

**ANNUAL FINANCIAL REPORT**  
**CHESTER COUNTY, TENNESSEE**



**FOR THE YEAR ENDED JUNE 30, 2006**

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

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

*DEPARTMENT OF AUDIT*  
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*Comptroller of the Treasury*

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

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## CHESTER COUNTY, TENNESSEE

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***Audit Highlights***  
Annual Financial Report  
Chester County, Tennessee  
For the Year Ended June 30, 2006

***Scope***

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

***Results***

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

Our audit resulted in four findings and recommendations, which we have reviewed with Chester County management. Detailed findings and recommendations are included in the Single Audit Section of this report.

***Findings***

The following are summaries of the audit findings:

**OFFICE OF COUNTY MAYOR**

- ◆ The office did not issue purchase orders in some required instances.
- ◆ The office had deficiencies in budget operations.

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**OFFICE OF ROAD SUPERVISOR**

- ◆ The office did not issue purchase orders in some required instances.

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**OTHER FINDING**

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

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# INTRODUCTORY SECTION

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# Chester County Officials

## June 30, 2006

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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  
Bobby Hysmith, Chairman Pro-Tem  
Mike Alexander  
Johnny Beshires  
Larry Blackstock  
Doug Burkhead  
Wade Cox  
Charles Davis  
Jessie Gilliam  
Carolyn Johnson

Diane Jordan  
Kermit Taze Lofton, Jr.  
Randy McKinnon  
David Morrison  
Leon Robison  
Dwain Seaton, Jr.  
Howard Wade  
Doris Weaver  
Jimmy Wells

### **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.

### **Board of Education**

Dwain Seaton, Chairman  
Dwight Bingham  
Ronald Johnson

Samuel 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 10, 2006

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 the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Chester County, Tennessee, as of and for the year ended June 30, 2006, which collectively comprise Chester County's basic financial statements as listed in the table of contents. 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 auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements of the Chester County Emergency Communications District (discretely presented component unit) and the Chester County Library (nonmajor special revenue fund of the primary government) had not been made available by other auditors as of the date of this report. Accordingly, the aggregate discretely presented component units and aggregate remaining fund information referred to above do not include the financial statements of the Chester County Emergency Communications District and the Chester County Library, respectively, which should be included to conform with accounting

principles generally accepted in the United States of America. The effects on the financial statements are not reasonably determinable.

In our opinion, except for the effects of not including the financial statements of the Chester County Emergency Communications District, a discretely presented component unit, and the Chester County Library, a nonmajor special revenue fund, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Chester County, Tennessee, as of June 30, 2006, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 10, 2006, 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 V.B., Chester County has implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. For the first time, the financial statements include the government-wide financial statements.

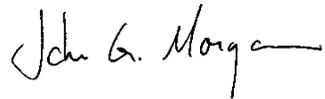
The management of Chester County did not prepare the management's discussion and analysis. The management's discussion and analysis section is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States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

The budgetary comparison information on pages 49 through 53 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, combining and individual fund financial statements of the Chester County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements,

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

Very truly yours,

A handwritten signature in black ink 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/rc

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

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

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Chester County School Department</u>
<u>ASSETS</u>		
Cash	\$ 175	\$ 0
Equity in Pooled Cash and Investments	3,678,414	2,288,062
Accounts Receivable	79,966	5,258
Due from Other Governments	402,245	195,180
Property Taxes Receivable	1,983,967	1,442,250
Allowance for Uncollectible Property Taxes	(114,507)	(83,216)
Accrued Interest Receivable	5,906	5,692
Capital Assets:		
Assets Not Depreciated:		
Land	2,859,341	414,252
Construction in Progress	0	55,379
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	2,496,865	8,275,506
Infrastructure	758,452	0
Other Capital Assets	1,211,408	1,380,071
Total Assets	<u>\$ 13,362,232</u>	<u>\$ 13,978,434</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 13,659	\$ 3,943
Payroll Deductions Payable	0	6,009
Accrued Interest Payable	45,583	0
Other Current Liabilities	120	0
Deferred Revenue - Current Property Taxes	1,781,823	1,295,366
Noncurrent Liabilities:		
Due Within One Year	672,625	0
Due In More Than One Year	5,784,209	0
Total Liabilities	<u>\$ 8,298,019</u>	<u>\$ 1,305,318</u>
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	\$ 6,204,732	\$ 0
Invested in Capital Assets	0	10,125,208
Restricted for:		
Debt Service	2,106,005	0
Highway/Public Works	782,042	
Other Purposes	229,261	391,070
Unrestricted	<u>(4,257,827)</u>	<u>2,156,838</u>
Total Net Assets	<u>\$ 5,064,213</u>	<u>\$ 12,673,116</u>

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

Exhibit B

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary	Component
					Government	Unit
					Total	Chester County School Department
Primary Government:						
Governmental Activities:						
General Government	\$ 509,336	\$ 76,348	\$ 20,475	\$ 171,000	\$ (241,513)	\$ 0
Finance	451,322	300,349	5,373	0	(145,600)	0
Administration of Justice	678,195	322,274	9,000	0	(346,921)	0
Public Safety	1,738,835	181,859	168,888	65,813	(1,322,275)	0
Public Health and Welfare	997,028	552,042	41,696	247,437	(155,853)	0
Social, Cultural, and Recreational Services	89,240	0	0	0	(89,240)	0
Agriculture & Natural Resources	56,839	0	0	0	(56,839)	0
Other Operations	77,104	0	0	0	(77,104)	0
Highways/Public Works	1,326,993	54,759	1,422,838	38,256	188,860	0
Interest on Long-term Debt	276,620	0	200,000	0	(76,620)	0
Other Debt Service	10,295	0	0	0	(10,295)	0
<b>Total Primary Government</b>	<b>\$ 6,211,807</b>	<b>\$ 1,487,631</b>	<b>\$ 1,868,270</b>	<b>\$ 522,506</b>	<b>\$ (2,333,400)</b>	<b>\$ 0</b>
Component Unit:						
Chester County School Department	\$ 14,617,512	\$ 565,758	\$ 1,712,646	\$ 0	\$ 0	\$ (12,339,108)
<b>Total Component Unit</b>	<b>\$ 14,617,512</b>	<b>\$ 565,758</b>	<b>\$ 1,712,646</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (12,339,108)</b>

(Continued)

Exhibit B

Chester County, Tennessee  
Statement of Activities (Cont.)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
					Total Governmental Activities	Chester County School Department
General Revenues:						
Taxes:						
Property taxes levied for general purposes					\$ 1,930,720	\$ 1,414,328
Property taxes levied for debt service					16,585	0
Local option sales tax					810,510	783,959
Other local taxes					963,070	2,732
Grants & Contributions not restricted for specific programs					192,513	10,220,377
Unrestricted Investment Earnings					836	103,105
Miscellaneous					25,101	71,764
Total General Revenues					<u>\$ 3,939,335</u>	<u>\$ 12,596,265</u>
Change in net assets					\$ 1,605,935	\$ 257,157
Net assets, July 1, 2005					<u>3,458,278</u>	<u>12,415,959</u>
Net assets, June 30, 2006					<u>\$ 5,064,213</u>	<u>\$ 12,673,116</u>

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

Exhibit C-1

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

	Major Funds				Nonmajor	Total
	General	Solid Waste / Sanitation	Highway / Public Works	Education Debt Service	Other Governmental Funds	
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 175	\$ 175
Equity in Pooled Cash and Investments	1,150,070	115,385	537,750	1,681,257	193,952	3,678,414
Accounts Receivable	72,683	2,565	4,713	0	5	79,966
Due from Other Governments	31,535	10,963	242,083	117,664	0	402,245
Due from Other Funds	175	11,525	0	200,000	0	211,700
Property Taxes Receivable	1,672,125	262,375	32,978	0	16,489	1,983,967
Allowance for Uncollectible Property Taxes	(96,458)	(15,156)	(1,929)	0	(964)	(114,507)
Accrued Interest Receivable	0	3,771	2,135	0	0	5,906
Total Assets	\$ 2,830,130	\$ 391,428	\$ 817,730	\$ 1,998,921	\$ 209,657	\$ 6,247,866
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Accounts Payable	\$ 13,659	\$ 0	\$ 0	\$ 0	\$ 0	\$ 13,659
Due to Other Funds	211,525	0	0	0	175	211,700
Other Current Liabilities	0	0	120	0	0	120
Deferred Revenue - Current Property Taxes	1,501,887	235,609	29,551	0	14,776	1,781,823
Deferred Revenue - Delinquent Property Taxes	68,380	10,760	1,398	0	699	81,237
Other Deferred Revenues	25,035	8,000	121,042	60,000	0	214,077
Total Liabilities	\$ 1,820,486	\$ 254,369	\$ 152,111	\$ 60,000	\$ 15,650	\$ 2,302,616
<u>Fund Balances</u>						
Reserved for Alcohol and Drug Treatment	\$ 8,364	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,364
Reserved for Computer System - Register	7,418	0	0	0	0	7,418
Reserved for Automation Purposes - Circuit Court	516	0	0	0	0	516
Reserved for Automation Purposes - General Sessions Court	6,596	0	0	0	0	6,596
Reserved for Automation Purposes - Chancery Court	1,099	0	0	0	0	1,099
Reserved for Automation Purposes - Sheriff	7,410	0	0	0	0	7,410
Unreserved, Reported In:						
General Fund	978,241	0	0	0	0	978,241
Special Revenue Funds	0	137,059	665,619	0	42,039	844,717
Debt Service Funds	\$ 0	\$ 0	\$ 0	\$ 1,938,921	\$ 151,968	\$ 2,090,889
Total Fund Balances	\$ 1,009,644	\$ 137,059	\$ 665,619	\$ 1,938,921	\$ 194,007	\$ 3,945,250
Total Liabilities and Fund Balances	\$ 2,830,130	\$ 391,428	\$ 817,730	\$ 1,998,921	\$ 209,657	\$ 6,247,866

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

Exhibit C-2

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

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$	3,945,250
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	2,859,341	
Add: buildings and improvements net of accumulated depreciation		2,496,865	
Add: infrastructure net of accumulated depreciation		758,452	
Add: other capital assets net of accumulated depreciation		<u>1,211,408</u>	7,326,066
(2) Long-term liabilities are not due in the current period and therefore are not reported in the governmental funds.			
Less: bonds payable	\$	(5,925,000)	
Less: notes payable		(371,334)	
Less: compensated absences payable		(6,017)	
Less: landfill closure/postclosure care costs		(154,483)	
Less: accrued interest on bonds and notes		<u>(45,583)</u>	(6,502,417)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			
			<u>295,314</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>5,064,213</u></u>

