff Development		824	
Other Charges		291	
Health Equipment		13,903	
Total Health Services			317,824

Other Student Support

Career Ladder Program	\$	3,000	
Guidance Personnel		207,944	
Secretary(ies)		16,525	
School Resource Officer		23,646	
Other Salaries and Wages		7,189	
Social Security		12,997	
State Retirement		12,279	
Medical Insurance		4,474	
Unemployment Compensation		180	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Employer Medicare	\$	3,389	
Other Fringe Benefits		336	
Evaluation and Testing		13,848	
Travel		989	
Other Contracted Services		11,000	
Other Supplies and Materials		21,687	
Other Charges		110	
Other Equipment		3,684	
Total Other Student Support			\$ 343,277

Regular Instruction Program

Supervisor/Director	\$	129,332	
Career Ladder Program		6,000	
Librarians		180,081	
Secretary(ies)		29,441	
Educational Assistants		47,048	
Social Security		23,364	
State Retirement		22,367	
Medical Insurance		57,494	
Unemployment Compensation		317	
Employer Medicare		5,464	
Other Fringe Benefits		1,416	
Travel		9,429	
Library Books/Media		11,934	
Other Supplies and Materials		2,421	
In Service/Staff Development		13,473	
Total Regular Instruction Program			539,581

Special Education Program

Supervisor/Director	\$	38,135
Career Ladder Program		3,000
Psychological Personnel		40,446
Secretary(ies)		22,113
Social Security		6,294
State Retirement		5,714
Medical Insurance		5,991
Unemployment Compensation		69
Employer Medicare		1,472
Other Fringe Benefits		496

(Continued)

Exhibit J-8

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

<u>General Purpose School Fund (Cont.)</u>		
<u>Support Services (Cont.)</u>		
<u>Special Education Program (Cont.)</u>		
Travel	\$ 1,644	
Other Supplies and Materials	544	
Total Special Education Program		\$ 125,918
<u>Vocational Education Program</u>		
Travel	\$ 1,255	
Total Vocational Education Program		1,255
<u>Adult Programs</u>		
Supervisor/Director	\$ 53,832	
Social Security	3,235	
State Retirement	1,517	
Medical Insurance	9,875	
Unemployment Compensation	28	
Employer Medicare	757	
Other Fringe Benefits	1,207	
Travel	1,396	
Food Supplies	3,233	
Other Supplies and Materials	1,288	
In Service/Staff Development	1,646	
Other Charges	2,319	
Total Adult Programs		80,333
<u>Other Programs</u>		
On-Behalf Payments to OPEB	\$ 47,679	
Total Other Programs		47,679
<u>Board of Education</u>		
Secretary to Board	\$ 2,000	
Board and Committee Members Fees	19,560	
Social Security	1,337	
Employer Medicare	313	
Audit Services	4,400	
Dues and Memberships	13,089	
Legal Services	10,568	
Travel	1,282	
Other Contracted Services	3,500	
Other Supplies and Materials	1,731	
Liability Insurance	27,377	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education (Cont.)

Premiums on Corporate Surety Bonds	\$	1,804	
Trustee's Commission		55,838	
Workers' Compensation Insurance		105,022	
In Service/Staff Development		8,013	
Criminal Investigation of Applicants - TBI		224	
Refund to Applicant for Criminal Investigation		48	
Other Charges		3,028	
Total Board of Education			\$ 259,134

Director of Schools

County Official/Administrative Officer	\$	87,766	
Career Ladder Program		1,000	
Secretary(ies)		22,113	
Clerical Personnel		27,534	
Social Security		8,537	
State Retirement		6,938	
Medical Insurance		3,709	
Unemployment Compensation		84	
Employer Medicare		1,997	
Other Fringe Benefits		1,113	
Communication		38,869	
Postal Charges		3,850	
Travel		4,091	
Office Supplies		7,212	
Other Supplies and Materials		1,000	
Other Charges		20,100	
Administration Equipment		3,038	
Total Director of Schools			238,951

Office of the Principal

Principals	\$	242,150	
Career Ladder Program		5,000	
Accountants/Bookkeepers		86,940	
Assistant Principals		177,189	
Secretary(ies)		88,202	
Social Security		36,325	
State Retirement		31,412	
Medical Insurance		61,742	
Unemployment Compensation		418	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal (Cont.)

