

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

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**SINGLE AUDIT REPORT**



**FOR THE YEAR ENDED JUNE 30, 2005**

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

**ANNUAL FINANCIAL REPORT**  
**CHESTER COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2005**

*DEPARTMENT OF AUDIT*  
*JOHN G. MORGAN*  
*Comptroller of the Treasury*

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

*ARTHUR L. ALEXANDER*  
*Director*

*NORMAN R. NORMENT, CGFM*  
*Audit Manager*

*NOLAN R. BRADFORD, CPA, CGFM*  
*Auditor 4*

*HORACE WISEMAN, CGFM*  
*ELISHA CROWELL*  
*State Auditors*

This financial report is available at [www.comptroller.state.tn.us](http://www.comptroller.state.tn.us)

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## CHESTER COUNTY, TENNESSEE TABLE OF CONTENTS

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	Exhibit/Table	Page
Audit Highlights		i
 <u>INTRODUCTORY SECTION</u>		
Chester County Officials		1
 <u>FINANCIAL SECTION</u>		
Independent Auditor's Report		5
<b>BASIC FINANCIAL STATEMENTS:</b>		
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	A	11
Statement of Revenues, Expenditures, and Changes in Fund Balances	B	13
Fiduciary Funds:		
Statement of Fiduciary Assets and Liabilities	C	15
Notes to the Financial Statements		17
<b>REQUIRED SUPPLEMENTARY INFORMATION:</b>		
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
General Fund	D-1	35
Solid Waste/Sanitation Fund	D-2	37
Highway/Public Works Fund	D-3	38
Notes to the Required Supplementary Information		39
 <b>COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:</b>		
Nonmajor Governmental Funds:		
Combining Balance Sheet	E-1	45
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	E-2	46
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
Drug Control Fund	E-3	47
General Debt Service Fund	E-4	48

	Exhibit/Table	Page
Major Governmental Fund:		
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
Education Debt Service Fund	F	51
Agency Funds:		
Combining Statement of Fiduciary Assets and Liabilities	G-1	55
Combining Statement of Changes in Assets and Liabilities	G-2	56
Miscellaneous Schedules:		
Schedule of Changes in Long-term Notes and Bonds	H-1	59
Schedule of Bond and Interest Requirements by Year	H-2	60
Schedule of Notes Receivable	H-3	61
Schedule of Transfers	H-4	62
Schedule of Salaries and Official Bonds of Principal Officials	H-5	63
Schedule of Detailed Revenues – All Governmental Fund Types	H-6	64
Schedule of Detailed Expenditures – All Governmental Fund Types	H-7	68
Schedule of Detailed Receipts, Disbursements, and Changes in Cash Balance – City Agency Fund	H-8	85

**STATISTICAL SECTION**

Uncollected Taxes Filed in Chancery Court	1	89
Tax Rates and Assessments - Last Ten Years	2	90

***Audit Highlights***  
Annual Financial Report  
Chester County, Tennessee  
For the Year Ended June 30, 2005

***Scope***

We have audited the financial statements of each major fund and the aggregate remaining fund information of Chester County as of and for the year ended June 30, 2005.

***Results***

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

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

***Findings***

The following are summaries of the audit findings:

**CHESTER COUNTY**

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

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**OFFICE OF COUNTY MAYOR**

- ◆ The office did not issue purchase orders in some required instances, and some invoices were paid without documentation of the receipt of goods or services. Also, in numerous instances, itemized hotel bills were not on file to document employees' lodging expenses.

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**OFFICE OF ROAD SUPERVISOR**

- ◆ The office did not issue purchase orders in some required instances, and some invoices were paid without documentation of the receipt of goods or services.

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**OTHER FINDING**

- ◆ County officials had not adopted a central system of accounting, budgeting, and purchasing.

*State of Tennessee  
Comptroller of the Treasury  
Department of Audit  
Division of County Audit*

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# INTRODUCTORY SECTION

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Chester County Officials  
June 30, 2005

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Officials:

Troy Kilzer, County Mayor  
Elbert Carnell, Road Supervisor  
John Pipkin, Director of Schools  
Lance Beshires, Trustee  
Beverly Morton, Assessor of Property  
Johnny Warren Garner, County Clerk  
Keith Frye, Circuit and General Sessions Courts Clerk  
Cornelia Hall, Clerk and Master  
Judy Cranford, Register  
Mark Davidson, Sheriff

Board of County Commissioners:

Troy Kilzer, Chairman	Diane Jordan
Bobby Hysmith	Kermit Taze Lofton, Jr.
Mike Alexander	Randy McKinnon
Johnny Beshires	David Morrison
Larry Blackstock	Leon Robison
Doug Burkhead	Dwain Seaton, Jr.
Wade Cox	Howard Wade
Charles Davis	Doris Weaver
Jessie Gilliam	Jimmy Wells
Carolyn Johnson	

Budget Committee:

Wade Cox, Chairman  
Larry Blackstock  
Kermit Taze Lofton, Jr.  
Randy McKinnon  
David Morrison  
Leon Robison

Purchasing Committee:

Troy Kilzer, Chairman  
Lance Beshires  
Bobby Hysmith  
Kermit Taze Lofton, Jr.  
Dwain Seaton, Jr.

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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 37243-0269  
PHONE (615) 401-7841

INDEPENDENT AUDITOR'S REPORT

August 3, 2005

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of Chester County, Tennessee, as of and for the year ended June 30, 2005, as shown on pages 11 through 31, which collectively comprise a portion of the county's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Chester County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

for the county's governmental activities and discretely presented component units are not reasonably determinable.

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

In our opinion, because of the effects of the matters discussed in the two preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Chester County, Tennessee, as of June 30, 2005, or the changes in its financial position for the year then ended.

The financial statements of the Chester County Library (Special Revenue Fund) had not been made available by other auditors as of the date of this report. Accordingly, the aggregate remaining fund information of Chester County, Tennessee, referred to above does not include the financial statements of the Chester County Library, which should be included to conform with the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee. The effects on the financial statements are not reasonably determinable.

However, in our opinion, except for the effects of the matter discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of Chester County, Tennessee, as of June 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee.

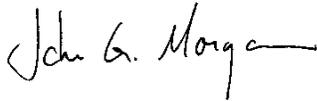
In accordance with Government Auditing Standards, we have also issued our report dated August 3, 2005, on our consideration of Chester County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other 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 III.B., Chester County has implemented Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures which modifies the county's disclosures for custodial credit risk and adds disclosures about other types of risk.

The budgetary comparison information on pages 35 through 39 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Chester County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the Education Debt Service Fund, miscellaneous schedules, and statistical tables 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 Education Debt Service Fund, and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Very truly yours,

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

John G. Morgan  
Comptroller of the Treasury

JGM/rd

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

Chester County, Tennessee  
Balance Sheet  
Governmental Funds  
June 30, 2005

	Major Funds				Nonmajor Funds	Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	Education Debt Service	Other Governmental Funds	
<b>ASSETS</b>						
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 100	\$ 100
Equity in Pooled Cash and Investments	700,735	87,899	458,498	1,673,954	252,989	3,174,075
Accounts Receivable	44,562	2,023	8	0	159	46,752
Due from Other Governments	20,350	10,100	242,742	111,000	0	384,192
Due from Other Funds	100	0	0	0	0	100
Property Taxes Receivable	1,613,099	253,838	32,753	0	16,377	1,916,067
Allowance for Uncollectible Property Taxes	(79,744)	(12,549)	(1,619)	0	(809)	(94,721)
Accrued Interest Receivable	0	3,152	1,719	0	0	4,871
Notes Receivable - Long-Term	8,333	0	0	0	0	8,333
<b>Total Assets</b>	<b>\$ 2,307,435</b>	<b>\$ 344,463</b>	<b>\$ 734,101</b>	<b>\$ 1,784,954</b>	<b>\$ 268,816</b>	<b>\$ 5,439,769</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<u>Liabilities</u>						
Due to Other Funds	\$ 0	\$ 0	\$ 0	\$ 0	\$ 100	\$ 100
Due to State of Tennessee	0	0	0	0	2,109	2,109
Deferred Revenue - Current Property Taxes	1,458,656	229,535	29,617	0	14,809	1,732,617
Deferred Revenue - Delinquent Property Taxes	69,299	10,904	1,417	0	709	82,329
Other Deferred Revenues	31,250	4,900	121,700	55,000	0	212,850
<b>Total Liabilities</b>	<b>\$ 1,559,205</b>	<b>\$ 245,339</b>	<b>\$ 152,734</b>	<b>\$ 55,000</b>	<b>\$ 17,727</b>	<b>\$ 2,030,005</b>
<u>Fund Balances</u>						
Reserved for Alcohol and Drug Treatment	\$ 13,379	\$ 0	\$ 0	\$ 0	\$ 0	\$ 13,379
Reserved for Computer System - Register	7,897	0	0	0	0	7,897
Reserved for Automation Purposes - Circuit Court	366	0	0	0	0	366
Reserved for Automation Purposes - General Sessions Court	1,968	0	0	0	0	1,968
Reserved for Automation Purposes - Chancery Court	704	0	0	0	0	704
Reserved for Automation Purposes - Sheriff	5,166	0	0	0	0	5,166
Reserved for Long-Term Notes Receivable	8,333	0	0	0	0	8,333
Unreserved, Reported In:						
General Fund	710,417	0	0	0	0	710,417

(Continued)

Exhibit A

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

LIABILITIES AND FUND BALANCES (Cont.)

Fund Balances (Cont.)

Unreserved, Reported In (Cont.):

Special Revenue Funds

Debt Service Funds

Capital Projects Funds

Total Fund Balances

Total Liabilities and Fund Balances

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

	Major Funds				Nonmajor	Total
	General	Solid Waste / Sanitation	Highway / Public Works	Education Debt Service	Other Govern- mental Funds	
\$	0	\$ 99,124	\$ 581,367	\$ 0	\$ 24,505	\$ 704,996
	0	0	0	1,729,954	203,796	1,933,750
	0	0	0	0	22,788	22,788
<u>\$</u>	<u>748,230</u>	<u>\$ 99,124</u>	<u>\$ 581,367</u>	<u>\$ 1,729,954</u>	<u>\$ 251,089</u>	<u>\$ 3,409,764</u>
<u>\$</u>	<u>2,307,435</u>	<u>\$ 344,463</u>	<u>\$ 734,101</u>	<u>\$ 1,784,954</u>	<u>\$ 268,816</u>	<u>\$ 5,439,769</u>

Chester County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2005

Exhibit B

	Major Funds				Nonmajor	Total
	General	Solid Waste / Sanitation	Highway / Public Works	Education Debt Service	Other Govern- mental Funds	
<u>Revenues</u>						
Local Taxes	\$ 2,143,285	\$ 347,496	\$ 33,938	\$ 658,387	\$ 36,514	\$ 3,219,620
Fines, Forfeitures and Penalties	83,343	0	0	0	11,558	94,901
Charges for Current Services	12,679	86,773	0	0	0	99,452
Other Local Revenues	288,515	63,763	63,724	0	140,597	556,599
Fees Received from County Officials	529,963	0	0	0	0	529,963
State of Tennessee	259,977	26,969	1,596,588	0	1,086	1,884,620
Federal Government	456,460	0	0	0	0	456,460
Other Governments and Citizens Groups	150,292	0	0	200,000	0	350,292
<b>Total Revenues</b>	<b>\$ 3,924,514</b>	<b>\$ 525,001</b>	<b>\$ 1,694,250</b>	<b>\$ 858,387</b>	<b>\$ 189,755</b>	<b>\$ 7,191,907</b>
<u>Expenditures</u>						
Current:						
General Government	\$ 724,110	\$ 0	\$ 0	\$ 0	\$ 0	\$ 724,110
Finance	418,768	0	0	0	0	418,768
Administration of Justice	418,616	0	0	0	0	418,616
Public Safety	1,842,432	0	0	0	7,488	1,849,920
Public Health and Welfare	360,861	480,537	0	0	0	841,398
Social, Cultural, and Recreational Services	72,892	0	0	0	0	72,892
Agricultural and Natural Resources	52,137	0	0	0	0	52,137
Other Operations	76,963	7,424	0	0	92	84,479
Highways	0	0	1,459,563	0	0	1,459,563
Debt Service:						
Principal	0	0	0	415,000	181,333	596,333
Interest	0	0	0	245,911	59,759	305,670
Other Debt Service	0	0	0	8,900	2,411	11,311
Capital Projects	10,000	0	0	0	50,481	60,481
<b>Total Expenditures</b>	<b>\$ 3,976,779</b>	<b>\$ 487,961</b>	<b>\$ 1,459,563</b>	<b>\$ 669,811</b>	<b>\$ 301,564</b>	<b>\$ 6,895,678</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (52,265)	\$ 37,040	\$ 234,687	\$ 188,576	\$ (111,809)	\$ 296,229
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 0	\$ 0	\$ 0	\$ 0	\$ 153,174	\$ 153,174
Transfers Out	0	0	(153,174)	0	0	(153,174)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (153,174)</b>	<b>\$ 0</b>	<b>\$ 153,174</b>	<b>\$ 0</b>

(Continued)

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

Exhibit B

	Major Funds				Nonmajor Funds	Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	Education Debt Service	Other Govern- mental Funds	
Net Change in Fund Balances	\$ (52,265)	\$ 37,040	\$ 81,513	\$ 188,576	\$ 41,365	\$ 296,229
Fund Balance, July 1, 2004	800,495	62,084	499,854	1,541,378	209,724	3,113,535
Fund Balance, June 30, 2005	\$ 748,230	\$ 99,124	\$ 581,367	\$ 1,729,954	\$ 251,089	\$ 3,409,764

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

Exhibit C

Chester County, Tennessee  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2005

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 915,014
Due from Other Governments	<u>130,000</u>
Total Assets	<u><u>\$ 1,045,014</u></u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 130,000
Due to Litigants, Heirs, and Others	<u>915,014</u>
Total Liabilities	<u><u>\$ 1,045,014</u></u>

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

**CHESTER COUNTY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2005**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Chester County's financial statements are not presented in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments.

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

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

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

**A. Reporting Entity**

Chester County is a public municipal corporation governed by an elected 18-member board. As required by GAAP, these financial statements present Chester County (the primary government). Although required by GAAP, the financial statements of the Chester County Library, a special revenue fund, were not available from other auditors in time for inclusion in this report.

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

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

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

Chester County Emergency Communications District  
P. O. Box 34  
Henderson, TN 38340

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

Fund financial statements of Chester 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, Chester 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. Chester County considers grant 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 debt service funds 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 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.

Chester County reports the following major governmental funds:

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

**Solid Waste/Sanitation Fund** – This fund is used to account for Chester County’s garbage collection and convenience center operations.

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

**Education Debt Service Fund** – This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation school debt.

Additionally, Chester County reports the following fund types:

**Capital Projects Fund** – The General Capital Projects Fund accounts for financial resources to be used for the renovation of the courthouse.

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

**C. Assets, Liabilities, and Equity**

**1. Deposits and Investments**

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

The county trustee maintains a cash and internal investment pool that is used by all Chester County and Chester County School Department funds. Each fund's portion of this pool is displayed on the balance sheets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the Solid Waste/Sanitation Fund, the Highway/Public Works Fund, and the discretely presented School Department's General Purpose School Fund. Chester County and the Chester County School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than

fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

**2. Receivables and Payables**

Outstanding balances between funds are reported as due to/from other funds.

Long-term interfund loans or advances 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.

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 shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 2.59 percent of total taxes levied.

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. Chester County does not maintain capital assets records, as required by generally accepted accounting principles. Capital assets should be reported in the government-wide statement of net assets; however, as previously noted, Chester County does not present government-wide statements.

**4. Compensated Absences**

The policy of Chester County (with the exception of the Highway Department) does not provide for employees to receive compensation for unused accumulated vacation or sick leave days.

The policy of the Chester County Highway Department permits employees to accumulate an unlimited amount of earned but unused vacation benefits, which will be paid to employees upon separation from service. A liability for vacation pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

**5. Long-term Obligations**

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 landfill closure/postclosure care costs are recognized to the extent that the liabilities have matured (come due for payment) each period.

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

## 6. Fund Equity

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specified purpose.