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

Exhibit C-3

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

	Major Funds				Nonmajor	Total
	General	Solid Waste / Sanitation	Highway / Public Works	Education Debt Service	Other Govern- mental Funds	
<u>Revenues</u>						
Local Taxes	\$ 2,633,282	\$ 342,488	\$ 32,476	\$ 687,240	\$ 36,698	\$ 3,732,184
Fines, Forfeitures, and Penalties	89,195	0	0	0	26,798	115,993
Charges for Current Services	13,214	84,041	0	0	18,942	116,197
Other Local Revenues	465,357	92,437	97,124	0	4,491	659,409
Fees Received from County Officials	583,008	0	0	0	0	583,008
State of Tennessee	473,625	205,147	1,425,805	0	1,155	2,105,732
Federal Government	148,997	0	0	0	0	148,997
Other Governments and Citizens Groups	156,087	0	0	200,000	0	356,087
<b>Total Revenues</b>	<b>\$ 4,562,765</b>	<b>\$ 724,113</b>	<b>\$ 1,555,405</b>	<b>\$ 887,240</b>	<b>\$ 88,084</b>	<b>\$ 7,817,607</b>
<u>Expenditures</u>						
Current:						
General Government	\$ 962,067	\$ 0	\$ 0	\$ 0	\$ 0	\$ 962,067
Finance	439,707	0	0	0	0	439,707
Administration of Justice	419,820	0	0	0	18,942	438,762
Public Safety	1,619,957	0	0	0	13,534	1,633,491
Public Health and Welfare	412,900	678,309	0	0	0	1,091,209
Social, Cultural, and Recreational Services	64,327	0	0	0	0	64,327
Agricultural and Natural Resources	53,285	0	0	0	0	53,285
Other Operations	90,100	7,869	0	0	221	98,190
Highways	0	0	1,318,281	0	0	1,318,281
Debt Service:						
Principal on Debt	0	0	0	440,000	188,333	628,333
Interest on Debt	0	0	0	230,274	51,924	282,198
Other Debt Service	0	0	0	7,999	2,296	10,295
Capital Projects	253,363	0	0	0	8,613	261,976
<b>Total Expenditures</b>	<b>\$ 4,315,526</b>	<b>\$ 686,178</b>	<b>\$ 1,318,281</b>	<b>\$ 678,273</b>	<b>\$ 283,863</b>	<b>\$ 7,282,121</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 247,239	\$ 37,935	\$ 237,124	\$ 208,967	\$ (195,779)	\$ 535,486
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 14,175	\$ 0	\$ 0	\$ 0	\$ 152,872	\$ 167,047
Transfers Out	0	0	(152,872)	0	(14,175)	(167,047)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 14,175</b>	<b>\$ 0</b>	<b>\$ (152,872)</b>	<b>\$ 0</b>	<b>\$ 138,697</b>	<b>\$ 0</b>
Net Change in Fund Balances	\$ 261,414	\$ 37,935	\$ 84,252	\$ 208,967	\$ (57,082)	\$ 535,486
Fund Balance, July 1, 2005	748,230	99,124	581,367	1,729,954	251,089	3,409,764
<b>Fund Balance, June 30, 2006</b>	<b>\$ 1,009,644</b>	<b>\$ 137,059</b>	<b>\$ 665,619</b>	<b>\$ 1,938,921</b>	<b>\$ 194,007</b>	<b>\$ 3,945,250</b>

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

Exhibit C-4

Chester County, Tennessee

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2006

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

Net change in fund balances - total governmental funds (Exhibit C-3)		\$ 535,486
<p>(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlays exceeded depreciation in the current period is itemized as follows:</p>		
Add: capital assets purchased in the current period	\$ 833,503	
Less: current year depreciation expense	<u>(399,343)</u>	434,160
<p>(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Add: deferred delinquent property taxes and other deferred June 30, 2006	\$ 295,314	
Less: deferred delinquent property taxes and other deferred June 30, 2005	<u>(295,179)</u>	135
<p>(3) The issuance of long-term debt (e.g., bonds, notes, other loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Add: principal payments on notes	\$ 158,333	
Add: principal payments on bonds	<u>470,000</u>	628,333
<p>(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.</p>		
Change in accrued interest payable	\$ 5,577	
Change in closure/postclosure care costs	2,907	
Change in compensated absences	<u>(663)</u>	<u>7,821</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 1,605,935</u>

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

Exhibit D

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

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 457,744
Due from Other Governments	<u>143,000</u>
Total Assets	<u>\$ 600,744</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 143,000
Due to Litigants, Heirs, and Others	<u>457,744</u>
Total Liabilities	<u>\$ 600,744</u>

The accompanying notes are an integral part of this statement.

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

The following are the more significant accounting policies of 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) and its component units. 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. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

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

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

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

The Chester County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the Chester County School Department are included in this report as listed in the table of contents. Although required by GAAP, the financial statements of the Chester County Emergency Communications District were not available in time for inclusion, as previously mentioned. Complete financial statements of the Chester County Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

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

**B. Government-wide and Fund Financial Statements**

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

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

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

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

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

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

Fund financial statements of 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. An emphasis is placed on major funds within the governmental category. Chester County has no proprietary funds to report.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the county considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. 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 (except for agency funds which have no measurement focus) and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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, local sales taxes received by the state to be forwarded to the various cities in Chester County, and the city school system’s share of educational revenues. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They do, however, use the accrual basis of accounting to recognize receivables and payables.

The discretely presented Chester County School Department reports the following major governmental fund:

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

Additionally, the Chester County School Department reports the following fund types:

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

**Private 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.

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

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

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

#### **D. Assets, Liabilities, and Net Assets or Equity**

##### **1. Deposits and Investments**

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

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented Chester County School Department. Each fund's portion of this pool is displayed on

the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the primary government's Solid Waste/Sanitation and Highway/Public Works Funds, and the 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**

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

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

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

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

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current fiscal year. These property taxes receivable are presented on the

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

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

**3. Capital Assets**

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more (buildings \$10,000 and infrastructure \$12,000-\$40,000) and an estimated useful life of more than five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	30
Other Capital Assets	5-15
Infrastructure:	
Roads	10-20
Bridges	15-30

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**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line method. Debt issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

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

6. **Net Assets and Fund Equity**

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

- a. Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings

that are attributable to the acquisition, construction, or improvement of those assets.

- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

As of June 30, 2006, Chester County had \$5,175,000 in outstanding debt for capital purposes of the discretely presented Chester County School Department. This debt is a liability of Chester County, but the capital assets acquired are reported in the financial statements of the Chester County School Department. Therefore, Chester County has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the county's capital assets.

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

## **II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

#### Primary Government

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

#### Discretely Presented Chester County School Department

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

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

#### Primary Government

Exhibit C-4 includes explanations of the nature of individual elements required to reconcile the net change in fund balances – total governmental

funds with the change in net assets of governmental activities reported in the government-wide statement of activities.

Discretely Presented Chester County School Department

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

**III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Information**

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

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

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, County Mayor, County Attorney, etc.). Management may make revisions within major categories, but only the County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

**B. Expenditures Exceeded Appropriations**

Expenditures exceeded appropriations approved by the County Commission in the Public Safety Projects major category (the legal level of control) of the General Fund by \$2,701. Also, expenditures exceeded total appropriations in the Education Debt Service Fund by \$669. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balance.

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

##### Deposits

**Legal Provisions.** All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Public fund accounts covered by the pool are considered to be insured for purposes of custodial credit risk exposure.

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

##### Investments

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

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

**B. Capital Assets**

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

Primary Government

**Governmental Activities:**

	Balance 7-1-05	Increases	Decreases	Balance 6-30-06
Capital Assets Not Depreciated:				
Land	\$ 2,601,787	\$ 257,554	\$ 0	\$ 2,859,341
Total Capital Assets Not Depreciated	\$ 2,601,787	\$ 257,554	\$ 0	\$ 2,859,341
Capital Assets Depreciated:				
Buildings and Improvements	\$ 5,256,851	\$ 128,229	\$ 0	\$ 5,385,080
Infrastructure	579,284	273,944	0	853,228
Other Capital Assets	3,050,087	173,776	(21,076)	3,202,787
Total Capital Assets Depreciated	\$ 8,886,222	\$ 575,949	\$ (21,076)	\$ 9,441,095
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 2,755,727	\$ 132,488	\$ 0	\$ 2,888,215
Infrastructure	46,888	47,888	0	94,776
Other Capital Assets	1,793,488	218,967	(21,076)	1,991,379
Total Accumulated Depreciation	\$ 4,596,103	\$ 399,343	\$ (21,076)	\$ 4,974,370
Total Capital Assets Depreciated, Net	\$ 4,290,119	\$ 176,606	\$ 0	\$ 4,466,725
Governmental Activities Capital Assets, Net	\$ 6,891,906	\$ 434,160	\$ 0	\$ 7,326,066

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

**Governmental Activities:**

General Government	\$ 9,719
Finance	3,441
Administration of Justice	7,871
Public Safety	58,321
Public Health and Welfare	134,572
Social, Cultural, and Recreational Services	15,790
Agriculture and Natural Resources	1,376
Highways	<u>168,253</u>

Total Depreciation Expense - Governmental Activities \$ 399,343

Discretely Presented Chester County School Department

**Governmental Activities:**

	Balance 7-1-05	Increases	Decreases	Balance 6-30-06
<b>Capital Assets Not Depreciated:</b>				
Land	\$ 414,252	\$ 0	\$ 0	\$ 414,252
Construction in Progress	<u>0</u>	<u>55,379</u>	<u>0</u>	<u>55,379</u>
Total Capital Assets Not Depreciated	<u>\$ 414,252</u>	<u>\$ 55,379</u>	<u>\$ 0</u>	<u>\$ 469,631</u>
<b>Capital Assets Depreciated:</b>				
Buildings and Improvements	\$ 14,507,470	\$ 0	\$ 0	\$ 14,507,470
Other Capital Assets	<u>2,094,701</u>	<u>600,216</u>	<u>(34,000)</u>	<u>2,660,917</u>
Total Capital Assets Depreciated	<u>\$ 16,602,171</u>	<u>\$ 600,216</u>	<u>\$ (34,000)</u>	<u>\$ 17,168,387</u>
<b>Less Accumulated Depreciation For:</b>				
Buildings and Improvements	\$ 5,915,850	\$ 316,114	\$ 0	\$ 6,231,964
Other Capital Assets	<u>1,121,158</u>	<u>193,688</u>	<u>(34,000)</u>	<u>1,280,846</u>

**Governmental Activities: (cont.)**

	Balance 7-1-05	Increases	Decreases	Balance 6-30-06
Total Accumulated Depreciation	\$ 7,037,008	\$ 509,802	\$ (34,000)	\$ 7,512,810
Total Capital Assets Depreciated, Net	\$ 9,565,163	\$ 90,414	0	\$ 9,655,577
Governmental Activities Capital Assets, Net	\$ 9,979,415	\$ 145,793	0	\$ 10,125,208

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

Governmental Activities:

Instruction	\$ 337,133
Support Services	135,220
Operation of Non-instructional Services	<u>37,449</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 509,802</u>

**C. Construction Commitments**

At June 30, 2006, the School Department had uncompleted construction contract of approximately \$166,136 for the HVAC renovations of the middle school. Funding has been received for these future expenditures.