Employer Medicare	\$	8,495	
Other Fringe Benefits		3,391	
Communication		660	
Other Supplies and Materials		6,321	
In Service/Staff Development		684	
Other Charges		8,671	
Administration Equipment		3,909	
Total Office of the Principal			\$ 761,509

Fiscal Services

Accountants/Bookkeepers	\$	65,871	
Social Security		3,790	
State Retirement		1,856	
Medical Insurance		8,083	
Unemployment Compensation		56	
Employer Medicare		886	
Other Fringe Benefits		649	
Data Processing Services		8,553	
Travel		392	
Data Processing Supplies		1,379	
Office Supplies		2,201	
Administration Equipment		12,706	
Total Fiscal Services			106,422

Operation of Plant

Guards	\$	19,013	
Custodial Personnel		342,246	
Social Security		22,268	
State Retirement		5,070	
Medical Insurance		11,125	
Unemployment Compensation		799	
Employer Medicare		5,208	
Other Fringe Benefits		4,713	
Disposal Fees		15,021	
Other Contracted Services		5,650	
Custodial Supplies		63,126	
Electricity		574,266	
Natural Gas		112,739	
Water and Sewer		53,056	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Other Supplies and Materials	\$	283	
Boiler Insurance		4,493	
Building and Contents Insurance		81,852	
Other Charges		2,076	
Plant Operation Equipment		1,472	
Total Operation of Plant			\$ 1,324,476

Maintenance of Plant

Supervisor/Director	\$	43,202	
Maintenance Personnel		186,722	
Social Security		14,098	
State Retirement		5,245	
Medical Insurance		27,757	
Unemployment Compensation		208	
Employer Medicare		3,297	
Other Fringe Benefits		4,893	
Maintenance and Repair Services - Buildings		30,100	
Maintenance and Repair Services - Equipment		10,225	
Other Contracted Services		3,198	
General Construction Materials		10,753	
Other Supplies and Materials		81,561	
Other Charges		3,774	
Maintenance Equipment		8,700	
Total Maintenance of Plant			433,733

Transportation

Mechanic(s)	\$	65,961	
Bus Drivers		438,607	
Social Security		31,638	
State Retirement		13,099	
Medical Insurance		14,411	
Unemployment Compensation		1,114	
Employer Medicare		7,399	
Other Fringe Benefits		6,021	
Contracts with Private Agencies		1,802	
Maintenance and Repair Services - Vehicles		6,175	
Rentals		170	
Travel		1,014	
Other Contracted Services		775	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Diesel Fuel	\$	221,276	
Gasoline		31,046	
Lubricants		7,867	
Tires and Tubes		28,869	
Vehicle Parts		45,076	
Other Supplies and Materials		2,946	
Vehicle and Equipment Insurance		25,272	
In Service/Staff Development		230	
Other Charges		5,122	
Transportation Equipment		<u>15,244</u>	
Total Transportation			\$ 971,134

Central and Other

Supervisor/Director	\$	31,900	
Other Salaries and Wages		32,327	
Social Security		2,269	
State Retirement		909	
Medical Insurance		7,408	
Unemployment Compensation		56	
Employer Medicare		870	
Other Fringe Benefits		716	
Maintenance and Repair Services - Equipment		4,263	
Travel		2,573	
Other Supplies and Materials		2,136	
Other Charges		1,582	
Other Equipment		<u>33,433</u>	
Total Central and Other			120,442

Operation of Non-Instructional Services

Food Service

Food Supplies	\$	<u>3,682</u>	
Total Food Service			3,682

Community Services

Supervisor/Director	\$	20,091	
Clerical Personnel		9,350	
Social Security		1,874	
State Retirement		351	
Unemployment Compensation		42	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Community Services (Cont.)