## II. DETAILED NOTES ON ALL FUNDS

### A. Deposits and Investments

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

#### Deposits

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

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

**Investments**

**Legal Provisions.** Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and the county’s own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer’s Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state director of Local Finance and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the market value of the securities on the day of purchase. Chester County had no pooled or nonpooled investments as of June 30, 2005.

**B. Notes Receivable**

Notes receivable in the General Fund represent a long-term loan to the Industrial Development Board of the City of Henderson and are offset by a reservation of fund balance.

**C. Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of June 30, 2005, is as follows:

**Due to/from other funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 100

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

**Interfund Transfers:**

Interfund transfers for the year ended June 30, 2005, consisted of the following amounts:

<u>Transfers Out</u>	<u>Transfers In</u> Nonmajor Governmental Fund
Highway/Public Works Fund	\$ 153,174

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

**D. Long-term Debt**

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

General Obligation Bonds and Notes

The county issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. In addition, general obligation bonds have been issued to refund other general obligation bonds. Capital outlay notes are also issued to fund capital facilities and other capital outlay purchases, such as equipment.

General obligation bonds and capital outlay notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and capital outlay notes outstanding were issued for original terms of up to 20 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 outstanding as of June 30, 2005, will be retired from the General Debt Service Fund and the Education Debt Service Fund.

General obligation bonds and capital outlay notes outstanding as of June 30, 2005, are as follows:

Type	Interest Rate	Original Amount of Issues	Balance 6-30-05
General Obligation Bonds	1.25 to 4.5%	\$ 840,000	\$ 780,000
General Obligation Bonds - Refunding	1.25 to 6	7,990,000	5,615,000
Capital Outlay Notes	4.6 to 5.75	1,050,000	529,667

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2005, including interest payments, are presented in the following table:

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2006	\$ 470,000	\$ 259,764	\$ 158,333	\$ 22,891
2007	500,000	240,004	165,333	15,141
2008	520,000	220,860	173,334	7,020
2009	540,000	200,980	24,334	2,179
2010	560,000	179,840	8,333	840
2011-2015	3,290,000	535,120	0	0
2016-2020	345,000	74,905	0	0
2021-2023	170,000	15,525	0	0
Total	<u>\$ 6,395,000</u>	<u>\$ 1,726,998</u>	<u>\$ 529,667</u>	<u>\$ 48,071</u>

There is \$1,933,570 available in the debt service funds to service long-term debt. General bonded debt per capita amounted to \$412, based on the 2000 federal census. Total debt per capita, including bonds and notes, amounted to \$446, based on the 2000 federal census.

#### Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2005, was as follows:

Governmental Activities:

	Bonds	Notes
Balance, July 1, 2004	\$ 6,840,000	\$ 681,000
Deductions	445,000	151,333
Balance, June 30, 2005	<u>\$ 6,395,000</u>	<u>\$ 529,667</u>
Balance Due Within One Year	<u>\$ 470,000</u>	<u>\$ 158,333</u>

	Compensated Absences	Landfill Closure/ Postclosure Care Costs
Balance, July 1, 2004	\$ 8,861	\$ 156,660
Additions	6,211	3,718
Deductions	9,718	2,988
Balance, June 30, 2005	<u>\$ 5,354</u>	<u>\$ 157,390</u>
Balance Due Within One Year	<u>\$ 5,000</u>	<u>\$ 3,000</u>

Compensated absences payable will be retired from the Highway/Public Works Fund. Landfill closure/postclosure care costs will be paid from the Solid Waste/Sanitation Fund.

### III. OTHER INFORMATION

#### A. Risk Management

##### Employee Health Insurance

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

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

Chester County joined the Tennessee School Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by the Tennessee School Boards Association, an association of member school districts. The county pays an annual premium to the TSB-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of the TSB-RMT provides for it to be self-sustaining through member premiums. The TSB-RMT reinsures through commercial insurance companies for claims exceeding \$100,000 for each insured event.

### **B. Accounting Change**

During the year, Chester County adopted the provisions of Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures. These provisions modified the county's previous custodial risk disclosures for deposits and investments and related collateral. These provisions also added disclosures about other types of risk, including credit risk, interest rate risk, foreign currency risk, and concentrations of credit risk. Governments are also required to provide brief disclosures about their deposit and investment policies that are related to any of the risks required to be disclosed.

### **C. Contingent Liabilities**

There are pending lawsuits in which the county is involved; however, an evaluation of the likelihood of an unfavorable outcome or an estimate of any potential loss resulting from the lawsuits was not offered by the county attorney. However, management believes that all pending litigation is adequately covered by the county's insurance.

Chester County and several other Tennessee counties have been named as defendants in a lawsuit demanding compliance with the requirements of the Americans With Disabilities Act (ADA). This lawsuit applies to the Chester County court facilities. While some renovations and corrective actions have taken place to address the concerns and issues raised in the lawsuit, not all of the renovations or remedial actions have been taken to bring the county court facilities up to ADA standards.

### **D. Landfill Closure/Postclosure Care Costs**

The City of Henderson-Chester County Landfill is owned jointly by the City of Henderson and Chester County. The City of Henderson operated the landfill, which reached capacity during the 1992 fiscal year, and is responsible for closure/postclosure care costs. State and federal laws and regulations require the City of Henderson to place a final cover on the landfill when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Chester County has verbally agreed to pay 50 percent of the closure/postclosure care costs.

The total remaining closure/postclosure care costs are estimated at \$314,780. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. The \$157,390 reported as Accrued Liability for Landfill Closure/Postclosure Care Costs for Chester County at June 30, 2005, represents Chester County's share (50 percent) of the remaining closure/postclosure care functions.

**E. Retirement Commitments**

**Plan Description**

Employees of Chester County are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service, and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Chester County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at [www.treasury.state.tn.us](http://www.treasury.state.tn.us). Copies of footnotes in PDF format can be accessed at <http://www.treasury.state.tn.us/tcrs/PS/>.

**Funding Policy**

Chester 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, 2005, was 7.36 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Chester County is established and may be amended by the TCRS Board of Trustees.

## Annual Pension Cost

For the year ended June 30, 2005, Chester County's annual pension cost of \$301,006 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2003, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Chester 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, 2003, was 17 years.

### Trend Information

Fiscal Year Ended	Annual Pension Cost(APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2005	\$ 301,006	100%	\$0
June 30, 2004	218,207	100	0
June 30, 2003	206,488	100	0

### Required Supplementary Information

#### Schedule of Funding Progress for Chester County

(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)
6-30-2003	\$ 8,017	\$ 8,461	\$ 444	94.75%	\$ 3,757	11.82%
6-30-2001	7,179	7,710	531	93.11	2,986	17.78
6-30-1999	6,149	6,356	207	96.74	2,687	7.7

**F. 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. This act provides for all purchases exceeding \$5,000 (excluding emergency purchases) to be made based on competitive bids solicited through newspaper advertisement.

Office of Road Supervisor

Purchasing procedures for the Highway Department are governed by provisions of the Uniform Road Law, Section 54-7-113, Tennessee Code Annotated, which require all purchases exceeding \$10,000 to be made on the basis of publicly advertised competitive bids.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit D-1

Chester County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Fund  
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,143,285	\$ 2,066,000	\$ 2,066,000	\$ 77,285
Fines, Forfeitures and Penalties	83,343	43,600	43,600	39,743
Charges for Current Services	12,679	7,800	7,800	4,879
Other Local Revenues	288,515	286,000	286,000	2,515
Fees Received from County Officials	529,963	486,000	486,000	43,963
State of Tennessee	259,977	255,154	269,991	(10,014)
Federal Government	456,460	14,000	395,473	60,987
Other Governments and Citizens Groups	150,292	134,705	134,705	15,587
<b>Total Revenues</b>	<b>\$ 3,924,514</b>	<b>\$ 3,293,259</b>	<b>\$ 3,689,569</b>	<b>\$ 234,945</b>
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 22,465	\$ 23,700	\$ 23,700	\$ 1,235
Board of Equalization	500	750	750	250
Budget and Finance Committee	0	1,000	1,000	1,000
County Mayor	138,152	144,807	140,478	2,326
County Attorney	10,612	8,000	10,613	1
Election Commission (Including Voter Registration)	124,852	128,711	128,711	3,859
Register of Deeds	100,018	105,861	103,794	3,776
County Buildings	283,076	289,113	289,275	6,199
Other General Administration	44,435	42,172	44,447	12
<u>Finance</u>				
Accounting and Budgeting	3,601	5,000	5,000	1,399
Property Assessor's Office	125,766	127,810	127,810	2,044
Reappraisal Program	3,820	18,148	12,078	8,258
County Trustee's Office	127,470	117,144	127,475	5
County Clerk's Office	158,111	156,008	158,508	397
<u>Administration of Justice</u>				
Circuit Court	195,657	176,102	196,937	1,280
General Sessions Court	76,368	78,234	78,234	1,866
Chancery Court	122,641	119,143	123,503	862
Juvenile Court	23,950	24,431	24,431	481
<u>Public Safety</u>				
Sheriff's Department	1,086,018	1,024,024	1,087,563	1,545
Juvenile Services	51,935	52,924	52,924	989
Fire Prevention and Control	537,438	120,350	543,571	6,133
Civil Defense	80,884	42,937	82,937	2,053
Rescue Squad	2,500	2,500	2,500	0
Other Emergency Management	75,902	22,706	75,906	4
County Coroner/Medical Examiner	7,755	5,000	7,755	0
<u>Public Health and Welfare</u>				
Local Health Center	24,156	24,600	24,600	444
Ambulance/Emergency Medical Services	178,872	165,113	178,872	0

(Continued)

Exhibit D-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Public Health and Welfare (Cont.)</u>				
Nursing Home	\$ 112,553	\$ 77,110	\$ 116,930	\$ 4,377
Crippled Children Services	1,500	1,500	1,500	0
Other Local Health Services	2,000	2,000	2,000	0
Regional Mental Health Center	10,000	15,800	10,000	0
Sanitation Education/Information	31,780	28,320	36,068	4,288
<u>Social, Cultural and Recreational Services</u>				
Libraries	50,392	48,656	50,709	317
Other Social, Cultural and Recreational	22,500	18,500	22,500	0
<u>Agriculture &amp; Natural Resources</u>				
Agriculture Extension Service	33,348	34,500	34,500	1,152
Soil Conservation	11,289	12,369	12,369	1,080
Flood Control	7,500	7,500	7,500	0
<u>Other Operations</u>				
Industrial Development	12,500	12,500	12,500	0
Other Economic and Community Development	5,500	0	5,500	0
Veterans' Services	16,057	17,511	17,511	1,454
Employee Benefits	459	2,500	2,500	2,041
Miscellaneous	42,447	48,500	49,175	6,728
<u>Capital Projects</u>				
Administration of Justice Projects	10,000	0	10,000	0
Total Expenditures	\$ 3,976,779	\$ 3,353,554	\$ 4,044,634	\$ 67,855
Excess (Deficiency) of Revenues				
Over Expenditures	\$ (52,265)	\$ (60,295)	\$ (355,065)	\$ 302,800
Net Change in Fund Balance				
Fund Balance, July 1, 2004	\$ 800,495	\$ 766,436	\$ 766,436	\$ 34,059
Fund Balance, June 30, 2005				
	\$ 748,230	\$ 706,141	\$ 411,371	\$ 336,859

Exhibit D-2

Chester County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Solid Waste/Sanitation Fund  
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 347,496	\$ 337,524	\$ 337,524	\$ 9,972
Charges for Current Services	86,773	82,000	82,000	4,773
Other Local Revenues	63,763	50,000	59,200	4,563
State of Tennessee	26,969	16,500	16,500	10,469
Total Revenues	<u>\$ 525,001</u>	<u>\$ 486,024</u>	<u>\$ 495,224</u>	<u>\$ 29,777</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Convenience Centers	\$ 219,341	\$ 213,309	\$ 223,784	\$ 4,443
Other Waste Disposal	258,208	248,759	259,262	1,054
Postclosure Care Costs	2,988	5,000	5,000	2,012
<u>Other Operations</u>				
Other Charges	238	18,500	6,722	6,484
Miscellaneous	7,186	7,500	7,500	314
Total Expenditures	<u>\$ 487,961</u>	<u>\$ 493,068</u>	<u>\$ 502,268</u>	<u>\$ 14,307</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 37,040</u>	<u>\$ (7,044)</u>	<u>\$ (7,044)</u>	<u>\$ 44,084</u>
Net Change in Fund Balance	\$ 37,040	\$ (7,044)	\$ (7,044)	\$ 44,084
Fund Balance, July 1, 2004	62,084	47,365	47,365	14,719
Fund Balance, June 30, 2005	<u>\$ 99,124</u>	<u>\$ 40,321</u>	<u>\$ 40,321</u>	<u>\$ 58,803</u>

Exhibit D-3

Chester County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Highway/Public Works Fund  
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 33,938	\$ 29,458	\$ 29,458	\$ 4,480
Other Local Revenues	63,724	50,250	50,250	13,474
State of Tennessee	1,596,588	2,173,316	2,173,316	(576,728)
Total Revenues	<u>\$ 1,694,250</u>	<u>\$ 2,253,024</u>	<u>\$ 2,253,024</u>	<u>\$ (558,774)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 126,726	\$ 130,098	\$ 140,098	\$ 13,372
Highway and Bridge Maintenance	608,386	828,500	828,500	220,114
Operation and Maintenance of Equipment	202,435	232,500	232,500	30,065
Other Charges	79,331	100,500	100,500	21,169
Employee Benefits	200,433	238,000	238,000	37,567
Capital Outlay	242,252	1,163,426	1,010,252	768,000
Total Expenditures	<u>\$ 1,459,563</u>	<u>\$ 2,693,024</u>	<u>\$ 2,549,850</u>	<u>\$ 1,090,287</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 234,687</u>	<u>\$ (440,000)</u>	<u>\$ (296,826)</u>	<u>\$ 531,513</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (153,174)	\$ 0	\$ (153,174)	\$ 0
Total Other Financing Sources (Uses)	<u>\$ (153,174)</u>	<u>\$ 0</u>	<u>\$ (153,174)</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 81,513	\$ (440,000)	\$ (450,000)	\$ 531,513
Fund Balance, July 1, 2004	499,854	450,000	450,000	49,854
Fund Balance, June 30, 2005	<u>\$ 581,367</u>	<u>\$ 10,000</u>	<u>\$ 0</u>	<u>\$ 581,367</u>

**CHESTER COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2005**

**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 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, Beer Board, County Mayor, Election Commission, etc.). Management may make revisions within major categories, but only the governing body 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 statement.

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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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.

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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.

## Debt Service Fund

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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.

## Capital Projects Fund

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General Capital Projects Fund – The General Capital Projects Fund is used to account for general capital expenditures of the county.