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

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

**Due to/from other funds:**

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental	\$ 175
Solid Waste/Sanitation	General	11,525
Education Debt Service	General	200,000

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

The receivable in the General Purpose School Fund (\$7,285) was in transit from the School Federal Projects Fund and the Central Cafeteria Fund.

**Interfund Transfers:**

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

**Primary Government**

Transfer Out	Transfers In	
	General Fund	Nonmajor Governmental Fund
Highway/Public Works Fund	\$ 0	\$ 152,872
Nonmajor governmental fund	14,175	0
Total	\$ 14,175	\$ 152,872

**Discretely Presented Chester County School Department**

Transfers Out	Transfers In
	General Purpose School Fund
Nonmajor governmental fund	\$ 9,010
Total	\$ 9,010

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

**E. Long-term Debt**

Primary Government

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 included in long-term debt as of June 30, 2006, 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, 2006, are as follows:

Type	Interest Rate	Original Amount of Issues	Balance 6-30-06
General Obligation Bonds	1.25 to 4.5%	\$ 840,000	\$ 750,000
General Obligation Bonds - Refunding	1.25 to 6	7,990,000	5,175,000
Capital Outlay Notes	4.6 to 5.75	1,050,000	371,334

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

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2007	\$ 500,000	\$ 240,004	\$ 165,333	\$ 15,141
2008	520,000	220,860	173,333	7,017
2009	540,000	200,980	24,334	2,179
2010	560,000	179,840	8,334	840
2011	590,000	157,705	0	0
2012-2016	2,845,000	399,430	0	0
2017-2021	255,000	60,540	0	0
2022-2023	115,000	7,875	0	0
Total	\$ 5,925,000	\$ 1,467,234	\$ 371,334	\$ 25,177

There is \$2,090,889 available in the debt service funds to service long-term debt. Bonded debt per capita amounted to \$381, based on the 2000 federal census. Total debt per capita, including bonds and notes, amounted to \$405, based on the 2000 federal census.

Changes in Long-term Liabilities

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

Governmental Activities:

	<u>Bonds</u>	<u>Notes</u>
Balance, July 1, 2005	\$ 6,395,000	\$ 529,667
Deductions	(470,000)	(158,333)
Balance, June 30, 2006	<u>\$ 5,925,000</u>	<u>\$ 371,334</u>
Balance Due Within One Year	<u>\$ 500,000</u>	<u>\$ 165,333</u>

	<u>Compensated Absences</u>	<u>Landfill Closure/ Postclosure Care Costs</u>
Balance, July 1, 2005	\$ 5,354	\$ 157,390
Additions	5,054	0
Deductions	(4,391)	(2,907)
Balance, June 30, 2006	<u>\$ 6,017</u>	<u>\$ 154,483</u>
Balance Due Within One Year	<u>\$ 4,392</u>	<u>\$ 2,900</u>

Analysis of noncurrent liabilities presented on Exhibit A:

Total noncurrent liabilities, June 30, 2006	\$ 6,456,834
Less: Balance due within one year	<u>(672,625)</u>
Noncurrent liabilities - due in more than one year - Exhibit A	<u>\$ 5,784,209</u>

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

V. **OTHER INFORMATION**

A. **Risk Management**

Primary Government

Employee Health Insurance

Chester 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 annual premiums to the TSB-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of 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.

Discretely Presented Chester County School Department

Employee Health Insurance

The discretely presented Chester County School Department participates in the Local Education Group Insurance Fund (LEGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local education agencies. In accordance with Section 8-27-302, 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 boards. The School Department pays annual premiums to the TSB-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of 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 Changes**

At the beginning of the year, Chester County implemented the provisions of Governmental Accounting Standards Board Statement 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. In the prior year, Chester County had only elected to implement the provisions of Statement 34 that related to the fund financial statements.

The provisions of Governmental Accounting Standards Board (GASB) Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries became effective for the year ended June 30, 2006. GASB Statement No. 42 requires governments to report the effects of capital asset impairments in their financial statements when they occur rather than as a part of the ongoing depreciation expense for the capital asset or upon disposal of the capital asset. In addition, GASB Statement No. 42 clarifies and establishes accounting requirements for insurance recoveries. GASB Statement No. 42 had no effect on the financial statements for the year ended June 30, 2006, since no capital asset impairment and insurance recoveries occurred. However, it is reasonably expected that capital asset impairment and insurance recoveries may occur in subsequent years that will be subject to the provisions of Statement No. 42.

The provisions of GASB Statement No. 44, Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1) became effective for the year ended June 30, 2006. GASB Statement No. 44 applies to the preparation of the statistical section. State and local governments may, but are not required to, prepare a statistical section to accompany basic financial statements. However, a statistical section is required to accompany a comprehensive annual financial report. Since Chester County is not presenting a comprehensive annual financial report, it has elected not to prepare a statistical section. A limited statistical section was presented in the prior year's report. GASB Statement No. 44 amends guidance related to the preparation of the statistical section. This statement improves the understandability and usefulness of statistical information by addressing the comparability problems that have developed in practice and by adding information from the new financial reporting model for state and local

governments required by GASB Statement No. 34. GASB Statement No. 44 establishes the objectives of the statistical section and the five categories it contains: financial trends, revenue capacity, debt capacity, demographic and economic, and operating. It is reasonably expected that Chester County will prepare and present a statistical section in subsequent years that follows the requirements of GASB Statement No. 44.

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

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

### **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.

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. 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 \$308,966. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. The \$154,483 reported as Accrued Liability for Landfill Closure/Postclosure Care Costs for Chester County at June 30, 2006, 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, 2006, 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, 2006, Chester County's annual pension cost of \$321,721 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**

<b>Fiscal Year Ended</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
6-30-06	\$321,721	100%	\$0
6-30-05	301,006	100	0
6-30-04	218,207	100	0

Required Supplementary Information  
Schedule of Funding Progress for Chester County

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b) - (a)	(a/b)	(c)	((b-a)/c)
6-30-03	\$8,017	\$8,461	\$444	94.75%	\$3,757	11.82%
6-30-01	7,179	7,710	531	93.11	2,986	17.78
6-30-99	6,149	6,356	207	96.74	2,687	7.70

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, 2006, 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, 2006, 2005, and 2004, were \$378,098, \$371,107, and \$216,067, respectively, equal to the required contributions for each year.

## **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.

### Office of Director of Schools

Purchasing procedures for the discretely presented Chester County 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 county Board of Education, through its executive committee (director of schools and chairman of the Board of Education), to make all purchases. This statute also requires competitive bids be solicited through newspaper advertisement on all purchases exceeding \$10,000.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit E-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,633,282	\$ 2,573,700	\$ 2,573,700	\$ 59,582
Fines, Forfeitures, and Penalties	89,195	53,020	53,020	36,175
Charges for Current Services	13,214	9,100	9,100	4,114
Other Local Revenues	465,357	290,000	301,132	164,225
Fees Received from County Officials	583,008	486,000	486,000	97,008
State of Tennessee	473,625	245,454	445,157	28,468
Federal Government	148,997	14,000	120,830	28,167
Other Governments and Citizens Groups	156,087	117,000	117,000	39,087
<b>Total Revenues</b>	<b>\$ 4,562,765</b>	<b>\$ 3,788,274</b>	<b>\$ 4,105,939</b>	<b>\$ 456,826</b>
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 21,434	\$ 24,850	\$ 24,850	\$ 3,416
Board of Equalization	500	750	750	250
Budget and Finance Committee	0	1,000	1,000	1,000
County Mayor/Executive	150,385	153,207	153,207	2,822
County Attorney	5,697	8,500	8,500	2,803
Election Commission	260,258	100,769	271,769	11,511
Register of Deeds	111,926	113,008	113,008	1,082
County Buildings	365,930	329,475	382,257	16,327
Other General Administration	45,937	71,372	54,372	8,435
<u>Finance</u>				
Accounting and Budgeting	3,601	5,000	5,000	1,399
Property Assessor's Office	130,857	133,515	133,515	2,658
Reappraisal Program	8,798	12,815	12,815	4,017
County Trustee's Office	132,581	141,210	141,210	8,629
County Clerk's Office	163,870	167,132	167,132	3,262
<u>Administration of Justice</u>				
Circuit Court	191,632	193,779	193,779	2,147
General Sessions Court	79,515	83,779	83,779	4,264
Chancery Court	123,243	123,785	123,986	743
Juvenile Court	25,430	25,466	25,466	36
<u>Public Safety</u>				
Sheriff's Department	1,248,084	1,231,816	1,292,837	44,753
Juvenile Services	60,563	54,738	62,338	1,775
Fire Prevention and Control	127,318	122,419	133,551	6,233
Civil Defense	43,006	45,110	44,748	1,742
Rescue Squad	2,500	2,500	2,500	0
Other Emergency Management	130,804	23,615	130,807	3
County Coroner/Medical Examiner	7,682	5,000	7,682	0
<u>Public Health and Welfare</u>				
Local Health Center	23,555	24,600	24,599	1,044
Ambulance/Emergency Medical Services	205,396	245,113	245,113	39,717

(Continued)

Exhibit E-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	\$ 135,041	\$ 77,610	\$ 139,285	\$ 4,244
Crippled Children Services	6,500	6,500	6,500	0
Other Local Health Services	2,000	2,000	2,000	0
Regional Mental Health Center	10,000	10,000	10,000	0
Sanitation Education/Information	30,361	32,480	32,480	2,119
Convenience Centers	47	0	0	(47)
<u>Social, Cultural, and Recreational Services</u>				
Libraries	49,327	50,076	50,076	749
Other Social, Cultural, and Recreational	15,000	18,500	18,500	3,500
<u>Agriculture &amp; Natural Resources</u>				
Agriculture Extension Service	33,981	36,500	36,500	2,519
Soil Conservation	11,804	12,738	12,738	934
Flood Control	7,500	7,500	7,500	0
<u>Other Operations</u>				
Industrial Development	12,500	12,500	12,500	0
Veterans' Services	16,773	16,964	16,964	191
Employee Benefits	12,996	2,500	15,500	2,504
Miscellaneous	47,831	48,000	48,000	169
<u>Capital Projects</u>				
Administration of Justice Projects	250,662	0	250,662	0
Public Safety Projects	2,701	0	0	(2,701)
Total Expenditures	\$ 4,315,526	\$ 3,778,191	\$ 4,499,775	\$ 184,249
Excess (Deficiency) of Revenues				
Over Expenditures	\$ 247,239	\$ 10,083	\$ (393,836)	\$ 641,075
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 14,175	\$ 0	\$ 0	\$ 14,175
Total Other Financing Sources (Uses)	\$ 14,175	\$ 0	\$ 0	\$ 14,175
Net Change in Fund Balance				
Fund Balance, July 1, 2005	\$ 748,230	\$ 771,613	\$ 771,613	(23,383)
Fund Balance, June 30, 2006	\$ 1,009,644	\$ 781,696	\$ 377,777	\$ 631,867