Employer Medicare	\$	438	
Other Fringe Benefits		790	
Travel		106	
Instructional Supplies and Materials		300	
Other Supplies and Materials		481	
Total Community Services			\$ 33,823

Early Childhood Education

Teachers	\$	173,340	
Educational Assistants		80,725	
Certified Substitute Teachers		8,000	
Social Security		15,582	
State Retirement		12,026	
Medical Insurance		30,672	
Unemployment Compensation		377	
Employer Medicare		3,644	
Other Fringe Benefits		514	
Travel		702	
Instructional Supplies and Materials		14,469	
Other Supplies and Materials		23,036	
Other Equipment		1,216	
Total Early Childhood Education			364,303

Capital Outlay

Regular Capital Outlay

Site Development	\$	5,314	
Other Capital Outlay		51,562	
Total Regular Capital Outlay			56,876

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$	104,639	
Other Debt Service		60,000	
Total Education			164,639

Total General Purpose School Fund \$ 14,497,534

(Continued)

Exhibit J-8

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

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	95,016	
Educational Assistants		45,566	
Other Salaries and Wages		29,775	
Non-certified Substitute Teachers		10,000	
Social Security		11,023	
State Retirement		9,353	
Medical Insurance		10,827	
Unemployment Compensation		223	
Employer Medicare		2,578	
Other Fringe Benefits		840	
Instructional Supplies and Materials		43,226	
Other Charges		1,870	
Regular Instruction Equipment		27,261	
Total Regular Instruction Program			\$ 287,558

Special Education Program

Teachers	\$	42,372	
Educational Assistants		216,758	
Speech Pathologist		48,792	
Social Security		18,500	
State Retirement		10,158	
Medical Insurance		20,750	
Unemployment Compensation		687	
Employer Medicare		4,327	
Other Fringe Benefits		2,499	
Contracts with Private Agencies		69,984	
Other Contracted Services		708	
Instructional Supplies and Materials		15,330	
Other Charges		3,233	
Special Education Equipment		1,728	
Total Special Education Program			455,826

Vocational Education Program

Instructional Supplies and Materials	\$	6,088	
Vocational Instruction Equipment		14,611	
Total Vocational Education Program			20,699

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Support Services

Other Student Support

Travel	\$	7,000	
Other Supplies and Materials		6,904	
In Service/Staff Development		6,133	
Other Charges		852	
Total Other Student Support			\$ 20,889

Regular Instruction Program

Supervisor/Director	\$	25,423	
Other Salaries and Wages		47,067	
Social Security		3,096	
State Retirement		3,284	
Medical Insurance		10,775	
Unemployment Compensation		67	
Employer Medicare		1,012	
Travel		1,759	
Other Supplies and Materials		8,453	
In Service/Staff Development		44,657	
Other Charges		115	
Total Regular Instruction Program			145,708

Vocational Education Program

Travel	\$	172	
Other Supplies and Materials		1,016	
In Service/Staff Development		1,644	
Other Charges		144	
Total Vocational Education Program			2,976

Total School Federal Projects Fund \$ 933,656

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	48,102
Clerical Personnel		24,934
Cafeteria Personnel		337,222
Other Salaries and Wages		18,222
Social Security		26,519
State Retirement		10,016
Medical Insurance		11,834

(Continued)

Exhibit J-8

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

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Unemployment Compensation	\$	983	
Employer Medicare		6,202	
Other Fringe Benefits		6,912	
Communication		2,333	
Maintenance and Repair Services - Equipment		9,203	
Travel		6,544	
Other Contracted Services		4,318	
Food Preparation Supplies		21,987	
Food Supplies		480,888	
Office Supplies		8,243	
Uniforms		4,484	
Other Supplies and Materials		10,970	
In Service/Staff Development		8,958	
Other Charges		29,272	
Food Service Equipment		22,072	
Total Food Service			\$ 1,100,218
Total Central Cafeteria Fund			\$ 1,100,218