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Chester County, Tennessee  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2005

Exhibit E-1

	Special Revenue Funds			Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Drug Control	Constitu - tional Officers - Fees	Total	General Debt Service	General Capital Projects	
<u>ASSETS</u>						
Cash	\$ 0	\$ 100	\$ 100	\$ 0	\$ 0	100
Equity in Pooled Cash and Investments	26,614	0	26,614	203,587	22,788	252,989
Accounts Receivable	0	0	0	159	0	159
Property Taxes Receivable	0	0	0	16,377	0	16,377
Allowance for Uncollectible Property Taxes	0	0	0	(809)	0	(809)
Total Assets	\$ 26,614	\$ 100	\$ 26,714	\$ 219,314	\$ 22,788	\$ 268,816
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Due to Other Funds	\$ 0	\$ 100	\$ 100	\$ 0	\$ 0	100
Due to State of Tennessee	2,109	0	2,109	0	0	2,109
Deferred Revenue - Current Property Taxes	0	0	0	14,809	0	14,809
Deferred Revenue - Delinquent Property Taxes	0	0	0	709	0	709
Total Liabilities	\$ 2,109	\$ 100	\$ 2,209	\$ 15,518	\$ 0	\$ 17,727
<u>Fund Balances</u>						
Unreserved	\$ 24,505	\$ 0	\$ 24,505	\$ 203,796	\$ 22,788	\$ 251,089
Total Fund Balances	\$ 24,505	\$ 0	\$ 24,505	\$ 203,796	\$ 22,788	\$ 251,089
Total Liabilities and Fund Balances	\$ 26,614	\$ 100	\$ 26,714	\$ 219,314	\$ 22,788	\$ 268,816

Exhibit E-2

Chester County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2005

	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Drug Control	General Debt Service	General Capital Projects	
<u>Revenues</u>				
Local Taxes	\$ 0	\$ 36,514	\$ 0	\$ 36,514
Fines, Forfeitures and Penalties	11,558	0	0	11,558
Other Local Revenues	1,040	139,557	0	140,597
State of Tennessee	0	1,086	0	1,086
Total Revenues	<u>\$ 12,598</u>	<u>\$ 177,157</u>	<u>\$ 0</u>	<u>\$ 189,755</u>
<u>Expenditures</u>				
Current:				
Public Safety	\$ 7,488	\$ 0	\$ 0	\$ 7,488
Other Operations	92	0	0	92
Debt Service:				
Principal	0	181,333	0	181,333
Interest	0	59,759	0	59,759
Other Debt Service	0	2,411	0	2,411
Capital Projects	0	0	50,481	50,481
Total Expenditures	<u>\$ 7,580</u>	<u>\$ 243,503</u>	<u>\$ 50,481</u>	<u>\$ 301,564</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 5,018</u>	<u>\$ (66,346)</u>	<u>\$ (50,481)</u>	<u>\$ (111,809)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 153,174	\$ 0	\$ 153,174
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 153,174</u>	<u>\$ 0</u>	<u>\$ 153,174</u>
Net Change in Fund Balances	\$ 5,018	\$ 86,828	\$ (50,481)	\$ 41,365
Fund Balance, July 1, 2004	19,487	116,968	73,269	209,724
Fund Balance, June 30, 2005	<u>\$ 24,505</u>	<u>\$ 203,796</u>	<u>\$ 22,788</u>	<u>\$ 251,089</u>

Exhibit E-3

Chester County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Drug Control Fund  
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures and Penalties	\$ 11,558	\$ 6,200	\$ 6,200	\$ 5,358
Other Local Revenues	1,040	200	200	840
Total Revenues	<u>\$ 12,598</u>	<u>\$ 6,400</u>	<u>\$ 6,400</u>	<u>\$ 6,198</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 7,488	\$ 8,100	\$ 8,100	\$ 612
<u>Other Operations</u>				
Miscellaneous	92	100	100	8
Total Expenditures	<u>\$ 7,580</u>	<u>\$ 8,200</u>	<u>\$ 8,200</u>	<u>\$ 620</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 5,018</u>	<u>\$ (1,800)</u>	<u>\$ (1,800)</u>	<u>\$ 6,818</u>
Net Change in Fund Balance	\$ 5,018	\$ (1,800)	\$ (1,800)	\$ 6,818
Fund Balance, July 1, 2004	<u>19,487</u>	<u>19,057</u>	<u>19,057</u>	<u>430</u>
Fund Balance, June 30, 2005	<u>\$ 24,505</u>	<u>\$ 17,257</u>	<u>\$ 17,257</u>	<u>\$ 7,248</u>

Exhibit E-4

Chester County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Debt Service Fund  
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 36,514	\$ 31,024	\$ 31,024	\$ 5,490
Other Local Revenues	139,557	75,000	75,000	64,557
State of Tennessee	1,086	700	700	386
Total Revenues	<u>\$ 177,157</u>	<u>\$ 106,724</u>	<u>\$ 106,724</u>	<u>\$ 70,433</u>
<u>Expenditures</u>				
<u>Principal</u>				
General Government	\$ 51,333	\$ 184,834	\$ 51,334	\$ 1
Highways and Streets	130,000	0	130,000	0
<u>Interest</u>				
General Government	36,585	60,162	37,409	824
Highways and Streets	23,174	0	23,174	0
<u>Other Debt Service</u>				
General Government	2,411	0	3,500	1,089
Total Expenditures	<u>\$ 243,503</u>	<u>\$ 244,996</u>	<u>\$ 245,417</u>	<u>\$ 1,914</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (66,346)</u>	<u>\$ (138,272)</u>	<u>\$ (138,693)</u>	<u>\$ 72,347</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 153,174	\$ 153,173	\$ 153,173	\$ 1
Total Other Financing Sources (Uses)	<u>\$ 153,174</u>	<u>\$ 153,173</u>	<u>\$ 153,173</u>	<u>\$ 1</u>
Net Change in Fund Balance	\$ 86,828	\$ 14,901	\$ 14,480	\$ 72,348
Fund Balance, July 1, 2004	116,968	53,529	53,529	63,439
Fund Balance, June 30, 2005	<u>\$ 203,796</u>	<u>\$ 68,430</u>	<u>\$ 68,009</u>	<u>\$ 135,787</u>

# **Major Governmental Fund**

## **Education Debt Service Fund**

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The Education Debt Service Fund is used to account for certain Better Education Program funds of the Chester County School Department that are pledged for the retirement of education long-term debt principal, interest, and related costs.

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Exhibit F

Chester County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Education Debt Service Fund  
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 658,387	\$ 550,000	\$ 550,000	\$ 108,387
Other Governments and Citizens Groups	200,000	200,000	200,000	0
Total Revenues	<u>\$ 858,387</u>	<u>\$ 750,000</u>	<u>\$ 750,000</u>	<u>\$ 108,387</u>
<u>Expenditures</u>				
<u>Principal</u>				
Education	\$ 415,000	\$ 423,100	\$ 415,000	\$ 0
<u>Interest</u>				
Education	245,911	245,911	245,911	0
<u>Other Debt Service</u>				
Education	8,900	0	9,300	400
Total Expenditures	<u>\$ 669,811</u>	<u>\$ 669,011</u>	<u>\$ 670,211</u>	<u>\$ 400</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 188,576</u>	<u>\$ 80,989</u>	<u>\$ 79,789</u>	<u>\$ 108,787</u>
Net Change in Fund Balance	\$ 188,576	\$ 80,989	\$ 79,789	\$ 108,787
Fund Balance, July 1, 2004	1,541,378	1,437,380	1,437,380	103,998
Fund Balance, June 30, 2005	<u>\$ 1,729,954</u>	<u>\$ 1,518,369</u>	<u>\$ 1,517,169</u>	<u>\$ 212,785</u>

# Agency Funds

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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.

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Cities - Sales Tax Fund – The Cities - Sales Tax Fund is used to account for the second half of the sales tax revenues collected inside incorporated cities of the county. These revenues are received by the county from the State of Tennessee and forwarded to the various cities on a monthly basis.

Constitutional Officers - Agency Fund – The Constitutional Officers - Agency Fund is used to account for amounts collected in an agency capacity by the county clerk, circuit and general sessions courts clerk, clerk and master, register, and sheriff. Such collections include amounts due the state, cities, other county funds, litigants, heirs, and others.

Chester County, Tennessee  
Combining Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2005

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 915,014	\$ 915,014
Due from Other Governments	130,000	0	130,000
Total Assets	<u>\$ 130,000</u>	<u>915,014</u>	<u>\$ 1,045,014</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 130,000	\$ 0	\$ 130,000
Due to Litigants, Heirs, and Others	0	915,014	915,014
Total Liabilities	<u>\$ 130,000</u>	<u>\$ 915,014</u>	<u>\$ 1,045,014</u>

Exhibit G-2

Chester County, Tennessee  
Combining Statement of Changes in Assets and  
Liabilities - All Agency Funds  
For the Year Ended June 30, 2005

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 786,520	\$ 786,520	\$ 0
Due From Other Governments	129,869	130,000	129,869	130,000
Total Assets	\$ 129,869	\$ 916,520	\$ 916,389	\$ 130,000
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 129,869	\$ 916,520	\$ 916,389	\$ 130,000
Total Liabilities	\$ 129,869	\$ 916,520	\$ 916,389	\$ 130,000
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 832,563	\$ 2,598,532	\$ 2,515,991	\$ 915,104
Total Assets	\$ 832,563	\$ 2,598,532	\$ 2,515,991	\$ 915,104
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 832,563	\$ 2,598,532	\$ 2,515,991	\$ 915,104
Total Liabilities	\$ 832,563	\$ 2,598,532	\$ 2,515,991	\$ 915,104
<u>Total - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 786,520	\$ 786,520	\$ 0
Cash	832,563	2,598,532	2,515,991	915,104
Due From Other Governments	129,869	130,000	129,869	130,000
Total Assets	\$ 962,432	\$ 3,515,052	\$ 3,432,380	\$ 1,045,104
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 129,869	\$ 916,520	\$ 916,389	\$ 130,000
Due to Litigants, Heirs, and Others	832,563	2,598,532	2,515,991	915,104
Total Liabilities	\$ 962,432	\$ 3,515,052	\$ 3,432,380	\$ 1,045,104

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## MISCELLANEOUS SCHEDULES

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Exhibit H-1

Chester County, Tennessee  
Schedule of Changes in Long-term Notes and Bonds  
For the Year Ended June 30, 2005

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-04	Paid and/or Matured During Period	Outstanding 6-30-05
<u>NOTES PAYABLE</u>							
Payable Through General Debt Service Fund:							
Library Construction	\$ 150,000	4.6 to 5.75%	6-9-1997	6-1-09	\$ 74,000	\$ 13,000	\$ 61,000
Nursing Home Improvement	100,000	5.0379	2-11-1999	2-11-11	50,000	8,333	41,667
Bridge Improvements	800,000	4.71	9-27-01	9-1-07	557,000	130,000	427,000
Total Notes Payable					<u>\$ 681,000</u>	<u>\$ 151,333</u>	<u>\$ 529,667</u>
<u>GENERAL BONDED DEBT</u>							
Payable Through General Debt Service Fund:							
Courthouse Renovations	840,000	1.25 to 4.5	3-1-03	5-1-23	\$ 810,000	\$ 30,000	\$ 780,000
Payable Through Education Debt Service Fund:							
School Refunding	7,230,000	4 to 6	11-1-1998	5-1-15	\$ 5,320,000	\$ 380,000	\$ 4,940,000
School Refunding	760,000	1.25 to 4	3-1-03	5-1-16	710,000	35,000	675,000
Total Payable through Education Debt Service Fund					<u>\$ 6,030,000</u>	<u>\$ 415,000</u>	<u>\$ 5,615,000</u>
Total General Bonded Debt					<u>\$ 6,840,000</u>	<u>\$ 445,000</u>	<u>\$ 6,395,000</u>

Exhibit H-2

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

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2006	\$ 470,000	\$ 259,764	\$ 729,764
2007	500,000	240,004	740,004
2008	520,000	220,860	740,860
2009	540,000	200,980	740,980
2010	560,000	179,840	739,840
2011	590,000	157,705	747,705
2012	620,000	134,020	754,020
2013	660,000	108,840	768,840
2014	690,000	81,670	771,670
2015	730,000	52,885	782,885
2016	145,000	22,015	167,015
2017	45,000	16,215	61,215
2018	50,000	14,325	64,325
2019	50,000	12,225	62,225
2020	55,000	10,125	65,125
2021	55,000	7,650	62,650
2022	55,000	5,175	60,175
2023	60,000	2,700	62,700
Total	<u>\$ 6,395,000</u>	<u>\$ 1,726,998</u>	<u>\$ 8,121,998</u>

Exhibit H-3

Chester County, Tennessee  
Schedule of Notes Receivable  
For the Year Ended June 30, 2005

Description	Debtor	Original Amount of Note	Date of Issue	Date of Maturity	Interest Rate	Balance 6-30-05
<u>General Fund</u>						
Industrial Equipment	Industrial Development Board of the City of Henderson	\$ 125,000	2-1-96	2-1-06	Variable	<u>\$ 8,333</u>
Total Notes Receivable						<u><u>\$ 8,333</u></u>

Exhibit H-4

Chester County, Tennessee  
Schedule of Transfers  
For the Year Ended June 30, 2005

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Highway/Public Works	General Debt Service	To provide funds for debt retirement	<u>\$ 153,174</u>
Total Transfers			<u><u>\$ 153,174</u></u>

Exhibit H-5

Chester County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
For the Year Ended June 30, 2005

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102 and 5-1-310, <u>TCA</u>	\$ 60,115 (1)	\$ 50,000	State Automobile Mutual Insurance Company
Road Supervisor	Section 8-24-102, <u>TCA</u>	55,778	100,000	"
Trustee	Section 8-24-102 and 5-1-310, <u>TCA</u>	49,815 (1)	434,500	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	48,315	10,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	48,315	50,000	"
Circuit Court Clerk	Section 8-24-102 and 5-1-310, <u>TCA</u>	49,815 (1)	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u>	48,316	65,000	"
Register	Section 8-24-102 and 5-1-310, <u>TCA</u>	49,815 (1)	25,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	54,479 (2)	25,000	"
Employee Blanket Bond Coverage:				
General Government Employees				150,000 Tennessee School Boards Risk Management Trust

- (1) Includes certified public administrator supplement of \$1,500.  
(2) Includes law enforcement training supplement in the amount of \$919.

Chester County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types  
 For the Year Ended June 30, 2005

Exhibit H-6

	Special Revenue Funds				Debt Service Funds		Total
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	General Debt Service	Education Debt Service	
<u>Local Taxes</u>							
<u>County Property Taxes</u>							
Current Property Tax	\$ 1,468,546	\$ 231,168	\$ 0	\$ 29,816	\$ 14,859	\$ 0	\$ 1,744,389
Discount on Property Taxes	(12,706)	(2,000)	0	(258)	(128)	0	(15,092)
Trustee's Collections - Prior Year	83,217	12,061	0	1,631	868	0	97,777
Circuit/Clerk & Master Collections - Prior Years	122,306	15,288	0	2,039	2,039	0	141,672
Interest and Penalty	14,816	2,449	0	299	155	0	17,719
<u>County Local Option Taxes</u>							
Local Option Sales Tax	59,260	60,253	0	0	0	658,387	777,900
Hotel/Motel Tax	9,853	0	0	0	0	0	9,853
Wheel Tax	182,683	0	0	0	0	0	182,683
Litigation Tax - General	76,058	0	0	0	0	0	76,058
Litigation Tax - Jail, Workhouse, or Courthouse	85	0	0	0	18,516	0	18,601
Business Tax	89,511	0	0	0	0	0	89,511
<u>Statutory Local Taxes</u>							
Bank Excise Tax	20,875	3,277	0	411	205	0	24,768
Wholesale Beer Tax	27,110	25,000	0	0	0	0	52,110
Interstate Telecommunications Tax	1,671	0	0	0	0	0	1,671
Total Local Taxes	\$ 2,143,285	\$ 347,496	\$ 0	\$ 33,938	\$ 36,514	\$ 658,387	\$ 3,219,620
<u>Fines, Forfeitures and Penalties</u>							
<u>Circuit Court</u>							
Fines	\$ 5,768	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,768
Officers Costs	1,530	0	0	0	0	0	1,530
Game and Fish Fines	11	0	0	0	0	0	11
Data Entry Fee - Circuit Court	96	0	0	0	0	0	96
<u>General Sessions Court</u>							
Fines	44,515	0	0	0	0	0	44,515
Officers Costs	20,038	0	0	0	0	0	20,038
Game and Fish Fines	680	0	0	0	0	0	680
Drug Control Fines	0	0	2,883	0	0	0	2,883
Drug Court Fees	0	0	2,109	0	0	0	2,109
Jail Fees	1,183	0	0	0	0	0	1,183
DUI Treatment Fines	2,899	0	190	0	0	0	3,089

(Continued)