Exhibit E-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, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 342,488	\$ 343,100	\$ 343,100	\$ (612)
Charges for Current Services	84,041	82,000	82,000	2,041
Other Local Revenues	92,437	47,000	47,000	45,437
State of Tennessee	205,147	16,600	195,781	9,366
Total Revenues	<u>\$ 724,113</u>	<u>\$ 488,700</u>	<u>\$ 667,881</u>	<u>\$ 56,232</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Convenience Centers	\$ 426,565	\$ 237,626	\$ 427,248	\$ 683
Recycling Center	14,748	0	14,748	0
Other Waste Disposal	234,089	250,128	241,843	7,754
Postclosure Care Costs	2,907	5,000	5,000	2,093
<u>Other Operations</u>				
Other Charges	0	16,000	16,000	16,000
Miscellaneous	7,869	7,500	7,937	68
Total Expenditures	<u>\$ 686,178</u>	<u>\$ 516,254</u>	<u>\$ 712,776</u>	<u>\$ 26,598</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 37,935</u>	<u>\$ (27,554)</u>	<u>\$ (44,895)</u>	<u>\$ 82,830</u>
Net Change in Fund Balance	\$ 37,935	\$ (27,554)	\$ (44,895)	\$ 82,830
Fund Balance, July 1, 2005	<u>99,124</u>	<u>71,860</u>	<u>71,860</u>	<u>27,264</u>
Fund Balance, June 30, 2006	<u>\$ 137,059</u>	<u>\$ 44,306</u>	<u>\$ 26,965</u>	<u>\$ 110,094</u>

Exhibit E-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, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 32,476	\$ 30,400	\$ 30,400	\$ 2,076
Other Local Revenues	97,124	77,000	77,000	20,124
State of Tennessee	1,425,805	1,433,184	1,433,184	(7,379)
Total Revenues	\$ 1,555,405	\$ 1,540,584	\$ 1,540,584	\$ 14,821
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 136,798	\$ 141,956	\$ 144,956	\$ 8,158
Highway and Bridge Maintenance	695,684	996,500	996,500	300,816
Operation and Maintenance of Equipment	234,525	250,500	250,500	15,975
Other Charges	74,208	100,000	100,000	25,792
Employee Benefits	174,566	247,000	244,000	69,434
Capital Outlay	2,500	354,628	201,719	199,219
Total Expenditures	\$ 1,318,281	\$ 2,090,584	\$ 1,937,675	\$ 619,394
Excess (Deficiency) of Revenues Over Expenditures	\$ 237,124	\$ (550,000)	\$ (397,091)	\$ 634,215
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (152,872)	\$ 0	\$ (152,909)	\$ 37
Total Other Financing Sources (Uses)	\$ (152,872)	\$ 0	\$ (152,909)	\$ 37
Net Change in Fund Balance	\$ 84,252	\$ (550,000)	\$ (550,000)	\$ 634,252
Fund Balance, July 1, 2005	581,367	550,000	550,000	31,367
Fund Balance, June 30, 2006	\$ 665,619	\$ 0	\$ 0	\$ 665,619

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

**A. BUDGETARY INFORMATION**

The county is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the 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 Fund major categories: County Commission, Board of Equalization, Budget and Finance Committee, County Mayor, etc.). Management 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 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.

**B. EXPENDITURES EXCEEDED APPROPRIATIONS**

Expenditures exceeded appropriations approved by the County Commission in the Public Safety Projects major category (the legal level of control) of the General Fund by \$2,701. Such overexpenditures are a violation of state statutes. This overexpenditure was funded from available fund balance.

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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 transactions of the fee and commission accounts of the trustee, clerks, register, and sheriff. Revenues from fees and commissions earned by these officials are remitted to the county's General Fund.

## 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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Exhibit F-1

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

	<u>Special Revenue Funds</u>			<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Drug Control</u>	<u>Constitu - tional Officers - Fees</u>	<u>Total</u>	<u>General Debt Service</u>	
<u>ASSETS</u>					
Cash	\$ 0	\$ 175	\$ 175	\$ 0	175
Equity in Pooled Cash and Investments	42,039	0	42,039	151,913	193,952
Accounts Receivable	0	0	0	5	5
Property Taxes Receivable	0	0	0	16,489	16,489
Allowance for Uncollectible Property Taxes	0	0	0	(964)	(964)
<b>Total Assets</b>	<b>\$ 42,039</b>	<b>\$ 175</b>	<b>\$ 42,214</b>	<b>\$ 167,443</b>	<b>\$ 209,657</b>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Due to Other Funds	\$ 0	\$ 175	\$ 175	\$ 0	175
Deferred Revenue - Current Property Taxes	0	0	0	14,776	14,776
Deferred Revenue - Delinquent Property Taxes	0	0	0	699	699
<b>Total Liabilities</b>	<b>\$ 0</b>	<b>\$ 175</b>	<b>\$ 175</b>	<b>\$ 15,475</b>	<b>\$ 15,650</b>
<u>Fund Balances</u>					
Unreserved	\$ 42,039	\$ 0	\$ 42,039	\$ 151,968	\$ 194,007
<b>Total Fund Balances</b>	<b>\$ 42,039</b>	<b>\$ 0</b>	<b>\$ 42,039</b>	<b>\$ 151,968</b>	<b>\$ 194,007</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 42,039</b>	<b>\$ 175</b>	<b>\$ 42,214</b>	<b>\$ 167,443</b>	<b>\$ 209,657</b>

Exhibit F-2

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

	Special Revenue Funds			Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Drug Control	Constitu - tional Officers - Fees	Total	General Debt Service	General Capital Projects	
<u>Revenues</u>						
Local Taxes	\$ 0	\$ 0	\$ 0	\$ 36,698	\$ 0	\$ 36,698
Fines, Forfeitures, and Penalties	26,798	0	26,798	0	0	26,798
Charges for Current Services	0	18,942	18,942	0	0	18,942
Other Local Revenues	4,491	0	4,491	0	0	4,491
State of Tennessee	0	0	0	1,155	0	1,155
Total Revenues	\$ 31,289	\$ 18,942	\$ 50,231	\$ 37,853	\$ 0	\$ 88,084
<u>Expenditures</u>						
Current:						
Administration of Justice	\$ 0	\$ 18,942	\$ 18,942	\$ 0	\$ 0	\$ 18,942
Public Safety	13,534	0	13,534	0	0	13,534
Other Operations	221	0	221	0	0	221
Debt Service:						
Principal on Debt	0	0	0	188,333	0	188,333
Interest on Debt	0	0	0	51,924	0	51,924
Other Debt Service	0	0	0	2,296	0	2,296
Capital Projects	0	0	0	0	8,613	8,613
Total Expenditures	\$ 13,755	\$ 18,942	\$ 32,697	\$ 242,553	\$ 8,613	\$ 283,863
Excess (Deficiency) of Revenues Over Expenditures	\$ 17,534	\$ 0	\$ 17,534	\$ (204,700)	\$ (8,613)	\$ (195,779)
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 0	\$ 0	\$ 0	\$ 152,872	\$ 0	\$ 152,872
Transfers Out	0	0	0	0	(14,175)	(14,175)
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 152,872	\$ (14,175)	\$ 138,697
Net Change in Fund Balances	\$ 17,534	\$ 0	\$ 17,534	\$ (51,828)	\$ (22,788)	\$ (57,082)
Fund Balance, July 1, 2005	24,505	0	24,505	203,796	22,788	251,089
Fund Balance, June 30, 2006	\$ 42,039	\$ 0	\$ 42,039	\$ 151,968	\$ 0	\$ 194,007

Exhibit F-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, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 26,798	\$ 8,650	\$ 19,481	\$ 7,317
Other Local Revenues	4,491	0	0	4,491
Total Revenues	<u>\$ 31,289</u>	<u>\$ 8,650</u>	<u>\$ 19,481</u>	<u>\$ 11,808</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 13,534	\$ 10,400	\$ 21,232	\$ 7,698
Other Operations				
Miscellaneous	221	50	50	(171)
Total Expenditures	<u>\$ 13,755</u>	<u>\$ 10,450</u>	<u>\$ 21,282</u>	<u>\$ 7,527</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 17,534</u>	<u>\$ (1,800)</u>	<u>\$ (1,801)</u>	<u>\$ 19,335</u>
Net Change in Fund Balance	\$ 17,534	\$ (1,800)	\$ (1,801)	\$ 19,335
Fund Balance, July 1, 2005	<u>24,505</u>	<u>23,689</u>	<u>23,689</u>	<u>816</u>
Fund Balance, June 30, 2006	<u>\$ 42,039</u>	<u>\$ 21,889</u>	<u>\$ 21,888</u>	<u>\$ 20,151</u>

Exhibit F-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, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 36,698	\$ 31,990	\$ 31,990	\$ 4,708
Other Local Revenues	0	75,000	75,000	(75,000)
State of Tennessee	1,155	700	700	455
Total Revenues	<u>\$ 37,853</u>	<u>\$ 107,690</u>	<u>\$ 107,690</u>	<u>\$ (69,837)</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 52,333	\$ 52,333	\$ 52,333	\$ 0
Highways and Streets	136,000	136,000	136,000	0
<u>Interest on Debt</u>				
General Government	35,052	52,381	52,381	17,329
Highways and Streets	16,872	16,909	16,909	37
<u>Other Debt Service</u>				
General Government	2,296	3,900	3,900	1,604
Total Expenditures	<u>\$ 242,553</u>	<u>\$ 261,523</u>	<u>\$ 261,523</u>	<u>\$ 18,970</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (204,700)</u>	<u>\$ (153,833)</u>	<u>\$ (153,833)</u>	<u>\$ (50,867)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 152,872	\$ 152,909	\$ 152,909	\$ (37)
Total Other Financing Sources (Uses)	<u>\$ 152,872</u>	<u>\$ 152,909</u>	<u>\$ 152,909</u>	<u>\$ (37)</u>
Net Change in Fund Balance	\$ (51,828)	\$ (924)	\$ (924)	\$ (50,904)
Fund Balance, July 1, 2005	<u>203,796</u>	<u>169,154</u>	<u>169,154</u>	<u>34,642</u>
Fund Balance, June 30, 2006	<u>\$ 151,968</u>	<u>\$ 168,230</u>	<u>\$ 168,230</u>	<u>\$ (16,262)</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 G