School Transportation Fund

Support Services

Board of Education

Trustee's Commission	\$	3,062	
Total Board of Education			\$ 3,062

Transportation

Transportation Equipment	\$	245,329	
Total Transportation			245,329

Total School Transportation Fund 248,391

Total Governmental Funds - Stewart County School Department \$ 16,779,799

Exhibit J-9

Stewart County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balance - City Agency Fund
For the Year Ended June 30, 2008

	<u>Cities - Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 328,165
Total Cash Receipts	<u>\$ 328,165</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 324,883
Trustee's Commission	3,282
Total Cash Disbursements	<u>\$ 328,165</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0
Cash Balance, July 1, 2007	<u>0</u>
Cash Balance, June 30, 2008	<u><u>\$ 0</u></u>

SINGLE AUDIT SECTION

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STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7841

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

February 18, 2009

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

To the County Mayor and Board of County Commissioners:

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Stewart County, Tennessee, as of and for the year ended June 30, 2008, which collectively comprise Stewart County's basic financial statements and have issued our report thereon dated February 18, 2009. Our report on the aggregate discretely presented component units was qualified due to not including the financial statements of the Stewart County Emergency Communications District, a discretely presented component unit, which were not available from other auditors as of the date of this report. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Stewart County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Stewart County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Stewart County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting: 08.01, 08.03, 08.04, 08.05, 08.06, 08.07, 08.09, and 08.13.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Stewart County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies describe above, we consider items 08.01 and 08.06 to be material weaknesses.

Compliance and Other Matters

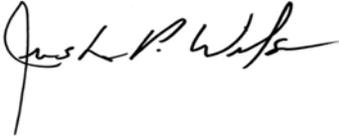
As part of obtaining reasonable assurance about whether Stewart County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying Schedule of Findings and Questioned Costs as items 08.02, 08.08, 08.10, and 08.12.

We consider item 08.11 described in the accompanying Schedule of Findings and Questioned Costs to be a noteworthy control deficiency over financial operations. We also noted certain matters that we reported to management of Stewart County in separate communications.

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

This report is intended solely for the information and use of management, the county mayor, director of schools, county engineer, County Commission, Board of Education, others within Stewart County, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

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Justin P. Wilson
Comptroller of the Treasury

JPW/yu

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STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7841

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

February 18, 2009

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

To the County Mayor and Board of County Commissioners:

Compliance

We have audited the compliance of Stewart County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Stewart County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Stewart County's management. Our responsibility is to express an opinion on Stewart County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Stewart County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our

audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Stewart County's compliance with those requirements.

In our opinion, Stewart County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Stewart County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Stewart County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Stewart County's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

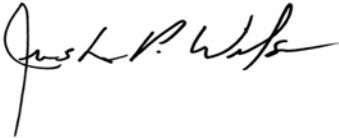
We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Stewart County as of and for the year ended June 30, 2008, and have issued our report thereon dated February 18, 2009. Our report on the aggregate discretely presented component units was qualified due to not including the financial statements of the Stewart County Emergency Communications District, a discretely presented component unit, which were not available from other auditors as of the date of this report. Our audit was performed for the purpose of forming our opinions on the financial statements that

collectively comprise Stewart County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

This report is intended solely for the information and use of management, the county mayor, director of schools, county engineer, County Commission, Board of Education, others within Stewart County, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Yours very truly,

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

Justin P. Wilson
Comptroller of the Treasury

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Stewart County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2008