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

Exhibit H-6

	Special Revenue Funds				Debt Service Funds		Total
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	General Debt Service	Education Debt Service	
<u>Fines, Forfeitures and Penalties (Cont.)</u>							
<u>General Sessions Court (Cont.)</u>							
Data Entry Fee - General Sessions Court	\$ 3,754	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	3,754
<u>Juvenile Court</u>							
Fines	1,022	0	0	0	0	0	1,022
Officers Costs	113	0	0	0	0	0	113
<u>Chancery Court</u>							
Officers Costs	1,330	0	0	0	0	0	1,330
Data Entry Fee - Chancery Court	404	0	0	0	0	0	404
<u>Other Courts - In-county</u>							
Drug Control Fines	0	0	3,479	0	0	0	3,479
<u>Judicial District Drug Program</u>							
Drug Task Force Forfeitures and Seizures	0	0	1,177	0	0	0	1,177
<u>Other Fines, Forfeitures, and Penalties</u>							
Proceeds from Confiscated Property	0	0	1,720	0	0	0	1,720
Total Fines, Forfeitures and Penalties	\$ 83,343	\$ 0	\$ 11,558	\$ 0	\$ 0	\$ 0	94,901
<u>Charges for Current Services</u>							
<u>General Service Charges</u>							
Convenience Waste Centers Collection Charge	\$ 0	\$ 86,773	\$ 0	\$ 0	\$ 0	\$ 0	86,773
<u>Fees</u>							
Telephone Commissions	3,407	0	0	0	0	0	3,407
Data Processing Fee - Register	7,216	0	0	0	0	0	7,216
Data Processing Fee - Sheriff	2,056	0	0	0	0	0	2,056
Total Charges for Current Services	\$ 12,679	\$ 86,773	\$ 0	\$ 0	\$ 0	\$ 0	99,452
<u>Other Local Revenues</u>							
<u>Recurring Items</u>							
Investment Income	\$ 0	\$ 39,162	\$ 0	\$ 21,810	\$ 0	\$ 0	60,972
Lease/Rentals	250,604	0	0	0	139,403	0	390,007
Sale of Materials and Supplies	0	0	0	600	0	0	600
Sale of Gasoline	0	0	0	35,105	0	0	35,105
Sale of Recycled Materials	0	14,312	0	40	0	0	14,352
Retirees' Insurance Payments	629	0	0	0	0	0	629

(Continued)

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

Exhibit H-6

	Special Revenue Funds				Debt Service Funds		Total
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	General Debt Service	Education Debt Service	
<u>Other Local Revenues (Cont.)</u>							
<u>Recurring Items (Cont.)</u>							
Miscellaneous Refunds	\$ 26,517	\$ 9,539	\$ 0	\$ 607	\$ 154	\$ 0	\$ 36,817
<u>Nonrecurring Items</u>							
Insurance Recovery	7,265	750	0	2,801	0	0	10,816
Sale of Equipment	99	0	0	0	0	0	99
Sale of Property	3,401	0	0	38	0	0	3,439
<u>Other Local Revenues</u>							
Other Local Revenues	0	0	1,040	2,723	0	0	3,763
Total Other Local Revenues	\$ 288,515	\$ 63,763	\$ 1,040	\$ 63,724	\$ 139,557	\$ 0	\$ 556,599
<u>Fees Received from County Officials</u>							
<u>Fees In Lieu of Salary</u>							
County Clerk	\$ 121,182	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 121,182
Circuit Court Clerk	24,697	0	0	0	0	0	24,697
General Sessions Court Clerk	97,657	0	0	0	0	0	97,657
Clerk and Master	49,864	0	0	0	0	0	49,864
Register	78,402	0	0	0	0	0	78,402
Sheriff	12,699	0	0	0	0	0	12,699
Trustee	145,462	0	0	0	0	0	145,462
Total Fees Received from County Officials	\$ 529,963	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 529,963
<u>State of Tennessee</u>							
<u>General Government Grants</u>							
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,000
State Reappraisal Grant	5,753	0	0	0	0	0	5,753
<u>Public Safety Grants</u>							
Law Enforcement Training Programs	5,187	0	0	0	0	0	5,187
<u>Public Works Grants</u>							
Bridge Program	0	0	0	188,464	0	0	188,464
Litter Program	23,925	0	0	0	0	0	23,925
<u>Other State Revenues</u>							
Income Tax	663	104	0	13	7	0	787
Beer Tax	16,777	0	0	0	0	0	16,777

(Continued)

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

Exhibit H-6

	Special Revenue Funds				Debt Service Funds		Total
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	General Debt Service	Education Debt Service	
<u>State of Tennessee (Cont.)</u>							
<u>Other State Revenues (Cont.)</u>							
Alcoholic Beverage Tax	\$ 20,948	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 20,948
Mixed Drink Tax	690	0	0	0	0	0	690
State Revenue Sharing - T.V.A.	109,664	17,214	0	2,157	1,079	0	130,114
Contracted Prisoner Boarding	40,248	0	0	0	0	0	40,248
Gasoline and Motor Fuel Tax	0	0	0	1,394,495	0	0	1,394,495
Petroleum Special Tax	0	0	0	11,459	0	0	11,459
Registrar's Salary Supplement	12,285	0	0	0	0	0	12,285
Other State Grants	14,837	9,651	0	0	0	0	24,488
Total State of Tennessee	\$ 259,977	\$ 26,969	\$ 0	\$ 1,596,588	\$ 1,086	\$ 0	\$ 1,884,620
<u>Federal Government</u>							
<u>Federal Through State</u>							
Community Development	\$ 241,200	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 241,200
Civil Defense Reimbursement	55,469	0	0	0	0	0	55,469
Other Federal through State	156,991	0	0	0	0	0	156,991
<u>Direct Federal Revenue</u>							
Other Direct Federal Revenue	2,800	0	0	0	0	0	2,800
Total Federal Government	\$ 456,460	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 456,460
<u>Other Governments and Citizens Groups</u>							
<u>Other Governments</u>							
Contributions	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 200,000	\$ 200,000
Contracted Services	127,586	0	0	0	0	0	127,586
<u>Other</u>							
Other	22,706	0	0	0	0	0	22,706
Total Other Governments and Citizens Groups	\$ 150,292	\$ 0	\$ 0	\$ 0	\$ 0	\$ 200,000	\$ 350,292
Total	\$ 3,924,514	\$ 525,001	\$ 12,598	\$ 1,694,250	\$ 177,157	\$ 858,387	\$ 7,191,907

Exhibit H-7

Chester County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2005

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	19,800	
Social Security		1,515	
Dues and Memberships		1,150	
Total County Commission			\$ 22,465

Board of Equalization

Board and Committee Members Fees	\$	500	
Total Board of Equalization			500

County Mayor

County Official/Administrative Officer	\$	58,615	
Assistant(s)		20,888	
Secretary(s)		20,090	
Educational Incentive - Official/Admin Officer		1,500	
Educational Incentive - Other County Employees		1,500	
Longevity Pay		700	
In-Service Training		180	
Social Security		7,902	
State Retirement		7,355	
Medical Insurance		7,200	
Unemployment Compensation		157	
Data Processing Services		5,473	
Dues and Memberships		60	
Legal Notices, Recording and Court Costs		220	
Maintenance & Repair Services- Office Equipment		3,100	
Printing, Stationery and Forms		58	
Travel		426	
Office Supplies		2,728	
Total County Mayor			138,152

County Attorney

Legal Services	\$	10,612	
Total County Attorney			10,612

Election Commission (Including Voter Registration)

County Official/Administrative Officer	\$	38,653	
Deputy(ies)		20,888	
Longevity Pay		150	
Election Commission		4,120	
Election Workers		32,256	

(Continued)

Exhibit H-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Including Voter Registration)  
(Cont.)

Social Security	\$	5,035	
State Retirement		4,382	
Medical Insurance		7,200	
Unemployment Compensation		112	
Data Processing Services		1,863	
Dues and Memberships		150	
Legal Notices, Recording and Court Costs		1,858	
Printing, Stationery and Forms		5,665	
Travel		2,137	
Office Supplies		383	
Total Election Commission (Including Voter Registration)			\$ 124,852

Register of Deeds

County Official/Administrative Officer	\$	48,315	
Deputy(ies)		20,888	
Educational Incentive - Official/Admin Officer		1,500	
Longevity Pay		1,350	
Social Security		5,397	
State Retirement		5,204	
Medical Insurance		7,200	
Unemployment Compensation		56	
Data Processing Services		6,433	
Legal Notices, Recording and Court Costs		17	
Travel		391	
Data Processing Supplies		231	
Office Supplies		3,036	
Total Register of Deeds			100,018

County Buildings

Salary Supplements	\$	3,000	
Maintenance Personnel		40,249	
Longevity Pay		300	
Social Security		3,332	
State Retirement		2,960	
Medical Insurance		3,634	
Unemployment Compensation		81	
Communication		41,697	
Contracts with Private Agencies		12,670	
Maintenance & Repair Services- Buildings		20,327	
Maintenance & Repair Services- Office Equipment		4,031	

(Continued)

Exhibit H-7

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Pest Control	\$	4,470	
Rentals		12,319	
Custodial Supplies		5,653	
Electricity		47,235	
Natural Gas		15,016	
Office Supplies		33	
Water and Sewer		11,152	
Boiler Insurance		1,263	
Building and Contents Insurance		53,033	
Liability Insurance		500	
Workers' Compensation Insurance		121	
Total County Buildings			\$ 283,076

Other General Administration

Contributions	\$	5,671	
Legal Notices, Recording and Court Costs		1,277	
Maintenance & Repair Services- Office Equipment		240	
Pest Control		275	
Postal Charges		18,909	
Duplicating Supplies		256	
Periodicals		1,148	
Premiums on Corporate Surety Bonds		6,041	
Workers' Compensation Insurance		4,569	
Office Equipment		6,049	
Total Other General Administration			44,435

Finance

Accounting and Budgeting

Contracts with Other Public Agencies	\$	3,601	
Total Accounting and Budgeting			3,601

Property Assessor's Office

County Official/Administrative Officer	\$	48,315	
Deputy(ies)		40,599	
Longevity Pay		200	
Social Security		6,817	
State Retirement		6,544	
Medical Insurance		7,200	
Unemployment Compensation		137	
Audit Services		5,600	

(Continued)

Exhibit H-7

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Data Processing Services	\$	7,837	
Travel		1,766	
Office Supplies		751	
Total Property Assessor's Office			\$ 125,766

Reappraisal Program

Deputy(ies)	\$	3,400	
Social Security		260	
Unemployment Compensation		28	
Travel		132	
Total Reappraisal Program			3,820

County Trustee's Office

County Official/Administrative Officer	\$	48,315	
Deputy(ies)		38,218	
Educational Incentive - Official/Admin Officer		1,500	
Educational Incentive - Other County Employees		3,000	
Longevity Pay		2,950	
In-Service Training		100	
Social Security		6,960	
State Retirement		6,476	
Medical Insurance		9,000	
Unemployment Compensation		130	
Data Processing Services		5,910	
Dues and Memberships		125	
Legal Notices, Recording and Court Costs		133	
Maintenance & Repair Services- Equipment		620	
Travel		1,003	
Office Supplies		3,030	
Total County Trustee's Office			127,470

County Clerk's Office

County Official/Administrative Officer	\$	48,315
Deputy(ies)		62,665
Part-time Personnel		10,444
Longevity Pay		725
Social Security		9,333
State Retirement		8,168
Medical Insurance		10,800
Unemployment Compensation		268

(Continued)

Exhibit H-7

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

Data Processing Services	\$	5,522	
Legal Notices, Recording and Court Costs		12	
Travel		362	
Office Supplies		1,497	
Total County Clerk's Office			\$ 158,111

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	48,315	
Deputy(ies)		62,665	
Part-time Personnel		12,533	
Educational Incentive - Official/Admin Officer		1,500	
Educational Incentive - Other County Employees		3,000	
Longevity Pay		1,025	
Jury and Witness Fees		8,348	
Social Security		9,757	
State Retirement		8,363	
Medical Insurance		14,400	
Unemployment Compensation		225	
Data Processing Services		8,620	
Maintenance & Repair Services- Office Equipment		390	
Travel		750	
Food Supplies		217	
Office Supplies		3,904	
Office Equipment		11,645	
Total Circuit Court			195,657

General Sessions Court

Judge(s)	\$	60,981	
Assistant(s)		1,872	
Social Security		4,808	
State Retirement		4,488	
Medical Insurance		3,600	
Travel		568	
Office Supplies		51	
Total General Sessions Court			76,368

Chancery Court

County Official/Administrative Officer	\$	48,316
Deputy(ies)		41,777

(Continued)

Exhibit H-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court (Cont.)

Longevity Pay	\$	1,300	
Social Security		6,919	
State Retirement		6,631	
Medical Insurance		10,800	
Unemployment Compensation		112	
Travel		15	
Office Supplies		3,859	
Office Equipment		2,912	
Total Chancery Court			\$ 122,641

Juvenile Court

Deputy(ies)	\$	20,728	
Longevity Pay		50	
Social Security		1,590	
State Retirement		1,526	
Unemployment Compensation		56	
Total Juvenile Court			23,950

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	53,560	
Assistant(s)		27,127	
Supervisor/Director		39,543	
Deputy(ies)		204,807	
Investigator(s)		73,301	
Salary Supplements		5,187	
Dispatchers/Radio Operators		121,664	
Guards		99,306	
Secretary(s)		23,811	
Part-time Personnel		10,748	
Longevity Pay		5,375	
Overtime Pay		32,050	
In-Service Training		2,887	
Social Security		53,276	
State Retirement		49,148	
Medical Insurance		79,200	
Unemployment Compensation		1,257	
Data Processing Services		261	
Maintenance & Repair Services- Equipment		3,520	
Maintenance & Repair Services- Vehicles		7,929	

(Continued)

Exhibit H-7

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Medical and Dental Services	\$	42,812	
Tow-in Services		1,115	
Travel		5,361	
Other Contracted Services		4,567	
Custodial Supplies		5,259	
Food Supplies		24,939	
Gasoline		16,306	
Law Enforcement Supplies		1,251	
Office Supplies		2,355	
Prisoners Clothing		462	
Tires and Tubes		400	
Uniforms		6,400	
Other Supplies and Materials		1,818	
Workers' Compensation Insurance		27,209	
Other Charges		579	
Communication Equipment		892	
Law Enforcement Equipment		7,670	
Motor Vehicles		20,685	
Office Equipment		21,981	
Total Sheriff's Department			\$ 1,086,018

Juvenile Services

Youth Service Officer(s)	\$	38,200	
Longevity Pay		950	
Social Security		2,995	
State Retirement		2,812	
Medical Insurance		3,600	
Unemployment Compensation		56	
Contracts with Other Public Agencies		696	
Dues and Memberships		126	
Travel		892	
Office Supplies		1,608	
Total Juvenile Services			51,935

Fire Prevention and Control

Supervisor/Director	\$	23,395	
Longevity Pay		150	
In-Service Training		2,017	
Social Security		1,801	
State Retirement		1,722	

(Continued)

Exhibit H-7

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

General Fund (Cont.)

Public Safety (Cont.)

Fire Prevention and Control (Cont.)

Medical Insurance	\$	3,600	
Unemployment Compensation		56	
Contributions		2,000	
Data Processing Services		30	
Maintenance & Repair Services- Equipment		2,914	
Maintenance & Repair Services- Office Equipment		80	
Maintenance & Repair Services- Vehicles		7,146	
Tow-in Services		305	
Travel		120	
Equipment Parts - Light		78	
Equipment and Machinery Parts		5,287	
Gasoline		4,994	
Office Supplies		667	
Tires and Tubes		446	
Vehicle Parts		235	
Vehicle and Equipment Insurance		20,663	
Workers' Compensation Insurance		9,965	
Other Charges		1,003	
Motor Vehicles		281,551	
Office Equipment		743	
Other Equipment		166,470	
Total Fire Prevention and Control			\$ 537,438

Civil Defense

Supervisor/Director	\$	28,387	
Longevity Pay		1,450	
Social Security		2,283	
State Retirement		2,089	
Medical Insurance		3,600	
Unemployment Compensation		56	
Data Processing Services		46	
Maintenance & Repair Services- Equipment		228	
Maintenance & Repair Services- Vehicles		80	
Travel		30	
Gasoline		1,062	
Office Supplies		1,207	
Other Equipment		40,366	
Total Civil Defense			80,884

(Continued)

Exhibit H-7

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

General Fund (Cont.)

Public Safety (Cont.)