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, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 687,240	\$ 600,000	\$ 600,000	\$ 87,240
Other Governments and Citizens Groups	200,000	200,000	200,000	0
Total Revenues	<u>\$ 887,240</u>	<u>\$ 800,000</u>	<u>\$ 800,000</u>	<u>\$ 87,240</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
Education	\$ 440,000	\$ 440,000	\$ 440,000	\$ 0
<u>Interest on Debt</u>				
Education	230,274	229,554	229,554	(720)
<u>Other Debt Service</u>				
Education	7,999	0	8,050	51
Total Expenditures	<u>\$ 678,273</u>	<u>\$ 669,554</u>	<u>\$ 677,604</u>	<u>\$ (669)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 208,967</u>	<u>\$ 130,446</u>	<u>\$ 122,396</u>	<u>\$ 86,571</u>
Net Change in Fund Balance	\$ 208,967	\$ 130,446	\$ 122,396	\$ 86,571
Fund Balance, July 1, 2005	<u>1,729,954</u>	<u>1,622,364</u>	<u>1,622,364</u>	<u>107,590</u>
Fund Balance, June 30, 2006	<u>\$ 1,938,921</u>	<u>\$ 1,752,810</u>	<u>\$ 1,744,760</u>	<u>\$ 194,161</u>

# Fiduciary 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.

Exhibit H-1

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

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<b><u>ASSETS</u></b>			
Cash	\$ 0	\$ 457,744	\$ 457,744
Due from Other Governments	143,000	0	143,000
Total Assets	<u>\$ 143,000</u>	<u>457,744</u>	<u>\$ 600,744</u>
<b><u>LIABILITIES</u></b>			
Due to Other Taxing Units	\$ 143,000	\$ 0	\$ 143,000
Due to Litigants, Heirs, and Others	0	457,744	457,744
Total Liabilities	<u>\$ 143,000</u>	<u>\$ 457,744</u>	<u>\$ 600,744</u>

Exhibit H-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 739,246	\$ 739,246	\$ 0
Due From Other Governments	130,000	143,000	130,000	143,000
Total Assets	\$ 130,000	\$ 882,246	\$ 869,246	\$ 143,000
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 130,000	\$ 882,246	\$ 869,246	\$ 143,000
Total Liabilities	\$ 130,000	\$ 882,246	\$ 869,246	\$ 143,000
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 915,104	\$ 3,065,661	\$ 3,523,021	\$ 457,744
Total Assets	\$ 915,104	\$ 3,065,661	\$ 3,523,021	\$ 457,744
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 915,104	\$ 3,065,661	\$ 3,523,021	\$ 457,744
Total Liabilities	\$ 915,104	\$ 3,065,661	\$ 3,523,021	\$ 457,744
<u>Total - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 739,246	\$ 739,246	\$ 0
Cash	915,104	3,065,661	3,523,021	457,744
Due From Other Governments	130,000	143,000	130,000	143,000
Total Assets	\$ 1,045,104	\$ 3,947,907	\$ 4,392,267	\$ 600,744
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 130,000	\$ 882,246	\$ 869,246	\$ 143,000
Due to Litigants, Heirs, and Others	915,104	3,065,661	3,523,021	457,744
Total Liabilities	\$ 1,045,104	\$ 3,947,907	\$ 4,392,267	\$ 600,744

# Chester County School Department

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

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

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

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

Private Purpose Trust Fund – The Private Purpose 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.

Exhibit I-1

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

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets Total Governmental Activities
Governmental Activities:				
Instruction	\$ 8,866,387	\$ 11,182	\$ 1,006,942	\$ (7,848,263)
Support Services	4,370,441	35,321	125,153	(4,209,967)
Operation of Non-Instructional Services	1,180,684	519,255	580,551	(80,878)
Other Debt Service	200,000	0	0	(200,000)
Total Governmental Activities	<u>\$ 14,617,512</u>	<u>\$ 565,758</u>	<u>\$ 1,712,646</u>	<u>\$ (12,339,108)</u>
General Revenues:				
Taxes:				
Property taxes levied for general purposes				\$ 1,414,328
Local option sales tax				783,959
Other local taxes				2,732
Grants & Contributions not restricted for specific programs				10,220,377
Unrestricted Investment Earnings				103,105
Miscellaneous				71,764
Total General Revenues				<u>\$ 12,596,265</u>
Change in net assets				\$ 257,157
Net assets, July 1, 2005				<u>12,415,959</u>
Net assets, June 30, 2006				<u>\$ 12,673,116</u>

Exhibit I-2

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

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
	General Purpose School	Other Govern- mental Funds	Govern- mental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 1,892,813	\$ 387,964	\$ 2,280,777
Accounts Receivable	5,236	22	5,258
Due from Other Governments	195,180	0	195,180
Due from Other Funds	7,285	0	7,285
Property Taxes Receivable	1,442,250	0	1,442,250
Allowance for Uncollectible Property Taxes	(83,216)	0	(83,216)
Accrued Interest Receivable	5,692	0	5,692
Total Assets	<u>\$ 3,465,240</u>	<u>\$ 387,986</u>	<u>\$ 3,853,226</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 3,943	\$ 0	\$ 3,943
Payroll Deductions Payable	6,009	0	6,009
Deferred Revenue - Current Property Taxes	1,295,366	0	1,295,366
Deferred Revenue - Delinquent Property Taxes	58,968	0	58,968
Other Deferred Revenues	69,320	0	69,320
Total Liabilities	<u>\$ 1,433,606</u>	<u>\$ 0</u>	<u>\$ 1,433,606</u>
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 179,525	\$ 7,780	\$ 187,305
Reserved for Career Ladder - Extended Contract	2,292	0	2,292
Reserved for Career Ladder Program	792	0	792
Reserved for Title I Grants to Local Education Agencies	0	44,196	44,196
Reserved for Special Education - Grants to States	0	56,997	56,997
Other Federal Reserves	0	21,886	21,886
Unreserved, Reported In:			
General Fund	1,849,025	0	1,849,025
Special Revenue Funds	0	257,127	257,127
Total Fund Balances	<u>\$ 2,031,634</u>	<u>\$ 387,986</u>	<u>\$ 2,419,620</u>
Total Liabilities and Fund Balances	<u>\$ 3,465,240</u>	<u>\$ 387,986</u>	<u>\$ 3,853,226</u>

Exhibit I-3

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

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

Total fund balances - balance sheet - governmental funds (Exhibit I-2)		\$	2,419,620
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	414,252	
Add: construction in progress		55,379	
Add: buildings and improvements net of accumulated depreciation		8,275,506	
Add: other capital assets net of accumulated depreciation		<u>1,380,071</u>	10,125,208
(2) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>128,288</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>12,673,116</u></u>

Exhibit I-4

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

	Major Fund	Nonmajor Funds	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 2,205,922	\$ 0	\$ 2,205,922
Licenses and Permits	1,263	0	1,263
Charges for Current Services	37,858	498,539	536,397
Other Local Revenues	166,971	45,034	212,005
State of Tennessee	10,031,226	15,352	10,046,578
Federal Government	167,116	1,640,437	1,807,553
Total Revenues	<u>\$ 12,610,356</u>	<u>\$ 2,199,362</u>	<u>\$ 14,809,718</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 7,749,318	\$ 950,408	\$ 8,699,726
Support Services	4,210,068	219,944	4,430,012
Operation of Non-Instructional Services	10,240	1,066,741	1,076,981
Capital Outlay	298,832	0	298,832
Debt Service:			
Other Debt Service	200,000	0	200,000
Total Expenditures	<u>\$ 12,468,458</u>	<u>\$ 2,237,093</u>	<u>\$ 14,705,551</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 141,898</u>	<u>\$ (37,731)</u>	<u>\$ 104,167</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	\$ 9,010	\$ 0	\$ 9,010
Transfers Out	0	(9,010)	(9,010)
Total Other Financing Sources (Uses)	<u>\$ 9,010</u>	<u>\$ (9,010)</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ 150,908	\$ (46,741)	\$ 104,167
Fund Balance, July 1, 2005	<u>1,880,726</u>	<u>434,727</u>	<u>2,315,453</u>
Fund Balance, June 30, 2006	<u>\$ 2,031,634</u>	<u>\$ 387,986</u>	<u>\$ 2,419,620</u>

Exhibit I-5

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

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

Net change in fund balances - total governmental funds (Exhibit I-4)	\$	104,167
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(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlays exceeded depreciation in the current period is itemized as follows:

Add: Capital assets purchased in the current period	\$ 655,595	
Less: Current year depreciation expense	<u>(509,802)</u>	145,793

(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Add: Deferred delinquent property taxes and other deferred June 30, 2006	\$ 128,288	
Less: Deferred delinquent property taxes and other deferred June 30, 2005	<u>(121,091)</u>	<u>7,197</u>

Change in net assets of governmental activities (Exhibit B)	\$	<u><u>257,157</u></u>
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Exhibit I-6

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

	<u>Special Revenue Funds</u>		
	School Federal Projects	Central Cafeteria	Total Nonmajor Governmental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 130,859	\$ 257,105	\$ 387,964
Accounts Receivable	0	22	22
Total Assets	<u>\$ 130,859</u>	<u>\$ 257,127</u>	<u>\$ 387,986</u>
<u>FUND BALANCES</u>			
Reserved for Encumbrances	\$ 7,780	\$ 0	\$ 7,780
Reserved for Title I Grants to Local Education Agencies	44,196	0	44,196
Reserved for Special Education - Grants to States	56,997	0	56,997
Other Federal Reserves	21,886	0	21,886
Unreserved	0	257,127	257,127
Total Fund Balances	<u>\$ 130,859</u>	<u>\$ 257,127</u>	<u>\$ 387,986</u>