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:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	\$ 51,563 (6)
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	170,119
National School Lunch Program	10.555	N/A	398,334 (6)
Passed-through State Department of Human Services:			
Child and Adult Care Food Program	10.558	03-47-30044-00-1	2,547
Total U.S. Department of Agriculture			<u>\$ 622,563</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Housing Development Agency:			
HOME Investment Partnerships Program	14.239	(2)	\$ 213,280
Total U.S. Department of Housing and Urban Development			<u>\$ 213,280</u>
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	Z0808228100	\$ 9,700
Passed-through State Office of Criminal Justice Programs:			
Edward Byrne Memorial Formula Grant Program	16.579	Z0602756200	18,000
Total U.S. Department of Justice			<u>\$ 27,700</u>
U.S. Department of Labor:			
Passed-through State Department of Labor and Workforce Development:			
Incentive Grants - WIA Section 503	17.267	GG082315400	\$ 14,568
Total U.S. Department of Labor			<u>\$ 14,568</u>
U.S. Department of Education:			
Direct Programs:			
Impact Aid	84.041	N/A	\$ 163,523
Safe and Drug-Free Schools and Communities - National Programs	84.184	N/A	26,013
Passed-through State Department of Labor and Workforce Development:			
Adult Education - Basic Grants to States	84.002	Z0802082500	82,286
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	355,074
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	444,627
Special Education - Preschool Grants	84.173	N/A	16,224
Career and Technical Education - Basic Grants to States	84.048	N/A	37,659
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	8,682
State Grants for Innovative Programs	84.298	N/A	3,443
Education Technology State Grants	84.318	(2)	3,735
English Language Acquisition Grants	84.365	N/A	1,126
Improving Teacher Quality State Grants	84.367	N/A	63,086
Total U.S. Department of Education			<u>\$ 1,205,478</u>
U.S. Elections Assistance Commission:			
Passed-through Tennessee Secretary of State:			
Help America Vote Act Requirements Payments	90.401	Z0820112100	\$ 1,773
Total U.S. Elections Assistance Commission			<u>\$ 1,773</u>

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Homeland Security Grant Program	97.067	GG072143700	\$ 1,904
Total U.S. Department of Homeland Security			<u>\$ 1,904</u>
Total Expenditures of Federal Awards			<u><u>\$ 2,087,266</u></u>
State Grants:			
Litter Program - State Department of Transportation	N/A	(3)	\$ 33,239
Lottery for Education Afterschool Program - State Department of Education	N/A	GG082342900	47,167
Local Archives Development - Tennessee Secretary of State	N/A	(2)	2,600
Tobacco Use Prevention and Cessation Grant - State Department of Health	N/A	GG082323500	15,789
Local Health Services - State Department of Health	N/A	(4)	169,917
Continuity of Quality Public Health Services - State Department of Health	N/A	(2)	68,000
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	7,349
Courtroom Security Grant - Administrative Office of the Courts	N/A	(2)	25,568
Juvenile Justice and Delinquency Prevention - State Department of Children's Services	N/A	GG082164400	19,476
Adult Education - State Department of Labor and Workforce Development	N/A	(5)	43,642
Family Resource Center - State Department of Education	N/A	(2)	38,729
Internet Connectivity - State Department of Education	N/A	(2)	11,283
Milk Settlement - State Department of Education	N/A	(2)	3,552
Safe Schools Act of 2003 - State Department of Education	N/A	(2)	13,500
Coordinated School Health - State Department of Education	N/A	(2)	<u>135,000</u>
Total State Grants			<u><u>\$ 634,811</u></u>

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

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Information not available.
- (3) Z0703384900: \$8,289; Z0802104600: \$24,950.
- (4) Z0703158500: \$13,091; Z0802040800: \$156,826.
- (5) Z0820125300: \$16,213; Z0802082500: \$27,429.
- (6) Total for CFDA No. 10.555 is \$449,897.

Stewart County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2008

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, for the year ended June 30, 2007, which have not been corrected.