Rescue Squad

Contributions	\$ 2,500	
Total Rescue Squad		\$ 2,500

Other Emergency Management

Clerical Personnel	\$ 21,091	
Social Security	1,613	
Unemployment Compensation	56	
Other Equipment	53,142	
Total Other Emergency Management		75,902

County Coroner/Medical Examiner

Other Per Diem & Fees	\$ 7,755	
Total County Coroner/Medical Examiner		7,755

Public Health and Welfare

Local Health Center

Communication	\$ 5,996	
Contracts with Government Agencies	11,306	
Postal Charges	1,067	
Other Contracted Services	1,162	
Drugs and Medical Supplies	1,736	
Office Supplies	2,889	
Total Local Health Center		24,156

Ambulance/Emergency Medical Services

Ambulance Services	\$ 178,872	
Total Ambulance/Emergency Medical Services		178,872

Nursing Home

Maintenance Personnel	\$ 15,710	
Social Security	1,202	
Unemployment Compensation	56	
Maintenance & Repair Services- Buildings	44,680	
Maintenance & Repair Services- Equipment	49,151	
Travel	1,754	
Total Nursing Home		112,553

Crippled Children Services

Contributions	\$ 1,500	
Total Crippled Children Services		1,500

(Continued)

Exhibit H-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Other Local Health Services

Contributions	\$ 2,000	
Total Other Local Health Services		\$ 2,000

Regional Mental Health Center

Contributions	\$ 10,000	
Total Regional Mental Health Center		10,000

Sanitation Education/Information

Deputy(ies)	\$ 824	
Guards	22,166	
Social Security	1,748	
State Retirement	1,692	
Unemployment Compensation	51	
Maintenance & Repair Services- Vehicles	207	
Gasoline	137	
Tires and Tubes	25	
Uniforms	400	
Other Charges	4,530	
Total Sanitation Education/Information		31,780

Social, Cultural and Recreational Services

Libraries

County Official/Administrative Officer	\$ 20,888	
Part-time Personnel	20,365	
Longevity Pay	600	
Social Security	3,196	
State Retirement	1,537	
Medical Insurance	3,600	
Unemployment Compensation	206	
Total Libraries		50,392

Other Social, Cultural and Recreational

Contributions	\$ 22,500	
Total Other Social, Cultural and Recreational		22,500

Agriculture & Natural Resources

Agriculture Extension Service

Salary Supplements	\$ 30,237	
Extension Service Medicare	2,305	
Maintenance & Repair Services- Office Equipment	120	

(Continued)

## Exhibit H-7

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

General Fund (Cont.)Agriculture & Natural Resources (Cont.)Agriculture Extension Service (Cont.)

Office Supplies	\$ 686	
Total Agriculture Extension Service		\$ 33,348

Soil Conservation

Secretary(s)	\$ 10,362	
Social Security	793	
State Retirement	64	
Unemployment Compensation	70	
Total Soil Conservation		11,289

Flood Control

Contributions	\$ 7,500	
Total Flood Control		7,500

Other OperationsIndustrial Development

Contributions	\$ 12,500	
Total Industrial Development		12,500

Other Economic and Community Development

Contributions	\$ 5,500	
Total Other Economic and Community Development		5,500

Veterans' Services

County Official/Administrative Officer	\$ 14,281	
Longevity Pay	625	
Social Security	1,094	
Unemployment Compensation	57	
Total Veterans' Services		16,057

Employee Benefits

Social Security	\$ 459	
Total Employee Benefits		459

Miscellaneous

Trustee's Commission	\$ 42,447	
Total Miscellaneous		42,447

(Continued)

Exhibit H-7

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

General Fund (Cont.)

Capital Projects

Administration of Justice Projects

Consultants	\$ 10,000	
Total Administration of Justice Projects		\$ 10,000

Total General Fund \$ 3,976,779

Solid Waste/Sanitation Fund

Public Health and Welfare

Convenience Centers

Supervisor/Director	\$ 38,128	
Accountants/Bookkeepers	11,000	
Foremen	23,782	
Laborers	89,058	
Longevity Pay	2,500	
Overtime Pay	3,537	
Social Security	12,852	
State Retirement	5,043	
Medical Insurance	7,200	
Unemployment Compensation	840	
Communication	2,049	
Maintenance & Repair Services- Buildings	1,805	
Maintenance & Repair Services- Equipment	805	
Maintenance & Repair Services- Vehicles	127	
Travel	1,412	
Custodial Supplies	1,402	
Electricity	3,823	
Natural Gas	294	
Office Supplies	591	
Uniforms	39	
Water and Sewer	24	
Chemicals	93	
Other Charges	2,238	
Heating and Air Conditioning Equipment	225	
Site Development	10,474	
Total Convenience Centers		\$ 219,341

Other Waste Disposal

Truck Drivers	\$ 23,743
Longevity Pay	650
Overtime Pay	232
Social Security	1,884

(Continued)

Exhibit H-7

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Other Waste Disposal (Cont.)

Unemployment Compensation	\$	158	
Contracts with Government Agencies		174,400	
Maintenance & Repair Services- Equipment		6,367	
Maintenance & Repair Services- Vehicles		6,723	
Custodial Supplies		711	
Diesel Fuel		17,996	
Equipment Parts - Heavy		844	
Equipment and Machinery Parts		227	
Gasoline		1,675	
Tires and Tubes		2,195	
Chemicals		846	
Motor Vehicles		18,811	
Solid Waste Equipment		746	
Total Other Waste Disposal			\$ 258,208

Postclosure Care Costs

Contracts with Government Agencies	\$	2,988	
Total Postclosure Care Costs			2,988

Other Operations

Other Charges

Workers' Compensation Insurance	\$	238	
Total Other Charges			238

Miscellaneous

Trustee's Commission	\$	7,171	
Other Charges		15	
Total Miscellaneous			7,186

Total Solid Waste/Sanitation Fund \$ 487,961

Drug Control Fund

Public Safety

Drug Enforcement

Contributions	\$	500	
Confidential Drug Enforcement Payments		2,254	
Maintenance & Repair Services- Equipment		106	
Maintenance & Repair Services- Vehicles		99	
Remittance of Revenue Collected		2,109	
Instructional Supplies and Materials		185	

(Continued)

Exhibit H-7

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

Drug Control Fund (Cont.)

Public Safety (Cont.)

Drug Enforcement (Cont.)

Tires and Tubes	\$	220	
Other Charges		500	
Law Enforcement Equipment		1,515	
Total Drug Enforcement			\$ 7,488

Other Operations

Miscellaneous

Trustee's Commission	\$	92	
Total Miscellaneous			92

Total Drug Control Fund \$ 7,580

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	55,778	
Assistant(s)		30,266	
Accountants/Bookkeepers		19,204	
Part-time Personnel		3,593	
Contracts with Other Public Agencies		3,000	
Dues and Memberships		2,768	
Legal Services		1,190	
Pest Control		233	
Postal Charges		370	
Travel		852	
Custodial Supplies		1,115	
Office Supplies		5,073	
Other Charges		3,284	
Total Administration			\$ 126,726

Highway and Bridge Maintenance

Foremen	\$	88,332
Equipment Operators		184,941
Truck Drivers		103,695
Laborers		73,525
Asphalt - Liquid		74,221
Concrete		2,670
Crushed Stone		43,555
Fertilizer, Lime and Seed		272
Pipe		4,220

(Continued)

Exhibit H-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Road Signs	\$	1,729	
Small Tools		404	
Wood Products		580	
Gravel and Chert		26,234	
Other Supplies and Materials		4,008	
Total Highway and Bridge Maintenance			\$ 608,386

Operation and Maintenance of Equipment

Mechanic(s)	\$	21,230	
Maintenance & Repair Services- Equipment		9,277	
Diesel Fuel		49,436	
Equipment and Machinery Parts		47,037	
Garage Supplies		6,086	
Gasoline		51,468	
Lubricants		2,712	
Propane Gas		398	
Tires and Tubes		14,791	
Total Operation and Maintenance of Equipment			202,435

Other Charges

Communication	\$	2,930	
Electricity		5,054	
Natural Gas		1,730	
Water and Sewer		641	
Trustee's Commission		14,916	
Vehicle and Equipment Insurance		54,060	
Total Other Charges			79,331

Employee Benefits

In-Service Training	\$	3,000	
Social Security		44,423	
State Retirement		32,952	
Employee and Dependent Insurance		71,428	
Unemployment Compensation		5,284	
Workers' Compensation Insurance		43,346	
Total Employee Benefits			200,433

Capital Outlay

Engineering Services	\$	3,918	
Bridge Construction		227,267	

(Continued)

Exhibit H-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Capital Outlay (Cont.)

Highway Equipment	\$ 11,067	
Total Capital Outlay		\$ 242,252

Total Highway/Public Works Fund \$ 1,459,563

General Debt Service Fund

Principal

General Government

Principal on Bonds	\$ 30,000	
Principal on Notes	21,333	
Total General Government		\$ 51,333

Highways and Streets

Principal on Notes	\$ 130,000	
Total Highways and Streets		130,000

Interest

General Government

Interest on Bonds	\$ 29,865	
Interest on Notes	6,720	
Total General Government		36,585

Highways and Streets

Interest on Notes	\$ 23,174	
Total Highways and Streets		23,174

Other Debt Service

General Government

Bank Charges	\$ 481	
Trustee's Commission	1,930	
Total General Government		2,411

Total General Debt Service Fund 243,503

Education Debt Service Fund

Principal

Education

Principal on Bonds	\$ 415,000	
Total Education		\$ 415,000

(Continued)

Exhibit H-7

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

<u>Education Debt Service Fund (Cont.)</u>		
<u>Interest</u>		
<u>Education</u>		
Interest on Bonds	\$ 245,911	
Total Education		\$ 245,911
 <u>Other Debt Service</u>		
<u>Education</u>		
Bank Charges	\$ 2,335	
Trustee's Commission	6,565	
Total Education		<u>8,900</u>
Total Education Debt Service Fund		\$ 669,811
 <u>General Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>General Administration Projects</u>		
Building Construction	\$ 49,691	
Total General Administration Projects		\$ 49,691
 <u>Public Health and Welfare Projects</u>		
Building Construction	\$ 790	
Total Public Health and Welfare Projects		<u>790</u>
Total General Capital Projects Fund		<u>50,481</u>
Total Governmental Funds - Primary Government		<u><u>\$ 6,895,678</u></u>

Exhibit H-8

Chester County, Tennessee  
Schedule of Detailed Receipts, Disbursements,  
and Changes in Cash Balance - City Agency Fund  
For the Year Ended June 30, 2005

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	<u>\$ 786,520</u>
Total Cash Receipts	<u>\$ 786,520</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 778,655
Trustee's Commission	7,865
Total Cash Disbursements	<u>\$ 786,520</u>
 Excess of Cash Receipts Over (Under) Cash Disbursements	 \$ 0
Cash Balance, July 1, 2004	<u>0</u>
 Cash Balance, June 30, 2005	 <u><u>\$ 0</u></u>

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## STATISTICAL SECTION

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Table 1

Chester County, Tennessee  
Uncollected Taxes Filed in Chancery Court  
June 30, 2005

Year	Amount
1995	\$ 225
1996	1,191
1997	954
1998	242
1999	62
2000	4,998
2001	10,695
2002	15,579
2003	81,586
Total	\$115,532

Table 2

Chester County, Tennessee  
Tax Rates and Assessments  
Last Ten Years

Fund	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
General	\$ 1.38	\$ 1.415	\$ 1.31	\$ 1.15	\$ 1.20	\$ 1.20	\$ 1.04	\$ 1.02	\$ 1.02	\$ 0.985
Solid Waste/Sanitation	0.00	0.275	0.22	0.15	0.15	0.15	0.14	0.16	0.16	0.155
Highway/Public Works	0.02	0.020	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.020
General Purpose School	1.12	1.120	1.12	0.98	0.98	0.98	0.88	0.88	0.88	0.850
General Debt Service	0.00	0.000	0.02	0.02	0.02	0.02	0.01	0.01	0.01	0.010
<b>Total Tax Rates</b>	<b>\$ 2.52</b>	<b>\$ 2.830</b>	<b>\$ 2.69</b>	<b>\$ 2.32</b>	<b>\$ 2.37</b>	<b>\$ 2.37</b>	<b>\$ 2.09</b>	<b>\$ 2.09</b>	<b>\$ 2.09</b>	<b>\$ 2.020</b>
<u>Assessed Valuation</u>										
Real and Personal	\$ 76,265,841	\$ 80,404,743	\$ 82,647,694	\$ 100,437,963	\$ 103,380,048	\$ 110,232,432	\$ 133,063,506	\$ 137,199,116	\$ 139,409,789	\$ 146,915,498
Public Utilities	9,927,843	10,192,480	8,250,978	10,112,931	10,857,628	10,016,181	11,342,155	11,290,199	11,065,978	12,086,005
<b>Total Assessed Valuation</b>	<b>\$ 86,193,684</b>	<b>\$ 90,597,223</b>	<b>\$ 90,898,672</b>	<b>\$ 110,550,894</b>	<b>\$ 114,237,676</b>	<b>\$ 120,248,613</b>	<b>\$ 144,405,661</b>	<b>\$ 148,489,315</b>	<b>\$ 150,475,767</b>	<b>\$ 159,001,503</b>

**ANNUAL FINANCIAL REPORT**  
**CHESTER COUNTY SCHOOL DEPARTMENT**  
**A COMPONENT UNIT OF CHESTER COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2005**

*DEPARTMENT OF AUDIT*  
*JOHN G. MORGAN*  
*Comptroller of the Treasury*

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

*ARTHUR L. ALEXANDER*  
*Director*

*NORMAN R. NORMENT, CGFM*  
*Audit Manager*

*NOLAN R. BRADFORD, CPA, CGFM*  
*Auditor 4*

*HORACE WISEMAN, CGFM*  
*ELISHA CROWELL*  
*State Auditors*

This financial report is available at [www.comptroller.state.tn.us](http://www.comptroller.state.tn.us)

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**CHESTER COUNTY SCHOOL DEPARTMENT  
A COMPONENT UNIT OF CHESTER COUNTY, TENNESSEE  
TABLE OF CONTENTS**

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	Exhibit	Page
Audit Highlights		i
 <u>INTRODUCTORY SECTION</u>		
Chester County School Officials		1
 <u>FINANCIAL SECTION</u>		
Independent Auditor's Report		5
<b>BASIC FINANCIAL STATEMENTS:</b>		
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	A	11
Statement of Revenues, Expenditures, and Changes in Fund Balances	B	12
Fiduciary Funds:		
Statement of Fiduciary Net Assets	C-1	13
Statement of Changes in Fiduciary Net Assets	C-2	14
Notes to the Financial Statements		15
<b>REQUIRED SUPPLEMENTARY INFORMATION:</b>		
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual (Budgetary Basis) and Budget:		
General Purpose School Fund	D	27
Notes to the Required Supplementary Information		29
 <b>COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:</b>		
Nonmajor Governmental Funds:		
Combining Balance Sheet	E-1	35
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	E-2	36
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
School Federal Projects Fund	E-3	37

	Exhibit	Page
Central Cafeteria Fund	E-4	38
Miscellaneous Schedules:		
Schedule of Transfers	F-1	41
Schedule of Salaries and Official Bonds of Principal Officials	F-2	42
Schedule of Detailed Revenues – All Governmental Fund Types	F-3	43
Schedule of Detailed Expenditures – All Governmental Fund Types	F-4	45

# ***Audit Highlights***

Annual Financial Report  
Chester County School Department  
For the Year Ended June 30, 2005

## ***Scope***

We have audited the financial statements of each major fund and the aggregate remaining fund information of the Chester County School Department as of and for the year ended June 30, 2005.

## ***Results***

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

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

## ***Findings***

The following are summaries of the audit findings:

### **CHESTER COUNTY SCHOOL DEPARTMENT**

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

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### **OTHER FINDING**

- ◆ County officials had not adopted a central system of accounting, budgeting, and purchasing.

*State of Tennessee  
Comptroller of the Treasury  
Department of Audit  
Division of County Audit*

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# INTRODUCTORY SECTION

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Chester County School Officials  
June 30, 2005

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Official:

John Pipkin, Director of Schools

Board of Education:

Dwain Seaton, Chairman

Dwight Bingham

Ronald Johnson

Samuel T. Jones

Bob Moore

Glenn Naylor

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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 37243-0269  
PHONE (615) 401-7841**

**INDEPENDENT AUDITOR'S REPORT**

August 3, 2005

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

To the Director of Schools and Board of Education:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Chester County School Department, a component unit of Chester County, Tennessee, as of and for the year ended June 30, 2005, as shown on pages 11 through 24, which collectively comprise a portion of the Chester County School Department's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Chester County School Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported

in government-wide financial statements for the School Department's governmental activities are not reasonably determinable.

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

In our opinion, because of the effects of the matters discussed in the two preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Chester County School Department as of June 30, 2005, or the changes in its financial position for the year then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Chester County School Department as of June 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee.