Exhibit I-7

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

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 498,539	\$ 498,539
Other Local Revenues	0	45,034	45,034
State of Tennessee	0	15,352	15,352
Federal Government	1,140,740	499,697	1,640,437
Total Revenues	<u>\$ 1,140,740</u>	<u>\$ 1,058,622</u>	<u>\$ 2,199,362</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 950,408	\$ 0	\$ 950,408
Support Services	219,944	0	219,944
Operation of Non-Instructional Services	0	1,066,741	1,066,741
Total Expenditures	<u>\$ 1,170,352</u>	<u>\$ 1,066,741</u>	<u>\$ 2,237,093</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (29,612)</u>	<u>\$ (8,119)</u>	<u>\$ (37,731)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	\$ (9,010)	\$ 0	\$ (9,010)
Total Other Financing Sources (Uses)	<u>\$ (9,010)</u>	<u>\$ 0</u>	<u>\$ (9,010)</u>
Net Change in Fund Balances	\$ (38,622)	\$ (8,119)	\$ (46,741)
Fund Balance, July 1, 2005	169,481	265,246	434,727
Fund Balance, June 30, 2006	<u>\$ 130,859</u>	<u>\$ 257,127</u>	<u>\$ 387,986</u>

Exhibit I-8

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 2,205,922	\$ 0	\$ 0	\$ 2,205,922	\$ 2,161,900	\$ 2,161,900	\$ 44,022
Licenses and Permits	1,263	0	0	1,263	1,200	1,200	63
Charges for Current Services	37,858	0	0	37,858	36,200	36,200	1,658
Other Local Revenues	166,971	0	0	166,971	109,500	109,500	57,471
State of Tennessee	10,031,226	0	0	10,031,226	9,966,000	9,978,898	52,328
Federal Government	167,116	0	0	167,116	165,700	227,284	(60,168)
<b>Total Revenues</b>	<b>\$ 12,610,356</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 12,610,356</b>	<b>\$ 12,440,500</b>	<b>\$ 12,514,982</b>	<b>\$ 95,374</b>
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 6,355,779	\$ (7,175)	\$ 6,063	\$ 6,354,667	\$ 6,581,100	\$ 6,469,100	\$ 114,433
Special Education Program	765,834	0	0	765,834	829,100	829,100	63,266
Vocational Education Program	455,207	0	0	455,207	479,600	479,600	24,393
Student Body Education Program	40,000	0	0	40,000	40,000	40,000	0
Adult Education Program	132,498	0	0	132,498	86,900	158,661	26,163
<u>Support Services</u>							
Attendance	54,790	0	0	54,790	55,500	55,500	710
Health Services	21,884	0	0	21,884	26,800	26,800	4,916
Other Student Support	236,389	0	0	236,389	242,900	242,900	6,511
Regular Instruction Program	375,760	0	281	376,041	385,400	385,400	9,359
Special Education Program	108,687	0	2,044	110,731	112,800	112,800	2,069
Vocational Education Program	263	0	0	263	4,000	4,000	3,737
Adult Programs	99,909	0	314	100,223	105,326	108,048	7,825
Board of Education	203,444	0	0	203,444	227,100	227,100	23,656
Director of Schools	135,045	0	0	135,045	148,800	148,800	13,755
Office of the Principal	773,489	0	0	773,489	813,800	813,800	40,311

(Continued)

Exhibit I-8

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Fiscal Services	\$ 85,145	\$ 0	\$ 0	\$ 85,145	\$ 87,400	\$ 87,400	\$ 2,255
Operation of Plant	1,031,687	0	0	1,031,687	1,048,450	1,113,450	81,763
Maintenance of Plant	253,479	0	0	253,479	273,300	274,300	20,821
Transportation	830,097	0	0	830,097	810,450	857,450	27,353
<u>Operation of Non-Instructional Services</u>							
Community Services	10,240	0	0	10,240	10,400	10,400	160
<u>Capital Outlay</u>							
Regular Capital Outlay	298,832	(84,727)	170,823	384,928	200,000	500,000	115,072
<u>Principal on Debt</u>							
Education	0	0	0	0	131,290	0	0
<u>Interest on Debt</u>							
Education	0	0	0	0	68,710	0	0
<u>Other Debt Service</u>							
Education	200,000	0	0	200,000	0	200,000	0
Total Expenditures	\$ 12,468,458	\$ (91,902)	\$ 179,525	\$ 12,556,081	\$ 12,769,126	\$ 13,144,609	\$ 588,528
Excess (Deficiency) of Revenues							
Over Expenditures	\$ 141,898	\$ 91,902	\$ (179,525)	\$ 54,275	\$ (328,626)	\$ (629,627)	\$ 683,902
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 9,010	\$ 0	\$ 0	\$ 9,010	\$ 15,000	\$ 15,000	\$ (5,990)
Total Other Financing Sources (Uses)	\$ 9,010	\$ 0	\$ 0	\$ 9,010	\$ 15,000	\$ 15,000	\$ (5,990)
Net Change in Fund Balance							
Fund Balance, July 1, 2005	\$ 1,880,726	\$ 91,902	\$ (179,525)	\$ 63,285	\$ (313,626)	\$ (614,627)	\$ 677,912
Fund Balance, June 30, 2006	\$ 2,031,634	\$ 0	\$ (179,525)	\$ 1,852,109	\$ 1,454,649	\$ 1,153,648	\$ 698,461

Exhibit I-9

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Federal Government	\$ 1,140,740	\$ 0	\$ 1,140,740	\$ 1,238,962	\$ 1,286,336	\$ (145,596)
Total Revenues	\$ 1,140,740	\$ 0	\$ 1,140,740	\$ 1,238,962	\$ 1,286,336	\$ (145,596)
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 483,198	\$ 6,689	\$ 489,887	\$ 577,481	\$ 634,117	\$ 144,230
Special Education Program	409,493	0	409,493	458,939	456,034	46,541
Vocational Education Program	57,717	89	57,806	54,832	57,806	0
<u>Support Services</u>						
Health Services	18,040	0	18,040	20,937	20,389	2,349
Other Student Support	14,532	0	14,532	17,824	14,532	0
Regular Instruction Program	125,303	1,002	126,305	205,642	192,255	65,950
Special Education Program	27,558	0	27,558	29,468	31,601	4,043
Vocational Education Program	2,264	0	2,264	2,271	2,264	0
Transportation	32,247	0	32,247	34,352	35,831	3,584
Total Expenditures	\$ 1,170,352	\$ 7,780	\$ 1,178,132	\$ 1,401,746	\$ 1,444,829	\$ 266,697
Excess (Deficiency) of Revenues Over Expenditures	\$ (29,612)	\$ (7,780)	\$ (37,392)	\$ (162,784)	\$ (158,493)	\$ 121,101
<u>Other Financing Sources (Uses)</u>						
Transfers Out	\$ (9,010)	\$ 0	\$ (9,010)	\$ (6,697)	\$ (10,988)	\$ 1,978
Total Other Financing Sources (Uses)	\$ (9,010)	\$ 0	\$ (9,010)	\$ (6,697)	\$ (10,988)	\$ 1,978
Net Change in Fund Balance	\$ (38,622)	\$ (7,780)	\$ (46,402)	\$ (169,481)	\$ (169,481)	\$ 123,079
Fund Balance, July 1, 2005	169,481	0	169,481	169,481	169,481	0
Fund Balance, June 30, 2006	\$ 130,859	\$ (7,780)	\$ 123,079	\$ 0	\$ 0	\$ 123,079

Exhibit I-10

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 498,539	\$ 474,550	\$ 474,550	\$ 23,989
Other Local Revenues	45,034	26,500	26,500	18,534
State of Tennessee	15,352	16,000	16,000	(648)
Federal Government	499,697	450,000	450,000	49,697
Total Revenues	<u>\$ 1,058,622</u>	<u>\$ 967,050</u>	<u>\$ 967,050</u>	<u>\$ 91,572</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 1,066,741	\$ 1,056,421	\$ 1,076,790	\$ 10,049
Total Expenditures	<u>\$ 1,066,741</u>	<u>\$ 1,056,421</u>	<u>\$ 1,076,790</u>	<u>\$ 10,049</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (8,119)</u>	<u>\$ (89,371)</u>	<u>\$ (109,740)</u>	<u>\$ 101,621</u>
Net Change in Fund Balance	\$ (8,119)	\$ (89,371)	\$ (109,740)	\$ 101,621
Fund Balance, July 1, 2005	<u>265,246</u>	<u>265,244</u>	<u>265,244</u>	<u>2</u>
Fund Balance, June 30, 2006	<u>\$ 257,127</u>	<u>\$ 175,873</u>	<u>\$ 155,504</u>	<u>\$ 101,623</u>

Chester County, Tennessee  
Statement of Fiduciary Net Assets  
Fiduciary Fund  
Discretely Presented Chester County School Department  
June 30, 2006

	Other Trust Fund
	<u>Private Purpose Trust Fund</u>
<u>ASSETS</u>	
Equity in Pooled Cash and Investments	\$ 101,087
Total Assets	<u>\$ 101,087</u>
<u>NET ASSETS</u>	
Funds Held in Trust for College Scholarships for Chester County Students	\$ 101,087
Total Net Assets	<u>\$ 101,087</u>

Chester County, Tennessee  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Fund  
Discretely Presented Chester County School Department  
For the Year Ended June 30, 2006

	Other Trust Fund
	<u>Private Purpose Trust Fund</u>
<u>ADDITIONS</u>	
<u>Other Local Revenues</u>	
Investment Income	\$ 3,264
Total Additions	<u>\$ 3,264</u>
<u>DEDUCTIONS</u>	
<u>Miscellaneous</u>	
Other Charges	\$ 4,000
Total Deductions	<u>\$ 4,000</u>
Change in Net Assets	\$ (736)
Net Assets, July 1, 2005	<u>101,823</u>
Net Assets, June 30, 2006	<u><u>\$ 101,087</u></u>

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## MISCELLANEOUS SCHEDULES

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Exhibit J-1

Chester County, Tennessee  
Schedule of Changes in Long-term Notes and Bonds  
For the Year Ended June 30, 2006

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-05	Paid and/or Matured During Period	Outstanding 6-30-06
<b><u>NOTES PAYABLE</u></b>							
Payable Through General Debt Service Fund:							
Library Construction	\$ 150,000	4.6 to 5.75%	6-9-1997	6-1-09	\$ 61,000	\$ 14,000	\$ 47,000
Nursing Home Improvement	100,000	5.0379	2-11-1999	2-11-10	41,667	8,333	33,334
Bridge Improvements	800,000	4.71	9-27-01	9-1-07	427,000	136,000	291,000
Total Notes Payable					<u>\$ 529,667</u>	<u>\$ 158,333</u>	<u>\$ 371,334</u>
<b><u>BONDS PAYABLE</u></b>							
Payable Through General Debt Service Fund:							
Courthouse Renovations	840,000	1.25 to 4.5	3-1-03	5-1-23	\$ 780,000	\$ 30,000	\$ 750,000
Payable Through Education Debt Service Fund:							
School Refunding	7,230,000	4 to 6	11-1-1998	5-1-15	\$ 4,940,000	\$ 400,000	\$ 4,540,000
School Refunding	760,000	1.25 to 4	3-1-03	5-1-16	675,000	40,000	635,000
Total Payable through Education Debt Service Fund					<u>\$ 5,615,000</u>	<u>\$ 440,000</u>	<u>\$ 5,175,000</u>
Total Bonds Payable					<u>\$ 6,395,000</u>	<u>\$ 470,000</u>	<u>\$ 5,925,000</u>