OFFICE OF COUNTY ENGINEER

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
07.04	16	Purchase orders were not completed properly
07.05	16	The Highway Department did not maintain a system to account for the use of some road materials

OFFICE OF ASSESSOR OF PROPERTY

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
07.07	18	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>
07.08	18	Funds were not deposited within three days of collection

OTHER FINDINGS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
07.09	19	A central system of accounting, budgeting, and purchasing had not been adopted
07.10	20	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

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STEWART COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2008

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the aggregate discretely presented component units is qualified. Our report on the governmental activities, each major fund, and the aggregate remaining fund information is unqualified.
2. The audit of the financial statements of Stewart County disclosed significant deficiencies in internal control. Two of these deficiencies were considered to be material weaknesses.
3. The audit disclosed no instances of noncompliance that were material to the financial statements of Stewart County.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed 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), and the Special Education Cluster: Special Education – Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173) 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 did not qualify as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. The written responses of the county mayor and director of schools have been paraphrased in this report. Other officials offered oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

OFFICE OF COUNTY MAYOR

FINDING 08.01 THE GENERAL FUND REQUIRED MATERIAL AUDIT ADJUSTMENTS FOR PROPER FINANCIAL STATEMENT PRESENTATION
(Internal Control – Material Weakness Under Government Auditing Standards)

At June 30, 2008, certain general ledger account balances in the General Fund were not materially correct, and audit adjustments were required for the financial statements to be materially correct at year-end. Generally accepted accounting principles require Stewart County to have adequate internal controls over the maintenance of its accounting records. Material audit adjustments were required because the county's financial reporting system did not prevent, detect, or correct potential misstatements in the accounting records. It is a strong indicator of a material weakness in internal controls if the county has ineffective controls over the maintenance of its accounting records, which are used to prepare the financial statements, including the related notes to the financial statements. We presented audit adjustments to management that they approved and posted to properly present the financial statements in this report.

RECOMMENDATION

Stewart County should have appropriate processes in place to ensure that its general ledgers are materially correct.

MANAGEMENT'S RESPONSE – COUNTY MAYOR

This finding was due to a large number of outstanding purchase orders at year-end being set up as payables. Some of these open purchase orders were issued after fiscal year-end. Stewart County will stop issuing purchase orders except for emergency purchases as of May 31st of each fiscal year and will make sure that orders have been placed for all open purchase orders. If orders have not been placed, the purchase orders will be voided, and purchases will have to be made out of the next fiscal year's funds.

AUDITOR'S REBUTTAL

There is nothing wrong with issuing purchase orders and ordering merchandise up until the last day of the fiscal year as long as there are appropriated funds available. Officials should use care in classifying transactions between outstanding purchase orders and

accounts payable. An outstanding purchase order becomes an accounts payable once merchandise is received and an invoice is received.

FINDING 08.02 **EXPENDITURES EXCEEDED APPROPRIATIONS**
(Noncompliance Under Government Auditing Standards)

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

<u>Fund/Major Category</u>	<u>Amount Overspent</u>
General:	
Housing and Urban Development	\$ 99,520
Other Charges	683
General Debt Service:	
Other Debt Service - Education	1,000

Section 5-9-401, Tennessee Code Annotated, states that “All funds from whatever source derived including, but not limited to taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies.” These deficiencies exist because management failed to stay within the spending limits authorized by the County Commission, which resulted in unauthorized expenditures.

RECOMMENDATION

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

MANAGEMENT’S RESPONSE – COUNTY MAYOR

Expenditures exceeded appropriations in the Housing and Urban Development category because the bill for the \$99,520 expenditure was not received until after fiscal year-end budget amendments had been prepared and passed by the County Commission. Expenditures exceeded appropriations in the Other Charges category because the budgeted amount for the trustee’s commission line-item was not enough to cover the expenditure for June 2008. Expenditures exceeded appropriations in the Other Debt Service - Education major appropriation category because a payment was made after year-end budget amendments had been prepared and approved by the County Commission.