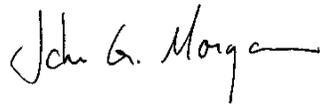
In accordance with Government Auditing Standards, we have also issued our report dated August 3, 2005, on our consideration of the Chester County School Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note III.B., the Chester County School Department has implemented Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures, which modifies the School Department's disclosures for custodial credit risk and adds disclosures about other types of risk.

The budgetary comparison information on pages 27 through 29 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Chester County School Department's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds, 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 miscellaneous schedules have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,

A handwritten signature in black ink that reads "John G. Morgan" with a long horizontal flourish extending to the right.

John G. Morgan  
Comptroller of the Treasury

JGM/rd

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

Chester County, Tennessee  
Balance Sheet - Governmental Funds  
Chester County School Department  
June 30, 2005

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	<u>Total Govern- mental Funds</u>
	General Purpose School	Other Govern- mental Funds	Govern- mental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 1,731,999	\$ 437,698	\$ 2,169,697
Accounts Receivable	8,050	42	8,092
Due from Other Governments	191,027	0	191,027
Due from Other Funds	11,753	0	11,753
Property Taxes Receivable	1,392,015	0	1,392,015
Allowance for Uncollectible Property Taxes	(68,814)	0	(68,814)
Accrued Interest Receivable	4,681	0	4,681
Total Assets	<u>\$ 3,270,711</u>	<u>\$ 437,740</u>	<u>\$ 3,708,451</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 0	\$ 1,505	\$ 1,505
Payroll Deductions Payable	10,154	1,508	11,662
Deferred Revenue - Current Property Taxes	1,258,740	0	1,258,740
Deferred Revenue - Delinquent Property Taxes	59,761	0	59,761
Other Deferred Revenues	61,330	0	61,330
Total Liabilities	<u>\$ 1,389,985</u>	<u>\$ 3,013</u>	<u>\$ 1,392,998</u>
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 91,902	\$ 0	\$ 91,902
Reserved for Career Ladder - Extended Contract	1,112	0	1,112
Reserved for Title I Grants to Local Education Agencies	0	77,169	77,169
Reserved for Innovative Education Program Strategies	0	9,023	9,023
Reserved for Special Education - Grants to States	0	78,260	78,260
Other Federal Reserves	0	5,029	5,029
Unreserved, Reported In:			
General Fund	1,787,712	0	1,787,712
Special Revenue Funds	0	265,246	265,246
Total Fund Balances	<u>\$ 1,880,726</u>	<u>\$ 434,727</u>	<u>\$ 2,315,453</u>
Total Liabilities and Fund Balances	<u>\$ 3,270,711</u>	<u>\$ 437,740</u>	<u>\$ 3,708,451</u>

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

Exhibit B

Chester County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Governmental Funds  
Chester County School Department  
For the Year Ended June 30, 2005

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 2,194,511	\$ 0	\$ 2,194,511
Licenses and Permits	1,216	0	1,216
Charges for Current Services	43,254	473,087	516,341
Other Local Revenues	103,545	32,176	135,721
State of Tennessee	9,877,075	15,134	9,892,209
Federal Government	149,204	1,632,117	1,781,321
Total Revenues	<u>\$ 12,368,805</u>	<u>\$ 2,152,514</u>	<u>\$ 14,521,319</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 7,595,232	\$ 908,307	\$ 8,503,539
Support Services	3,927,912	226,129	4,154,041
Operation of Non-Instructional Services	8,924	999,229	1,008,153
Capital Outlay	476,139	0	476,139
Debt Service:			
Other Debt Service	200,000	0	200,000
Total Expenditures	<u>\$ 12,208,207</u>	<u>\$ 2,133,665</u>	<u>\$ 14,341,872</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 160,598</u>	<u>\$ 18,849</u>	<u>\$ 179,447</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	\$ 11,999	\$ 0	\$ 11,999
Transfers Out	0	(11,999)	(11,999)
Total Other Financing Sources (Uses)	<u>\$ 11,999</u>	<u>\$ (11,999)</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ 172,597	\$ 6,850	\$ 179,447
Fund Balance, July 1, 2004	<u>1,708,129</u>	<u>427,877</u>	<u>2,136,006</u>
Fund Balance, June 30, 2005	<u>\$ 1,880,726</u>	<u>\$ 434,727</u>	<u>\$ 2,315,453</u>

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

Exhibit C-1

Chester County, Tennessee  
Statement of Fiduciary Net Assets  
Chester County School Department  
Fiduciary Fund  
June 30, 2005

	<u>Other Trust Fund Private Purpose Trust</u>
<u>ASSETS</u>	
Equity in Pooled Cash and Investments	<u>\$ 101,823</u>
<u>NET ASSETS</u>	
Held in Trust for College Scholarships for Chester County Students	<u>\$ 101,823</u>

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

Exhibit C-2

Chester County, Tennessee  
Statement of Changes in Fiduciary Net Assets  
Chester County School Department  
Fiduciary Fund  
For the Year Ended June 30, 2005

	Other Trust Fund <hr/> Private Purpose Trust <hr/>
<u>ADDITIONS</u>	
<u>Other Local Revenues</u>	
Investment Income	\$ 1,459
Total Additions	<u>\$ 1,459</u>
<u>DEDUCTIONS</u>	
Total Deductions	<u>\$ 0</u>
Changes in Net Assets	\$ 1,459
Net Assets, July 1, 2004	<u>100,364</u>
Net Assets, June 30, 2005	<u><u>\$ 101,823</u></u>

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

**CHESTER COUNTY SCHOOL DEPARTMENT  
A COMPONENT UNIT OF CHESTER COUNTY, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2005**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Chester County School Department's financial statements are not presented in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments.

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

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

The following are the more significant accounting policies of the School Department:

**A. Reporting Entity**

The School Department operates the public school system in the county, and the voters of Chester County elect its six-member board. The School Department is a component unit of Chester County, the primary government. The School Department is fiscally dependent on Chester County because it may not issue debt without county approval, and its budget and property tax levy are subject to the Chester County Commission's approval. The School

Department's taxes are levied under the taxing authority of Chester County and are included as part of Chester County's total tax levy.

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

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

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 fund is also 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 School Department considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. The School Department considers grant and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Property taxes for the period levied, in-lieu-of-tax payments, sales taxes, interest, and miscellaneous taxes are all considered to be susceptible to accrual and have been recognized as revenues of the current period. State shared excise taxes are not susceptible to accrual since they are not measurable (reasonably estimable). All other revenue items are considered to be measurable and available only when the School Department receives cash.

Fiduciary fund financial statements are reported using the economic resources 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.

The School Department reports the following major governmental fund:

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

Additionally, the School Department reports the following fund types:

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

**Private Purpose Trust Fund** – The Private Trust Fund is used to account for an endowment received by the School Department. Income generated from the corpus of the endowment is to be used to provide annual scholarships to one or more Chester County students chosen by a faculty committee at Chester County High School.

C. **Assets, Liabilities, 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 Chester County trustee maintains a cash and internal investment pool that is used by all Chester County and School Department funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the primary government's Solid Waste/Sanitation Fund and Highway/Public Works Fund, and the School Department's General Purpose School Fund. Chester 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**

Outstanding balances between funds are reported as due to/from other funds.

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 shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 2.59 percent of total taxes levied.

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. The School Department does not maintain capital assets records, as required by generally accepted accounting principles. Capital assets should be reported in the government-wide statement of net assets; however, as previously noted, the School Department does not present government-wide statements.

**4. Compensated Absences**

The policy of School Department does not provide for employees to receive compensation for unused accumulated vacation or sick leave days.

**5. Fund Equity**

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specified purpose.

**II. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

Chester County and the School Department participate in an internal cash and investment pool through the Office of Trustee. The county trustee is the treasurer of Chester County and in this capacity is responsible for receiving, disbursing, depositing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Cash reflected in the fund financial statements represents nonpooled amounts held separately by individual funds.

**Deposits**

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

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

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

### **Investments**

**Legal Provisions.** Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state director of Local Finance and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the market value of the securities on the day of purchase. The School Department had no pooled or nonpooled investments as of June 30, 2005.

### **B. Construction Commitments**

At June 30, 2005, the School Department had an uncompleted construction contract of approximately \$84,727 for the HVAC renovations of the junior high school. Funding has been received for these future expenditures.

### **C. Interfund Receivables, Payables and Transfers**

The composition of interfund balances as of June 30, 2005, is as follows:

#### **Due to/from other funds:**

The receivable in the General Purpose School Fund (\$11,753) was in transit from the School Federal Projects Fund.

#### **Interfund Transfers:**

Interfund transfers for the year ended June 30, 2005, consisted of the following amounts:

	<u>Transfers In</u>
	General Purpose School Fund
Transfers Out	
Nonmajor governmental fund	\$ 11,999
Total	\$ 11,999

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.

### III. OTHER INFORMATION

#### A. Risk Management

##### Employee Health Insurance

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

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

The School Department joined the Tennessee School Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by the Tennessee School Boards Association, an association of member school districts. The School Department pays an annual premium to the TSB-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of the TSB-RMT provides for it to be self-sustaining through member premiums. The TSB-RMT reinsures through commercial insurance companies for claims exceeding \$100,000 for each insured event.

#### B. Accounting Change

During the year, the School Department adopted the provisions of Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures. These provisions modified the School

Department's previous custodial risk disclosures for deposits and investments and related collateral. These provisions also added disclosures about other types of risk, including credit risk, interest rate risk, foreign currency risk, and concentrations of credit risk. Governments are also required to provide brief disclosures about their deposit and investment policies that are related to any of the risks required to be disclosed.

**C. Contingent Liabilities**

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

**D. Retirement Commitments**

**Plan Description**

Employees of Chester County, including the School Department, are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service, and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Chester County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at [www.treasury.state.tn.us](http://www.treasury.state.tn.us). Copies of footnotes in PDF format can be accessed at <http://www.treasury.state.tn.us/tcrs/PS/>.

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

## SCHOOL TEACHERS

### **Plan Description**

The Chester 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](http://www.treasury.state.tn.us). Copies of footnotes in PDF format can be accessed at <http://www.treasury.state.tn.us/tcrs/Schools/>.

### **Funding Policy**

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the Chester County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2005, was 5.5 percent of

annual covered payroll. The employer contribution requirement for the Chester 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, 2005, 2004, and 2003, were, \$371,107, \$216,067, and \$200,773, respectively, equal to the required contributions for each year.

**E. Purchasing Law**

Purchasing procedures for the School Department are governed by purchasing laws applicable to schools as set forth in Section 49-2-203, Tennessee Code Annotated, which provides for the 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 \$5,000.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit D

Chester County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Chester County School Department  
General Purpose School Fund  
For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 2,194,511	\$ 0	\$ 2,194,511	\$ 2,100,300	\$ 2,100,300	\$ 94,211
Licenses and Permits	1,216	0	1,216	1,200	1,200	16
Charges for Current Services	43,254	0	43,254	33,200	33,200	10,054
Other Local Revenues	103,545	0	103,545	95,500	95,500	8,045
State of Tennessee	9,877,075	0	9,877,075	9,795,538	9,833,096	43,979
Federal Government	149,204	0	149,204	176,262	223,880	(74,676)
<b>Total Revenues</b>	<b>\$ 12,368,805</b>	<b>\$ 0</b>	<b>\$ 12,368,805</b>	<b>\$ 12,202,000</b>	<b>\$ 12,287,176</b>	<b>\$ 81,629</b>
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 6,219,000	\$ 7,175	\$ 6,226,175	\$ 6,445,700	\$ 6,429,336	\$ 203,161
Special Education Program	768,933	0	768,933	755,633	788,433	19,500
Vocational Education Program	473,912	0	473,912	524,650	528,650	54,738
Student Body Education Program	33,000	0	33,000	33,000	33,000	0
Adult Education Program	100,387	0	100,387	76,558	132,497	32,110
<u>Support Services</u>						
Attendance	52,990	0	52,990	54,245	54,245	1,255
Health Services	28,559	0	28,559	32,610	32,610	4,051
Other Student Support	229,168	0	229,168	236,550	236,550	7,382
Regular Instruction Program	356,083	0	356,083	373,600	373,600	17,517
Special Education Program	107,436	0	107,436	110,150	110,150	2,714
Vocational Education Program	2,879	0	2,879	4,000	4,000	1,121
Adult Programs	102,583	0	102,583	103,450	107,189	4,606
Board of Education	206,137	0	206,137	227,700	227,700	21,563
Director of Schools	131,334	0	131,334	143,200	143,200	11,866
Office of the Principal	709,970	0	709,970	764,800	764,800	54,830

(Continued)

Exhibit D

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Support Services (Cont.)</u>						
Fiscal Services	\$ 81,396	\$ 0	\$ 81,396	\$ 83,550	\$ 83,550	\$ 2,154
Operation of Plant	920,691	0	920,691	951,600	955,075	34,384
Maintenance of Plant	234,428	0	234,428	265,900	265,900	31,472
Transportation	764,258	0	764,258	728,800	801,988	37,730
<u>Operation of Non-Instructional Services</u>						
Community Services	8,924	0	8,924	9,000	9,000	76
<u>Capital Outlay</u>						
Regular Capital Outlay	476,139	84,727	560,866	200,000	561,000	134
<u>Other Debt Service</u>						
Education	200,000	0	200,000	200,000	200,000	0
Total Expenditures	\$ 12,208,207	\$ 91,902	\$ 12,300,109	\$ 12,324,696	\$ 12,842,473	\$ 542,364
Excess (Deficiency) of Revenues						
Over Expenditures	\$ 160,598	\$ (91,902)	\$ 68,696	\$ (122,696)	\$ (555,297)	\$ 623,993
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 11,999	\$ 0	\$ 11,999	\$ 15,000	\$ 15,000	\$ (3,001)
Total Other Financing Sources (Uses)	\$ 11,999	\$ 0	\$ 11,999	\$ 15,000	\$ 15,000	\$ (3,001)
Net Change in Fund Balance						
Fund Balance, July 1, 2004	\$ 1,708,129	\$ 0	\$ 1,708,129	\$ 1,702,925	\$ 1,702,925	\$ 5,204
Fund Balance, June 30, 2005	\$ 1,880,726	\$ (91,902)	\$ 1,788,824	\$ 1,595,229	\$ 1,162,628	\$ 626,196

**CHESTER COUNTY SCHOOL DEPARTMENT  
A COMPONENT UNIT OF CHESTER COUNTY, TENNESSEE  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2005**

**BUDGETARY INFORMATION**

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

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Purpose School Fund major categories: Regular Instruction Program, Special Education Program, Vocational Education Program, Student Body Education Program, etc.). The Chester County Board of Education may make revisions within major categories, but only the Chester County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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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.

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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 cafeteria operations in each of the schools.