Exhibit J-2

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

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
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>\$ 5,925,000</u>	<u>\$ 1,467,234</u>	<u>\$ 7,392,234</u>

Exhibit J-3

Chester County, Tennessee  
Schedule of Transfers  
Primary Government and Discretely Presented Chester County School Department  
For the Year Ended June 30, 2006

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>Primary Government</u>			
Highway/Public Works	General Debt Service	To provide funds for debt retirement	\$ 152,872
General Capital Projects	General	To close out fund	<u>14,175</u>
Total Transfers Primary Government			<u>\$ 167,047</u>
<u>Discretely Presented Chester County School Department</u>			
School Federal Projects	General Purpose School	Indirect costs	<u>\$ 9,010</u>

Exhibit J-4

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

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 63,460 (1)	\$ 50,000	State Automobile Mutual Insurance Company
Road Supervisor	Section 8-24-102, <u>TCA</u>	58,009	100,000	"
Director of Schools	State Board of Education and Chester County Board of Education	78,047 (2)	100,000	Western Surety Company
Trustee	Section 8-24-102, <u>TCA</u>	52,748 (1)	434,500	State Automobile Mutual Insurance Company
Assessor of Property	Section 8-24-102, <u>TCA</u>	50,248	10,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	50,248	50,000	"
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	52,748 (1)	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u>	50,248	65,000	"
Register	Section 8-24-102, <u>TCA</u>	52,748 (1)	25,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	56,722 (3)	25,000	"
Employee Blanket Bonds:				
	Public Employee Dishonesty - County Departments		150,000	Tennessee School Boards Risk Management Trust
	Public Employee Dishonesty - School Departments		150,000	"

(1) Includes certified public administrator supplement of \$2,500 as provided by Section 5-1-310, TCA.

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

(3) Includes law enforcement training supplement of \$1,019.

Exhibit J-5

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

	Special Revenue Funds					Debt Service Funds		Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Education Debt Service	
<u>Local Taxes</u>								
<u>County Property Taxes</u>								
Current Property Tax	\$ 1,507,368	\$ 236,608	\$ 0	\$ 0	\$ 29,648	\$ 14,827	\$ 0	\$ 1,788,451
Discount on Property Taxes	(13,124)	(2,060)	0	0	(258)	(129)	0	(15,571)
Trustee's Collections - Prior Year	78,844	12,405	0	0	1,598	799	0	93,646
Circuit/Clerk & Master Collections - Prior Years	58,940	7,367	0	0	982	982	0	68,271
Interest and Penalty	11,451	1,803	0	0	230	116	0	13,600
<u>County Local Option Taxes</u>								
Local Option Sales Tax	58,535	58,535	0	0	0	0	687,240	804,310
Hotel/Motel Tax	9,620	0	0	0	0	0	0	9,620
Wheel Tax	707,275	0	0	0	0	0	0	707,275
Litigation Tax - General	77,740	0	0	0	0	0	0	77,740
Litigation Tax - Special Purpose	1,670	0	0	0	0	0	0	1,670
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0	20,103	0	20,103
Business Tax	89,887	0	0	0	0	0	0	89,887
<u>Statutory Local Taxes</u>								
Bank Excise Tax	14,164	2,202	0	0	276	0	0	16,642
Wholesale Beer Tax	29,218	25,628	0	0	0	0	0	54,846
Interstate Telecommunications Tax	1,694	0	0	0	0	0	0	1,694
Total Local Taxes	\$ 2,633,282	\$ 342,488	\$ 0	\$ 0	\$ 32,476	\$ 36,698	\$ 687,240	\$ 3,732,184
<u>Fines, Forfeitures, and Penalties</u>								
<u>Circuit Court</u>								
Fines	\$ 4,005	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,005
Officers Costs	1,586	0	0	0	0	0	0	1,586
Drug Control Fines	0	0	214	0	0	0	0	214
DUI Treatment Fines	285	0	0	0	0	0	0	285
Data Entry Fee - Circuit Court	150	0	0	0	0	0	0	150
<u>General Sessions Court</u>								
Fines	40,767	0	0	0	0	0	0	40,767
Officers Costs	28,282	0	0	0	0	0	0	28,282
Game and Fish Fines	995	0	0	0	0	0	0	995
Drug Control Fines	0	0	8,200	0	0	0	0	8,200
Drug Court Fees	0	0	4,664	0	0	0	0	4,664

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service Funds		Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Education Debt Service	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>								
<u>General Sessions Court (Cont.)</u>								
Jail Fees	\$ 1,350	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	1,350
DUI Treatment Fines	4,986	0	0	0	0	0	0	4,986
Data Entry Fee - General Sessions Court	4,628	0	0	0	0	0	0	4,628
Courtroom Security Fees	116	0	0	0	0	0	0	116
<u>Juvenile Court</u>								
Fines	1,004	0	0	0	0	0	0	1,004
<u>Chancery Court</u>								
Officers Costs	646	0	0	0	0	0	0	646
Data Entry Fee - Chancery Court	395	0	0	0	0	0	0	395
<u>Other Fines, Forfeitures, and Penalties</u>								
Proceeds from Confiscated Property	0	0	13,720	0	0	0	0	13,720
Total Fines, Forfeitures, and Penalties	\$ 89,195	\$ 0	\$ 26,798	\$ 0	\$ 0	\$ 0	\$ 0	115,993
<u>Charges for Current Services</u>								
<u>General Service Charges</u>								
Convenience Waste Centers Collection Charge	\$ 0	\$ 84,041	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	84,041
<u>Fees</u>								
Telephone Commissions	4,999	0	0	0	0	0	0	4,999
Vending Machine Collections	69	0	0	0	0	0	0	69
Constitutional Officers' Fees and Commissions	0	0	0	18,942	0	0	0	18,942
Data Processing Fee - Register	5,902	0	0	0	0	0	0	5,902
Data Processing Fee - Sheriff	2,244	0	0	0	0	0	0	2,244
Total Charges for Current Services	\$ 13,214	\$ 84,041	\$ 0	\$ 18,942	\$ 0	\$ 0	\$ 0	116,197
<u>Other Local Revenues</u>								
<u>Recurring Items</u>								
Investment Income	\$ 836	\$ 68,256	\$ 0	\$ 0	\$ 38,256	\$ 0	\$ 0	107,348
Lease/Rentals	443,820	0	0	0	0	0	0	443,820
Sale of Gasoline	0	0	0	0	22,633	0	0	22,633
Sale of Recycled Materials	0	24,181	0	0	0	0	0	24,181
Retirees' Insurance Payments	246	0	0	0	0	0	0	246
Miscellaneous Refunds	12,825	0	0	0	4,109	0	0	16,934

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service Funds		Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Education Debt Service	
<u>Other Local Revenues (Cont.)</u>								
<u>Nonrecurring Items</u>								
Insurance Recovery	\$ 2,630	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,630
Sale of Property	5,000	0	0	0	0	0	0	5,000
Damages Recovered from Individuals	0	0	291	0	0	0	0	291
<u>Other Local Revenues</u>								
Other Local Revenues	0	0	4,200	0	32,126	0	0	36,326
Total Other Local Revenues	\$ 465,357	\$ 92,437	\$ 4,491	\$ 0	\$ 97,124	\$ 0	\$ 0	\$ 659,409
<u>Fees Received from County Officials</u>								
<u>Fees-In-Lieu of Salary</u>								
County Clerk	\$ 148,366	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 148,366
Circuit Court Clerk	24,847	0	0	0	0	0	0	24,847
General Sessions Court Clerk	127,560	0	0	0	0	0	0	127,560
Clerk and Master	48,652	0	0	0	0	0	0	48,652
Register	70,446	0	0	0	0	0	0	70,446
Sheriff	11,154	0	0	0	0	0	0	11,154
Trustee	151,983	0	0	0	0	0	0	151,983
Total Fees Received from County Officials	\$ 583,008	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 583,008
<u>State of Tennessee</u>								
<u>General Government Grants</u>								
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,000
State Reappraisal Grant	5,373	0	0	0	0	0	0	5,373
Solid Waste Grants	0	179,181	0	0	0	0	0	179,181
Other General Government Grants	173,985	0	0	0	0	0	0	173,985
<u>Public Safety Grants</u>								
Law Enforcement Training Programs	5,187	0	0	0	0	0	0	5,187
<u>Health and Welfare Grants</u>								
Health Department Programs	1,247	0	0	0	0	0	0	1,247
<u>Public Works Grants</u>								
Litter Program	32,910	0	0	0	0	0	0	32,910
<u>Other State Revenues</u>								
Income Tax	3,521	553	0	0	69	35	0	4,178

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service Funds		Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Education Debt Service	
<u>State of Tennessee (Cont.)</u>								
<u>Other State Revenues (Cont.)</u>								
Beer Tax	\$ 17,212	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 17,212
Alcoholic Beverage Tax	23,226	0	0	0	0	0	0	23,226
Mixed Drink Tax	703	0	0	0	0	0	0	703
State Revenue Sharing - T.V.A.	113,868	17,874	0	0	2,240	1,120	0	135,102
Emergency Hospital - Prisoners	28,703	0	0	0	0	0	0	28,703
Contracted Prisoner Boarding	38,215	0	0	0	0	0	0	38,215
Gasoline and Motor Fuel Tax	0	0	0	0	1,410,995	0	0	1,410,995
Petroleum Special Tax	0	0	0	0	12,501	0	0	12,501
Registrar's Salary Supplement	20,475	0	0	0	0	0	0	20,475
Other State Grants	0	7,539	0	0	0	0	0	7,539
<b>Total State of Tennessee</b>	<b>\$ 473,625</b>	<b>\$ 205,147</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,425,805</b>	<b>\$ 1,155</b>	<b>\$ 0</b>	<b>\$ 2,105,732</b>
<u>Federal Government</u>								
<u>Federal Through State</u>								
Civil Defense Reimbursement	\$ 81,784	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 81,784
Homeland Security Grants	65,813	0	0	0	0	0	0	65,813
<u>Direct Federal Revenue</u>								
Other Direct Federal Revenue	1,400	0	0	0	0	0	0	1,400
<b>Total Federal Government</b>	<b>\$ 148,997</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 148,997</b>
<u>Other Governments and Citizens Groups</u>								
<u>Other Governments</u>								
Contributions	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 200,000	\$ 200,000
Contracted Services	107,258	0	0	0	0	0	0	107,258
<u>Other</u>								
Other	48,829	0	0	0	0	0	0	48,829
<b>Total Other Governments and Citizens Groups</b>	<b>\$ 156,087</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 200,000</b>	<b>\$ 356,087</b>
<b>Total</b>	<b>\$ 4,562,765</b>	<b>\$ 724,113</b>	<b>\$ 31,289</b>	<b>\$ 18,942</b>	<b>\$ 1,555,405</b>	<b>\$ 37,853</b>	<b>\$ 887,240</b>	<b>\$ 7,817,607</b>