OFFICE OF COUNTY ENGINEER

**FINDING 08.03 PURCHASE ORDERS WERE NOT COMPLETED PROPERLY
(Internal Control – Significant Deficiency 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 amounts and descriptions of items on purchase orders are necessary to quantify purchasing commitments and to identify the items purchased. This deficiency can be attributed to the failure of management to correct the audit finding noted in prior reports. The failure to list descriptions and dollar amounts on purchase orders increases the risk of unauthorized purchases.

RECOMMENDATION

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

**FINDING 08.04 THE HIGHWAY DEPARTMENT DID NOT MAINTAIN A SYSTEM TO ACCOUNT FOR THE USE OF SOME ROAD MATERIALS
(Internal Control – Significant Deficiency Under Government Auditing Standards)**

The Highway Department had a system to account for 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. This deficiency can be attributed to the failure of management to correct the audit finding noted in prior reports. 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.

**FINDING 08.05 SOME PAYROLL TIME RECORDS WERE NOT SIGNED BY SUPERVISORS
(Internal Control – Significant Deficiency Under Government Auditing Standards)**

In some instances, supervisors did not sign the employees' time cards as evidence of supervisory review and approval. Sound business practice dictates that payroll records be

properly reviewed and approved. This deficiency is due to a lack of management oversight. If supervisors do not review and approve time cards, improper payments could result.

RECOMMENDATION

Supervisors should sign employees' time cards as evidence of review and approval.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 08.06 **THE STEWART COUNTY SCHOOL DEPARTMENT DOES NOT HAVE THE RESOURCES TO PRODUCE FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS**
(Internal Control – Material Weakness Under Government Auditing Standards)

Generally accepted auditing standards require that the Stewart County School Department's financial statements be the product of a financial reporting system that offers reasonable assurance that management is able to produce financial statements and notes to the financial statements that comply with generally accepted accounting principles (GAAP). The preparation of financial statements in accordance with GAAP requires that the School Department have internal controls over reporting government-wide and fund financial statements, including the related notes. It is permissible for us, as the external auditors, to assist the School Department in preparing its financial statements and notes as a matter of convenience as long as the School Department has the skills needed to prepare its financial statements and notes. However, management, including the accounting staff, does not have the technical skills to prepare GAAP financial statements and disclosures. The inability to prepare financial statements and notes is an indication of a lack of controls or ineffective controls, because material misstatements may not be detected.

RECOMMENDATION

The Stewart County School Department should develop the ability to produce financial statements and notes to the financial statements that comply with GAAP. This could include having at least one staff member trained in financial statement preparation. This staff member should have sufficient skills necessary to prepare a complete set of year-end financial statements even though the external auditors prepare the School Department's financial statements as a matter of convenience. If we, as the external auditors, continue to prepare the School Department's financial statements, this individual must have sufficient knowledge to determine the completeness of financial statement information and disclosures.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

The Finance Department will have a staff member available for training in financial statement preparation when such training is scheduled. The goal of such training will be to have the ability to produce financial statements and notes to the financial statements. At a

minimum, this person will have sufficient knowledge to determine the completeness of financial statement information and disclosures as prepared by the external auditors.

FINDING 08.07 THE SCHOOL FEDERAL PROJECTS FUND HAD A CASH OVERDRAFT

(Internal Control – Significant Deficiency Under Government Auditing Standards)

At June 30, 2008, the School Federal Projects Fund had a cash overdraft of \$13,256. Sound business practices dictate that expenditures be held within available funds. This overdraft resulted from the issuance of warrants exceeding cash on deposit with the county trustee. This cash overdraft was liquidated subsequent to June 30, 2008.

RECOMMENDATION

The School Department should not issue warrants exceeding cash on deposit with the county trustee.

MANAGEMENT’S RESPONSE – DIRECTOR OF SCHOOLS

This occurrence was due to the lengthy time frame it takes for School Federal Projects Fund monies to be received after being ordered from the Federal Application Consolidated Tracking System (FACTS). Bill payments were made before the money was received causing a cash overdraft at the end of the year. In the future, the Board of Education will not pay the bills until the money is actually received from FACTS and on deposit with the county trustee.