Exhibit E-1

Chester County, Tennessee  
Combining Balance Sheet - Nonmajor Governmental Funds  
Chester County School Department  
June 30, 2005

	<u>Special Revenue Funds</u>		
	School Federal Projects	Central Cafeteria	Total Nonmajor Governmental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 172,494	\$ 265,204	\$ 437,698
Accounts Receivable	0	42	42
Total Assets	<u>\$ 172,494</u>	<u>\$ 265,246</u>	<u>\$ 437,740</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 1,505	\$ 0	\$ 1,505
Payroll Deductions Payable	1,508	0	1,508
Total Liabilities	<u>\$ 3,013</u>	<u>\$ 0</u>	<u>\$ 3,013</u>
<u>Fund Balances</u>			
Reserved for Title I Grants to Local Education Agencies	\$ 77,169	\$ 0	\$ 77,169
Reserved for Innovative Education Program Strategies	9,023	0	9,023
Reserved for Special Education - Grants to States	78,260	0	78,260
Other Federal Reserves	5,029	0	5,029
Unreserved	0	265,246	265,246
Total Fund Balances	<u>\$ 169,481</u>	<u>\$ 265,246</u>	<u>\$ 434,727</u>
Total Liabilities and Fund Balances	<u>\$ 172,494</u>	<u>\$ 265,246</u>	<u>\$ 437,740</u>

Exhibit E-2

Chester County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Nonmajor Governmental Funds  
Chester County School Department  
For the Year Ended June 30, 2005

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 473,087	\$ 473,087
Other Local Revenues	0	32,176	32,176
State of Tennessee	0	15,134	15,134
Federal Government	1,148,489	483,628	1,632,117
Total Revenues	<u>\$ 1,148,489</u>	<u>\$ 1,004,025</u>	<u>\$ 2,152,514</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 908,307	\$ 0	\$ 908,307
Support Services	226,129	0	226,129
Operation of Non-Instructional Services	0	999,229	999,229
Total Expenditures	<u>\$ 1,134,436</u>	<u>\$ 999,229</u>	<u>\$ 2,133,665</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 14,053</u>	<u>\$ 4,796</u>	<u>\$ 18,849</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	<u>\$ (11,999)</u>	<u>\$ 0</u>	<u>\$ (11,999)</u>
Total Other Financing Sources (Uses)	<u>\$ (11,999)</u>	<u>\$ 0</u>	<u>\$ (11,999)</u>
Net Change in Fund Balances	\$ 2,054	\$ 4,796	\$ 6,850
Fund Balance, July 1, 2004	167,427	260,450	427,877
Fund Balance, June 30, 2005	<u>\$ 169,481</u>	<u>\$ 265,246</u>	<u>\$ 434,727</u>

Exhibit E-3

Chester County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Chester County School Department  
School Federal Projects Fund  
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 1,148,489	\$ 1,232,393	\$ 1,307,659	\$ (159,170)
Total Revenues	\$ 1,148,489	\$ 1,232,393	\$ 1,307,659	\$ (159,170)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 457,491	\$ 487,530	\$ 572,657	\$ 115,166
Special Education Program	406,410	547,534	546,166	139,756
Vocational Education Program	44,406	43,636	44,406	0
<u>Support Services</u>				
Health Services	17,814	18,871	18,871	1,057
Other Student Support	13,602	14,787	13,926	324
Regular Instruction Program	134,952	215,751	202,604	67,652
Special Education Program	26,065	26,535	26,535	470
Vocational Education Program	2,263	2,271	2,263	0
Transportation	31,433	30,568	35,321	3,888
Total Expenditures	\$ 1,134,436	\$ 1,387,483	\$ 1,462,749	\$ 328,313
Excess (Deficiency) of Revenues Over Expenditures	\$ 14,053	\$ (155,090)	\$ (155,090)	\$ 169,143
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (11,999)	\$ (14,931)	\$ (14,931)	\$ 2,932
Total Other Financing Sources (Uses)	\$ (11,999)	\$ (14,931)	\$ (14,931)	\$ 2,932
Net Change in Fund Balance	\$ 2,054	\$ (170,021)	\$ (170,021)	\$ 172,075
Fund Balance, July 1, 2004	167,427	170,021	170,021	(2,594)
Fund Balance, June 30, 2005	\$ 169,481	\$ 0	\$ 0	\$ 169,481

Exhibit E-4

Chester County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Chester County School Department  
Central Cafeteria Fund  
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 473,087	\$ 489,050	\$ 489,050	\$ (15,963)
Other Local Revenues	32,176	23,500	23,500	8,676
State of Tennessee	15,134	14,500	14,500	634
Federal Government	483,628	423,000	423,000	60,628
Total Revenues	<u>\$ 1,004,025</u>	<u>\$ 950,050</u>	<u>\$ 950,050</u>	<u>\$ 53,975</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 999,229	\$ 1,012,344	\$ 1,012,344	\$ 13,115
Total Expenditures	<u>\$ 999,229</u>	<u>\$ 1,012,344</u>	<u>\$ 1,012,344</u>	<u>\$ 13,115</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 4,796</u>	<u>\$ (62,294)</u>	<u>\$ (62,294)</u>	<u>\$ 67,090</u>
Net Change in Fund Balance	\$ 4,796	\$ (62,294)	\$ (62,294)	\$ 67,090
Fund Balance, July 1, 2004	260,450	260,450	260,450	0
Fund Balance, June 30, 2005	<u>\$ 265,246</u>	<u>\$ 198,156</u>	<u>\$ 198,156</u>	<u>\$ 67,090</u>

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## MISCELLANEOUS SCHEDULES

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Exhibit F-1

Chester County, Tennessee  
Schedule of Transfers  
Chester County School Department  
For the Year Ended June 30, 2005

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
School Federal Projects	General Purpose School	Indirect costs	<u>\$ 11,999</u>
Total Transfers			<u><u>\$ 11,999</u></u>

Exhibit F-2

Chester County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
Chester County School Department  
For the Year Ended June 30, 2005

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Director of Schools	State Board of Education and Chester County Board of Education	\$ 74,536 (1) \$	100,000	Western Surety Company
Employee Blanket Bond Coverage			150,000	Tennessee School Boards Risk Management Trust

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

Chester County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
Chester County School Department  
For the Year Ended June 30, 2005

Exhibit F-3

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 1,267,732	\$ 0	\$ 0	\$ 1,267,732
Discount on Property Taxes	(10,966)	0	0	(10,966)
Trustee's Collections - Prior Year	71,795	0	0	71,795
Circuit/Clerk & Master Collections - Prior Years	99,883	0	0	99,883
Interest and Penalty	12,780	0	0	12,780
<u>County Local Option Taxes</u>				
Local Option Sales Tax	732,549	0	0	732,549
<u>Statutory Local Taxes</u>				
Bank Excise Tax	18,009	0	0	18,009
Interstate Telecommunications Tax	2,729	0	0	2,729
Total Local Taxes	\$ 2,194,511	\$ 0	\$ 0	\$ 2,194,511
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 1,216	\$ 0	\$ 0	\$ 1,216
Total Licenses and Permits	\$ 1,216	\$ 0	\$ 0	\$ 1,216
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Tuition - Regular Day Students	\$ 7,575	\$ 0	\$ 0	\$ 7,575
Tuition - Summer School	6,005	0	0	6,005
Lunch Payments - Children	0	0	276,494	276,494
Lunch Payments - Adults	0	0	38,376	38,376
Income from Breakfast	0	0	18,118	18,118
Special Milk Sales	0	0	1,627	1,627
A la carte Sales	0	0	138,472	138,472
Receipts from Individual Schools	23,189	0	0	23,189
<u>Other Charges for Services</u>				
Other Charges for Services	6,485	0	0	6,485
Total Charges for Current Services	\$ 43,254	\$ 0	\$ 473,087	\$ 516,341
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 59,119	\$ 0	\$ 5,107	\$ 64,226
Lease/Rentals	5,975	0	0	5,975
Miscellaneous Refunds	15,676	0	27,069	42,745
<u>Nonrecurring Items</u>				
Insurance Recovery	662	0	0	662
Sale of Equipment	802	0	0	802
Damages Recovered from Individuals	1,178	0	0	1,178
Contributions & Gifts	27	0	0	27
<u>Other Local Revenues</u>				
Other Local Revenues	20,106	0	0	20,106
Total Other Local Revenues	\$ 103,545	\$ 0	\$ 32,176	\$ 135,721
<u>State of Tennessee</u>				
<u>State Education Funds</u>				
Basic Education Program	\$ 9,385,558	\$ 0	\$ 0	\$ 9,385,558

(Continued)

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

Exhibit F-3

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>State of Tennessee (Cont.)</u>				
<u>State Education Funds (Cont.)</u>				
School Food Service	\$ 0	\$ 0	\$ 15,134	\$ 15,134
Driver Education	7,970	0	0	7,970
Other State Education Funds	184,872	0	0	184,872
Career Ladder Program	134,982	0	0	134,982
Career Ladder - Extended Contract	59,865	0	0	59,865
<u>Other State Revenues</u>				
Income Tax	572	0	0	572
Mixed Drink Tax	590	0	0	590
State Revenue Sharing - T.V.A.	94,608	0	0	94,608
Other State Grants	8,058	0	0	8,058
Total State of Tennessee	\$ 9,877,075	\$ 0	\$ 15,134	\$ 9,892,209
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 385,505	\$ 385,505
Breakfast	0	0	98,123	98,123
Adult Education State Grant Program	74,288	0	0	74,288
Vocational Education - Basic Grants to States	0	52,907	0	52,907
Title I Grants to Local Education Agencies	0	446,900	0	446,900
Innovative Education Program Strategies	0	12,666	0	12,666
Special Education - Grants to States	10,945	477,375	0	488,320
Special Education Preschool Grants	0	13,273	0	13,273
Eisenhower Professional Development State Grants	0	130,557	0	130,557
Job Training Partnership Act	43,404	0	0	43,404
Other Federal through State	20,567	14,811	0	35,378
Total Federal Government	\$ 149,204	\$ 1,148,489	\$ 483,628	\$ 1,781,321
Total	\$ 12,368,805	\$ 1,148,489	\$ 1,004,025	\$ 14,521,319

Exhibit F-4

Chester County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Chester County School Department  
For the Year Ended June 30, 2005

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	4,445,736	
Career Ladder Program		73,875	
Career Ladder Extended Contracts		47,123	
Educational Assistants		119,475	
Certified Substitute Teachers		69,856	
Social Security		277,924	
State Retirement		258,460	
Life Insurance		2,216	
Medical Insurance		494,699	
Unemployment Compensation		4,422	
Employer Medicare		64,998	
Other Fringe Benefits		4,401	
Maintenance & Repair Services- Equipment		3,995	
Other Contracted Services		9,869	
Instructional Supplies and Materials		121,465	
Textbooks		137,493	
Other Supplies and Materials		200	
Other Charges		192	
Regular Instruction Equipment		82,601	
Total Regular Instruction Program			\$ 6,219,000

Special Education Program

Teachers	\$	416,122	
Career Ladder Program		8,000	
Educational Assistants		151,246	
Certified Substitute Teachers		10,972	
Social Security		35,534	
State Retirement		33,876	
Life Insurance		204	
Medical Insurance		33,907	
Unemployment Compensation		727	
Employer Medicare		8,310	
Contracts with Private Agencies		61,100	
Other Contracted Services		2,500	
Instructional Supplies and Materials		5,000	
Other Supplies and Materials		1,435	
Total Special Education Program			768,933

(Continued)

Exhibit F-4

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Vocational Education Program

Teachers	\$	353,706	
Career Ladder Program		6,000	
Certified Substitute Teachers		6,616	
Social Security		20,521	
State Retirement		19,747	
Life Insurance		206	
Medical Insurance		56,993	
Unemployment Compensation		287	
Employer Medicare		4,800	
Other Contracted Services		1,036	
Instructional Supplies and Materials		4,000	
Total Vocational Education Program			\$ 473,912

Student Body Education Program

Other Charges	\$	33,000	
Total Student Body Education Program			33,000

Adult Education Program

Teachers	\$	75,880	
Other Salaries & Wages		4,470	
Social Security		4,947	
State Retirement		2,928	
Unemployment Compensation		135	
Employer Medicare		1,157	
Instructional Supplies and Materials		9,046	
Other Charges		1,824	
Total Adult Education Program			100,387

Support Services

Attendance

Supervisor/Director	\$	38,402	
Career Ladder Program		2,000	
Social Security		2,241	
State Retirement		2,222	
Life Insurance		20	
Medical Insurance		6,320	
Unemployment Compensation		24	
Employer Medicare		524	
Travel		1,000	

(Continued)

Exhibit F-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Attendance (Cont.)

Other Supplies and Materials	\$ 237	
Total Attendance		\$ 52,990

Health Services

Medical Personnel	\$ 19,170	
Social Security	1,189	
State Retirement	1,411	
Unemployment Compensation	31	
Employer Medicare	278	
Travel	653	
Drugs and Medical Supplies	4,000	
Other Supplies and Materials	1,827	
Total Health Services		28,559

Other Student Support

Career Ladder Program	\$ 7,985	
Guidance Personnel	164,124	
Career Ladder Extended Contracts	2,000	
Social Security	9,868	
State Retirement	9,576	
Life Insurance	82	
Medical Insurance	23,222	
Unemployment Compensation	123	
Employer Medicare	2,308	
Evaluation and Testing	8,880	
Travel	1,000	
Total Other Student Support		229,168

Regular Instruction Program

Supervisor/Director	\$ 60,685
Career Ladder Program	6,000
Librarians	154,749
Instructional Computer Personnel	44,778
Clerical Personnel	1,491
Other Salaries & Wages	2,387
Social Security	16,483
State Retirement	15,255
Life Insurance	63
Medical Insurance	20,816

(Continued)

Exhibit F-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Unemployment Compensation	\$	230	
Employer Medicare		3,855	
Consultants		675	
Travel		6,067	
Other Contracted Services		25	
Library Books/Media		16,000	
Other Supplies and Materials		1,726	
In Service/Staff Development		4,000	
Other Equipment		798	
Total Regular Instruction Program			\$ 356,083

Special Education Program

Supervisor/Director	\$	57,646	
Career Ladder Program		3,000	
Psychological Personnel		21,100	
Social Security		5,053	
State Retirement		4,960	
Medical Insurance		3,613	
Unemployment Compensation		62	
Employer Medicare		1,182	
Travel		5,846	
Other Supplies and Materials		992	
In Service/Staff Development		3,982	
Total Special Education Program			107,436

Vocational Education Program

Travel	\$	2,879	
Total Vocational Education Program			2,879

Adult Programs

Supervisor/Director	\$	63,468	
Career Ladder Program		1,000	
Social Security		3,702	
State Retirement		3,861	
Medical Insurance		200	
Unemployment Compensation		45	
Employer Medicare		866	
Travel		1,094	
Other Contracted Services		9,166	

(Continued)

Exhibit F-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Adult Programs (Cont.)

Other Supplies and Materials	\$	12,000	
In Service/Staff Development		2,752	
Other Equipment		4,429	
Total Adult Programs			\$ 102,583

Board of Education

Other Salaries & Wages	\$	4,700	
Social Security		291	
Unemployment Compensation		21	
Employer Medicare		68	
Audit Services		3,000	
Dues and Memberships		6,125	
Legal Services		345	
Travel		2,878	
Other Contracted Services		5,278	
Liability Insurance		23,528	
Trustee's Commission		64,477	
Workers' Compensation Insurance		84,999	
Criminal Investigation of Applicants - TBI		1,824	
Other Charges		8,603	
Total Board of Education			206,137

Director of Schools

County Official/Administrative Officer	\$	73,536	
Career Ladder Program		1,000	
Clerical Personnel		17,306	
Social Security		5,659	
State Retirement		5,373	
Life Insurance		20	
Medical Insurance		3,613	
Unemployment Compensation		55	
Employer Medicare		1,318	
Other Fringe Benefits		1,463	
Communication		4,730	
Dues and Memberships		2,283	
Postal Charges		2,356	
Travel		3,550	
Other Contracted Services		3,142	
Office Supplies		2,388	

(Continued)

Exhibit F-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools (Cont.)