OFFICE OF ASSESSOR OF PROPERTY

FINDING 08.08 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, requires all property to be assessed “to the person or persons owning or claiming to own the same on January 1 for the year the assessment is made.” This deficiency can be attributed to the failure of management to correct the audit finding noted in prior reports.

RECOMMENDATION

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

OFFICES OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK AND CLERK AND MASTER

FINDING 08.09 **THE OFFICES DID NOT REVIEW SOFTWARE AUDIT LOGS**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The software applications used by these offices generated daily logs that displayed changes made by users. Since these logs provided the only audit trail of these changes, they should be reviewed daily for inappropriate activity. Because they were not aware of its importance, management did not begin reviewing these logs until several months into the fiscal year. Procedures for reviewing these logs are currently in place.

OFFICE OF SHERIFF

FINDING 08.10 **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 seven days lapsed between the date funds were received and the date funds were deposited to the bank. This deficiency can be attributed to the failure of management to correct the audit finding noted in prior reports. Failure to deposit collections within three days weakens internal controls over funds and increases the risks 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 08.11 **A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**
(Internal Control – Control Deficiency Under Government Auditing Standards)

County officials had not adopted a central system of accounting, budgeting, and purchasing. Sound business practices dictate that establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes. The

absence of a central system of accounting, budgeting, and purchasing has been a management decision by the County Commission resulting in decentralization and some duplication of effort.

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

Stewart County continues to work on establishing a centralized system of accounting, budgeting, and purchasing. It is our hope that this will occur in the near future.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

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 central system of accounting, budgeting, and purchasing.

FINDING 08.12 **THE COUNTY USED A QUESTIONABLE METHOD OF FUNDING RETIREMENT CONTRIBUTIONS FOR EMPLOYEES OF THE HIGHWAY DEPARTMENT**
(Noncompliance Under Government Auditing Standards)

During the year, transfers were made from the county's General Fund to the Highway/Public Works Fund to provide funds for the Highway Department's contribution for employees' retirement. The state attorney general has opined that state statutes authorize a county to levy a tax for county general purposes and has defined a county general purpose levy as a levy for all county purposes, except roads, bridges, and schools. Therefore, the legality of using General Fund monies to fund the Highway Department's contribution for employees' retirement is questionable.

RECOMMENDATION

Highway Department contributions for employees' retirement should be appropriated and paid from highway funds. General Fund monies should not be used to pay Highway Department expenses.

MANAGEMENT'S RESPONSE – COUNTY MAYOR

The method of transferring funds from the General Fund to the Highway/Public Works Fund to cover the highway's Tennessee Consolidated Retirement System (TCRS) match was used from April through June 2008. The county was not aware that covering the highway match in this manner was not correct until July 2008. At that time the method of funding

the highway's match was changed. For the 2008-09 year, the County Commission appropriated additional funds to the Highway Department to cover their TCRS match.

FINDING 08.13 DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF DIRECTOR OF SCHOOLS; TRUSTEE; COUNTY CLERK; CIRCUIT, GENERAL SESSIONS, AND JUVENILE COURTS CLERK; CLERK AND MASTER; REGISTER; AND SHERIFF

(Internal Control – Significant Deficiency Under Government Auditing Standards)

Duties were not segregated adequately among the officials and employees in the Offices of Director of Schools; 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 were also involved in receipting, depositing, and/or disbursing funds. Accounting standards provide that internal controls be designed to give reasonable assurance of the reliability of financial reporting and of the effectiveness and efficiency of operations. This lack of segregation of duties is the result of management's decisions based on the availability of financial resources and is a significant deficiency in internal controls that increases the risk of unauthorized transactions.

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

Financial duties at the Board of Education Office will be segregated to the extent possible with available resources.

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

There were no findings and questioned costs for federal awards.

**STEWART COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2008**

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