Other Charges	\$	42	
Administration Equipment		3,500	
Total Director of Schools			\$ 131,334

Office of the Principal

Principals	\$	298,215	
Career Ladder Program		12,000	
Career Ladder Extended Contracts		5,703	
Assistant Principals		90,346	
Secretary(s)		163,818	
Social Security		34,064	
State Retirement		34,401	
Life Insurance		163	
Medical Insurance		33,567	
Unemployment Compensation		543	
Employer Medicare		7,967	
Communication		12,205	
Maintenance & Repair Services- Equipment		95	
Travel		3,008	
In Service/Staff Development		817	
Other Charges		308	
Administration Equipment		12,750	
Total Office of the Principal			709,970

Fiscal Services

Accountants/Bookkeepers	\$	63,178	
Social Security		3,370	
State Retirement		4,650	
Unemployment Compensation		62	
Employer Medicare		788	
Data Processing Services		448	
Travel		437	
Other Contracted Services		5,963	
Data Processing Supplies		1,500	
Office Supplies		1,000	
Total Fiscal Services			81,396

Operation of Plant

Supervisor/Director	\$	3,578	
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(Continued)

Exhibit F-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Guards	\$	21,470	
Custodial Personnel		246,439	
Other Salaries & Wages		3,555	
Social Security		16,462	
State Retirement		15,401	
Unemployment Compensation		606	
Employer Medicare		3,850	
Travel		4,163	
Disposal Fees		14,117	
Other Contracted Services		10,000	
Custodial Supplies		86,248	
Electricity		299,884	
Natural Gas		103,017	
Water and Sewer		20,633	
Other Supplies and Materials		2,864	
Boiler Insurance		1,000	
Building and Contents Insurance		65,471	
Plant Operation Equipment		1,933	
Total Operation of Plant			\$ 920,691

Maintenance of Plant

Maintenance Personnel	\$	67,309	
Other Salaries & Wages		36,416	
Social Security		5,676	
State Retirement		5,191	
Unemployment Compensation		169	
Employer Medicare		1,328	
Maintenance & Repair Services- Buildings		30,265	
Maintenance & Repair Services- Equipment		2,433	
Other Contracted Services		23,000	
Other Supplies and Materials		49,820	
Maintenance Equipment		12,821	
Total Maintenance of Plant			234,428

Transportation

Supervisor/Director	\$	7,795	
Mechanic(s)		43,650	
Bus Drivers		288,113	
Other Salaries & Wages		2,085	

(Continued)

Exhibit F-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Social Security	\$	20,884	
State Retirement		20,429	
Unemployment Compensation		757	
Employer Medicare		4,884	
Communication		332	
Contracts with Vehicle Owners		14,244	
Maintenance & Repair Services- Vehicles		17,527	
Travel		600	
Other Contracted Services		13,328	
Gasoline		81,055	
Tires and Tubes		9,182	
Vehicle Parts		33,366	
Other Supplies and Materials		14,272	
Vehicle and Equipment Insurance		17,154	
Other Charges		555	
Transportation Equipment		174,046	
Total Transportation			\$ 764,258

Operation of Non-Instructional Services

Community Services

Other Salaries & Wages	\$	4,063	
Social Security		154	
State Retirement		26	
Unemployment Compensation		2	
Employer Medicare		36	
Other Charges		4,643	
Total Community Services			8,924

Capital Outlay

Regular Capital Outlay

Engineering Services	\$	15,000	
Building Construction		48,035	
Building Improvements		413,104	
Total Regular Capital Outlay			476,139

Other Debt Service

Education

Contributions	\$	200,000	
Total Education			200,000

Total General Purpose School Fund \$ 12,208,207

(Continued)

Exhibit F-4

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

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	231,509	
Educational Assistants		114,750	
Certified Substitute Teachers		226	
Social Security		20,500	
State Retirement		21,191	
Medical Insurance		25,848	
Unemployment Compensation		425	
Employer Medicare		4,794	
Other Contracted Services		1,021	
Instructional Supplies and Materials		8,526	
Other Supplies and Materials		6,898	
Other Charges		15,708	
Regular Instruction Equipment		6,095	
Total Regular Instruction Program			\$ 457,491

Special Education Program

Teachers	\$	81,128	
Clerical Personnel		5,844	
Educational Assistants		169,590	
Social Security		15,765	
State Retirement		16,770	
Medical Insurance		7,288	
Unemployment Compensation		490	
Employer Medicare		3,687	
Contracts with Private Agencies		67,268	
Instructional Supplies and Materials		17,803	
Other Supplies and Materials		5,563	
Special Education Equipment		15,214	
Total Special Education Program			406,410

Vocational Education Program

Travel	\$	3,597	
Other Contracted Services		3,768	
Instructional Supplies and Materials		30,041	
Vocational Instruction Equipment		7,000	
Total Vocational Education Program			44,406

(Continued)

Exhibit F-4

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

School Federal Projects Fund (Cont.)

Support Services

Health Services

Medical Personnel	\$	15,462	
Social Security		959	
State Retirement		1,138	
Unemployment Compensation		31	
Employer Medicare		224	
Total Health Services			\$ 17,814

Other Student Support

Guidance Personnel	\$	7,000	
Travel		6,602	
Total Other Student Support			13,602

Regular Instruction Program

Supervisor/Director	\$	49,392	
Secretary(s)		10,474	
Other Salaries & Wages		1,000	
Certified Substitute Teachers		2,072	
Social Security		4,098	
State Retirement		3,659	
Medical Insurance		3,449	
Unemployment Compensation		79	
Employer Medicare		958	
Consultants		500	
Travel		10,236	
Other Contracted Services		4,082	
Library Books/Media		12,671	
Other Supplies and Materials		2,590	
In Service/Staff Development		27,044	
Other Charges		190	
Other Equipment		2,458	
Total Regular Instruction Program			134,952

Special Education Program

Psychological Personnel	\$	21,086	
Social Security		1,274	
State Retirement		1,552	
Medical Insurance		1,855	
Employer Medicare		298	
Total Special Education Program			26,065

(Continued)

Exhibit F-4

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Vocational Education Program

Supervisor/Director	\$	2,000	
Social Security		124	
State Retirement		110	
Employer Medicare		29	
Total Vocational Education Program			\$ 2,263

Transportation

Bus Drivers	\$	27,278	
Social Security		1,691	
State Retirement		2,008	
Unemployment Compensation		60	
Employer Medicare		396	
Total Transportation			\$ 31,433

Total School Federal Projects Fund \$ 1,134,436

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	22,418
Accountants/Bookkeepers		20,698
Clerical Personnel		26,407
Cafeteria Personnel		316,628
Other Salaries & Wages		38,626
Social Security		23,618
State Retirement		26,343
Unemployment Compensation		1,093
Employer Medicare		5,524
Communication		1,879
Maintenance & Repair Services- Equipment		5,711
Transportation - Other than Students		7,176
Travel		961
Other Contracted Services		17,771
Food Supplies		399,667
Office Supplies		2,935
Uniforms		4,966
Utilities		13,748
Other Supplies and Materials		25,433
In Service/Staff Development		1,795

(Continued)

Exhibit F-4

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

<u>Central Cafeteria Fund (Cont.)</u>			
<u>Operation of Non-Instructional Services (Cont.)</u>			
<u>Food Service (Cont.)</u>			
Other Charges	\$	1,060	
Food Service Equipment		<u>34,772</u>	
Total Food Service			<u>\$ 999,229</u>
Total Central Cafeteria Fund			<u>\$ 999,229</u>
Total Governmental Funds - Chester County School Department			<u>\$ 14,341,872</u>

**SINGLE AUDIT REPORT**  
**CHESTER COUNTY, TENNESSEE**  
**AND**  
**CHESTER COUNTY SCHOOL DEPARTMENT**  
**FOR THE YEAR ENDED JUNE 30, 2005**

*DEPARTMENT OF AUDIT*  
*JOHN G. MORGAN*  
*Comptroller of the Treasury*

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

*ARTHUR L. ALEXANDER*  
*Director*

*NORMAN R. NORMENT, CGFM*  
*Audit Manager*

*NOLEN R. BRADFORD, CPA, CGFM*  
*Auditor 4*

*HORACE WISEMAN, CGFM*  
*ELISHA CROWELL*  
*State Auditors*

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# SINGLE AUDIT REPORT TABLE OF CONTENTS

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	Page
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>	1
Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With <u>OMB Circular A-133</u>	3
Schedule of Expenditures of Federal Awards and State Grants	7
Schedule of Audit Findings Not Corrected	9
Schedule of Findings and Questioned Costs	11
Auditee Reporting Responsibilities	17



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

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

August 3, 2005

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

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

We have audited the financial statements of each major fund and the aggregate remaining fund information of Chester County, Tennessee, and the Chester County School Department as of and for the year ended June 30, 2005, which collectively comprise a portion of Chester County's and the Chester County School Department's basic financial statements and have issued our reports thereon dated August 3, 2005. Our reports on the financial statements of Chester County and the Chester County School Department express adverse opinions because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. 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 Chester County's and the Chester County School Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting.

However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Chester County's and the Chester County School Department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 05.02, 05.03, and 05.04.

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

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Chester County's and the Chester County School Department's statements are free of material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one material instance of noncompliance that is required to be reported under Government Auditing Standards and is described in the accompanying Schedule of Findings and Questioned Costs as item 05.01.

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

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

Very truly yours,



John G. Morgan  
Comptroller of the Treasury

JGM/rd



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

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

August 3, 2005

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

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

Compliance

We have audited the compliance of Chester County and the Chester County School Department with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of their major federal programs for the year ended June 30, 2005. Chester County's and the Chester County School Department's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of their major federal programs is the responsibility of Chester County's and the Chester County School Department's management. Our responsibility is to express an opinion on Chester County's and the Chester County School Department's compliance based on our audit.

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

test basis, evidence about Chester County's and the Chester County School Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Chester County's and the Chester County School Department's compliance with those requirements.

In our opinion, Chester County and the Chester County School Department complied, in all material respects, with the requirements referred to above that are applicable to each of their major federal programs for the year ended June 30, 2005.

#### Internal Control Over Compliance

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

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

#### Schedule of Federal Awards

We have audited the financial statements of each major fund and the aggregate remaining fund information of Chester County, Tennessee, and the Chester County School Department as of and for the year ended June 30, 2005, and have issued our reports thereon dated August 3, 2005. Our reports on the financial statements of Chester County and the Chester County School Department express adverse opinions because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. Our audit was performed for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Grants is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Very truly yours,

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

John G. Morgan  
Comptroller of the Treasury

JGM/rd

Chester County, Tennessee, and the Chester County School Department  
Schedule of Expenditures of Federal Awards and State Grants (1)  
For the Year Ended June 30, 2005

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Agriculture:			
Food Donation (Noncash Assistance)	10.550	N/A	\$ 57,002
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	\$ 98,123
National School Lunch Program	10.555	N/A	385,505
Total Passed-through State Department of Education			\$ 483,628
Total U.S. Department of Agriculture			\$ 540,630
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants - State's Program	14.228	GG041072400	\$ 241,200
Total U.S. Department of Housing and Urban Development			\$ 241,200
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	Z0502036100	\$ 9,000
Total U. S. Department of Justice			\$ 9,000
U.S. Department of Labor:			
Passed-through Southwest Human Resource Agency:			
WIA Youth Activities	17.259	05110105239900	\$ 25,000 (3)
WIA Youth Activities	17.259	05110230022082	18,404 (3)
WIA Incentive Grants - Section 503 Grants to States	17.267	Z0402561001	1,595
Total U.S. Department of Labor			\$ 44,999
U.S. Department of Education:			
Passed-through State Department of Education:			
Adult Education - State Grant Program	84.002	Z0401665300	\$ 16,985 (4)
Adult Education - State Grant Program	84.002	Z0502220500	82,238 (4)
Title I Grants to Local Educational Agencies	84.010	N/A	439,398
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	485,890
Special Education - Preschool Grants	84.173	N/A	13,273
Vocational Education - Basic Grants to States	84.048	N/A	52,907
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	27,774
State Grants for Innovative Programs	84.298	N/A	23,547
Education Technology State Grants	84.318	(2)	8,735
Improving Teacher Quality State Grants	84.367	N/A	120,687
Total U.S. Department of Education			\$ 1,271,434

(Continued)

Chester County, Tennessee, and the Chester County School Department  
Schedule of Expenditures of Federal Awards and State Grants (Cont.)

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Health and Human Services:			
Passed-through Southwest Human Resource Agency:			
Temporary Assistance for Needy Families (Families First)	93.558	Z050228900	\$ 28,887
Total U.S. Department of Health and Human Services			<u>\$ 28,887</u>
U.S. Department of Homeland Security:			
Passed-through State Department of the Military:			
State Domestic Preparedness Equipment Support Program	97.004	Z0402007800	\$ 46,603
Public Assistance Grants	97.036	Z0402025000	3,971 (5)
Public Assistance Grants	97.036	Z0502540400	4,895 (5)
Assistance to Firefighters Grant	97.044	EMU-2004-FG-02884	156,991
Total U.S. Department of Homeland Security			<u>\$ 212,460</u>
Total Expenditures of Federal Awards			<u>\$ 2,348,610</u>
State Grants:			
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	\$ 5,753
Litter Program - State Department of Transportation	N/A	(2)	23,925
Fingerprint Grant - State Department of Finance and Administration	N/A	(2)	14,837
Optional Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	9,651
Family Resource Center - State Department of Education	N/A	(2)	32,900
English as a Second Language - State Department of Education	N/A	(2)	<u>8,058</u>
Total State Grants			<u>\$ 95,124</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) Total WIA Youth Activities (CFDA Number 17.259) from the U. S. Department of Labor \$43,404.

(4) Total Adult Education - State Grant Program (CFDA Number 84.002) from the U. S. Department of Education \$99,223.

(5) Total Public Assistance Grants (CFDA Number 97.036) from the U. S. Department of Homeland Security \$8,866.

Chester County, Tennessee, and the Chester County School Department  
Schedule of Audit Findings Not Corrected  
June 30, 2005

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report for Chester County, Tennessee, and the Chester County School Department for the year ended June 30, 2004, which have not been corrected.

**CHESTER COUNTY AND CHESTER COUNTY SCHOOL DEPARTMENT**

Finding Number	Page Number	Subject
04.01	12	Government-wide financial statements were not presented in accordance with generally accepted accounting principles

**OFFICE OF COUNTY MAYOR**

Finding Number	Page Number	Subject
04.02	13	Purchase orders were not issued in some applicable instances

**OTHER FINDING AND RECOMMENDATION**

Finding Number	Page Number	Subject
04.03	13	A central system of accounting, budgeting, and purchasing had not been adopted

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2005**

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**PART I, SUMMARY OF AUDITOR'S RESULTS**

1. Adverse opinions were issued on the financial statements of Chester County and the Chester County School Department.
2. The audit of the financial statements of Chester County and the Chester County School Department disclosed reportable conditions in internal control. None of these conditions was considered to be a material weakness.
3. The audit disclosed one instance of noncompliance that is material to the financial statements of Chester County and the Chester County School Department.
4. The audit disclosed no reportable conditions in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555), Title I Grants to Local Educational Agencies (CFDA No. 84.010), 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 threshold of \$300,000 was used to distinguish between Type A and Type B federal programs.
9. Chester County and the Chester County School Department did not qualify as low-risk auditees.

## PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. Management did not offer written responses to the findings and recommendations. Officials did offer oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

### CHESTER COUNTY AND CHESTER COUNTY SCHOOL DEPARTMENT

**FINDING 05.01      **GOVERNMENT-WIDE FINANCIAL STATEMENTS WERE NOT PRESENTED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES****  
(Material Noncompliance Under Government Auditing Standards)

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

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

### RECOMMENDATION

Chester County and the Chester County School Department should present government-wide financial statements in conformity with generally accepted accounting principles, and should compile and maintain records that properly account for their capital assets. These records should document the historical cost of their capital assets and the related depreciation amounts of these assets. This information is necessary to present their financial statements in accordance with generally accepted accounting principles.

**OFFICE OF COUNTY MAYOR**

**FINDING 05.02**      **THE OFFICE HAD PURCHASING DEFICIENCIES**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

Our examination of purchasing procedures revealed the following deficiencies:

- A. Purchase orders were not issued in some required instances. Purchase orders are necessary to control who has purchasing authority for the office and to document purchasing commitments.
- B. In several instances, invoices were paid without documentation that goods had been received or services had been rendered. This practice weakens controls over the purchasing process. We extended our audit procedures and determined that the goods were received and services were rendered.
- C. In numerous instances, itemized hotel invoices were not on file to document employees' lodging expenses.

**RECOMMENDATION**

The office should improve purchasing procedures by issuing purchase orders for all applicable purchases and by obtaining documentation for goods that have been received or services rendered before invoices are paid. The office should ensure that itemized hotel invoices are on file to support employees' lodging expenses.

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**OFFICE OF ROAD SUPERVISOR**

**FINDING 05.03**      **THE OFFICE HAD PURCHASING DEFICIENCIES**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

Our review of purchasing procedures revealed the following deficiencies:

- A. Purchase orders were not issued in some required instances. Purchase orders are necessary to control who has purchasing authority for the office and to document purchasing commitments.
- B. In several instances, invoices were paid without documentation that goods had been received or services had been rendered. This practice weakens controls over the purchasing process. We extended our audit procedures and determined that the goods were received and services were rendered.

RECOMMENDATION

The office should improve purchasing procedures by issuing purchase orders for all applicable purchases and obtaining documentation for goods that have been received or services rendered before invoices are paid.

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OTHER FINDING AND RECOMMENDATION

FINDING 05.04      **A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

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

RECOMMENDATION

Chester County officials should consider adopting the County Financial Management System of 1981 or a private act, which would provide for a central system of accounting, budgeting, and purchasing covering all county departments.

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

There were no findings and questioned costs for federal awards.

**CHESTER COUNTY, TENNESSEE, AND  
CHESTER COUNTY SCHOOL DEPARTMENT  
AUDITEE REPORTING RESPONSIBILITIES  
For the Year Ended June 30, 2005**

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