Exhibit J-6

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 1,300,418	\$ 0	\$ 0	\$ 1,300,418
Discount on Property Taxes	(11,322)	0	0	(11,322)
Trustee's Collections - Prior Year	68,037	0	0	68,037
Circuit/Clerk & Master Collections - Prior Years	48,135	0	0	48,135
Interest and Penalty	9,853	0	0	9,853
<u>County Local Option Taxes</u>				
Local Option Sales Tax	775,969	0	0	775,969
<u>Statutory Local Taxes</u>				
Bank Excise Tax	12,100	0	0	12,100
Interstate Telecommunications Tax	2,732	0	0	2,732
Total Local Taxes	\$ 2,205,922	\$ 0	\$ 0	\$ 2,205,922
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 1,263	\$ 0	\$ 0	\$ 1,263
Total Licenses and Permits	\$ 1,263	\$ 0	\$ 0	\$ 1,263
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Tuition - Regular Day Students	\$ 10,012	\$ 0	\$ 0	\$ 10,012
Tuition - Summer School	1,170	0	0	1,170
Lunch Payments - Children	0	0	280,522	280,522
Lunch Payments - Adults	0	0	40,194	40,194
Income from Breakfast	0	0	18,800	18,800
Special Milk Sales	0	0	1,859	1,859
A la carte Sales	0	0	157,164	157,164
Receipts from Individual Schools	20,070	0	0	20,070
<u>Other Charges for Services</u>				
Other Charges for Services	6,606	0	0	6,606
Total Charges for Current Services	\$ 37,858	\$ 0	\$ 498,539	\$ 536,397
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 103,105	\$ 0	\$ 7,748	\$ 110,853
Lease/Rentals	8,885	0	0	8,885
Miscellaneous Refunds	30,839	0	37,286	68,125
<u>Nonrecurring Items</u>				
Insurance Recovery	2,632	0	0	2,632
Damages Recovered from Individuals	1,007	0	0	1,007
Contributions & Gifts	27	0	0	27
<u>Other Local Revenues</u>				
Other Local Revenues	20,476	0	0	20,476
Total Other Local Revenues	\$ 166,971	\$ 0	\$ 45,034	\$ 212,005
<u>State of Tennessee</u>				
<u>State Education Funds</u>				
Basic Education Program	\$ 9,647,030	\$ 0	\$ 0	\$ 9,647,030
School Food Service	0	0	15,352	15,352

(Continued)

Exhibit J-6

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>State of Tennessee (Cont.)</u>				
<u>State Education Funds (Cont.)</u>				
Driver Education	\$ 7,635	\$ 0	\$ 0	\$ 7,635
Other State Education Funds	71,579	0	0	71,579
Career Ladder Program	133,066	0	0	133,066
Career Ladder - Extended Contract	59,840	0	0	59,840
<u>Other State Revenues</u>				
Income Tax	3,038	0	0	3,038
Mixed Drink Tax	804	0	0	804
State Revenue Sharing - T.V.A.	98,234	0	0	98,234
Other State Grants	10,000	0	0	10,000
Total State of Tennessee	<u>\$ 10,031,226</u>	<u>\$ 0</u>	<u>\$ 15,352</u>	<u>\$ 10,046,578</u>
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 396,997	\$ 396,997
Breakfast	0	0	102,700	102,700
Adult Education State Grant Program	72,994	0	0	72,994
Vocational Education - Basic Grants to States	0	67,102	0	67,102
Title I Grants to Local Education Agencies	0	449,500	0	449,500
Innovative Education Program Strategies	0	8,381	0	8,381
Special Education - Grants to States	17,748	457,755	0	475,503
Special Education Preschool Grants	0	13,131	0	13,131
Eisenhower Professional Development State Grants	0	134,263	0	134,263
Job Training Partnership Act	57,178	0	0	57,178
Other Federal through State	19,196	10,608	0	29,804
Total Federal Government	<u>\$ 167,116</u>	<u>\$ 1,140,740</u>	<u>\$ 499,697</u>	<u>\$ 1,807,553</u>
Total	<u>\$ 12,610,356</u>	<u>\$ 1,140,740</u>	<u>\$ 1,058,622</u>	<u>\$ 14,809,718</u>

Exhibit J-7

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

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	18,350	
Social Security		1,404	
Dues and Memberships		1,150	
Travel		530	
Total County Commission			\$ 21,434

Board of Equalization

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

County Mayor/Executive

County Official/Administrative Officer	\$	60,960	
Assistant(s)		21,726	
Secretary(ies)		20,576	
Educational Incentive - Official/Admin Officer		2,500	
Educational Incentive - Other County Employees		2,500	
Longevity Pay		850	
In-Service Training		537	
Social Security		8,347	
State Retirement		7,784	
Medical Insurance		7,200	
Unemployment Compensation		138	
Data Processing Services		8,305	
Dues and Memberships		1,320	
Legal Notices, Recording, and Court Costs		74	
Maintenance & Repair Services - Office Equipment		555	
Travel		2,019	
Office Supplies		4,994	
Total County Mayor/Executive			150,385

County Attorney

Legal Services	\$	5,697	
Total County Attorney			5,697

Election Commission

County Official/Administrative Officer	\$	42,541	
Deputy(ies)		21,726	
Longevity Pay		200	
Election Commission		1,150	
Election Workers		1,006	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Social Security	\$	5,020	
State Retirement		4,730	
Medical Insurance		7,200	
Unemployment Compensation		168	
Data Processing Services		1,863	
Dues and Memberships		900	
Legal Notices, Recording, and Court Costs		240	
Printing, Stationery, and Forms		253	
Travel		788	
Office Supplies		1,473	
Voting Machines		171,000	
Total Election Commission			\$ 260,258

Register of Deeds

County Official/Administrative Officer	\$	50,248	
Deputy(ies)		21,726	
Educational Incentive - Official/Admin Officer		2,500	
Longevity Pay		1,400	
Social Security		5,804	
State Retirement		5,481	
Medical Insurance		7,200	
Unemployment Compensation		84	
Data Processing Services		6,382	
Dues and Memberships		100	
Legal Notices, Recording, and Court Costs		53	
Travel		861	
Data Processing Supplies		5,654	
Office Supplies		1,386	
Office Equipment		3,047	
Total Register of Deeds			111,926

County Buildings

Salary Supplements	\$	250	
Custodial Personnel		11,297	
Maintenance Personnel		34,027	
Longevity Pay		350	
Social Security		3,513	
State Retirement		2,843	
Medical Insurance		3,600	
Unemployment Compensation		167	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Communication	\$	42,379	
Contracts with Private Agencies		14,055	
Maintenance & Repair Services - Buildings		28,790	
Maintenance & Repair Services - Office Equipment		1,266	
Pest Control		5,538	
Rentals		8,645	
Custodial Supplies		3,420	
Electricity		54,210	
Gasoline		54	
Natural Gas		27,644	
Water and Sewer		8,755	
Boiler Insurance		1,193	
Building and Contents Insurance		50,380	
Building Improvements		63,554	
Total County Buildings			\$ 365,930

Other General Administration

Contributions	\$	9,077	
Dues and Memberships		603	
Legal Services		10	
Legal Notices, Recording, and Court Costs		2,687	
Postal Charges		21,467	
Printing, Stationery, and Forms		97	
Periodicals		976	
Premiums on Corporate Surety Bonds		3,282	
Office Equipment		7,738	
Total Other General Administration			45,937

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	\$	50,248	
Deputy(ies)		42,020	
Longevity Pay		250	
Social Security		7,078	
State Retirement		6,791	
Medical Insurance		7,200	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Unemployment Compensation	\$	201	
Audit Services		6,100	
Data Processing Services		7,676	
Dues and Memberships		1,002	
Travel		1,361	
Office Supplies		930	
Total Property Assessor's Office			\$ 130,857

Reappraisal Program

Deputy(ies)	\$	6,782	
Social Security		490	
Unemployment Compensation		77	
Travel		1,449	
Total Reappraisal Program			8,798

County Trustee's Office

County Official/Administrative Officer	\$	50,248	
Deputy(ies)		40,959	
Educational Incentive - Official/Admin Officer		2,500	
Educational Incentive - Other County Employees		2,500	
Longevity Pay		1,500	
In-Service Training		643	
Social Security		7,475	
State Retirement		7,007	
Medical Insurance		8,100	
Unemployment Compensation		168	
Data Processing Services		6,353	
Dues and Memberships		100	
Legal Notices, Recording, and Court Costs		160	
Maintenance & Repair Services - Equipment		340	
Travel		1,494	
Office Supplies		3,034	
Total County Trustee's Office			132,581

County Clerk's Office

County Official/Administrative Officer	\$	50,248
Deputy(ies)		65,178
Part-time Personnel		11,542
Longevity Pay		900
Social Security		9,774

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

State Retirement	\$	8,496	
Medical Insurance		10,800	
Unemployment Compensation		347	
Data Processing Services		3,462	
Dues and Memberships		100	
Travel		773	
Office Supplies		2,250	
Total County Clerk's Office			\$ 163,870

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	50,248	
Deputy(ies)		65,178	
Part-time Personnel		13,453	
Educational Incentive - Official/Admin Officer		2,500	
Educational Incentive - Other County Employees		5,000	
Longevity Pay		1,200	
Jury and Witness Fees		6,690	
Social Security		10,525	
State Retirement		8,680	
Medical Insurance		14,400	
Unemployment Compensation		342	
Data Processing Services		8,128	
Dues and Memberships		65	
Travel		904	
Food Supplies		244	
Office Supplies		4,075	
Total Circuit Court			191,632

General Sessions Court

Judge(s)	\$	62,628	
Assistant(s)		1,180	
Social Security		4,881	
State Retirement		4,609	
Medical Insurance		3,600	
Dues and Memberships		215	
Travel		867	
Office Supplies		1,535	
Total General Sessions Court			79,515

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court

County Official/Administrative Officer	\$	50,248	
Deputy(ies)		44,283	
Longevity Pay		1,400	
Social Security		7,278	
State Retirement		6,943	
Medical Insurance		10,800	
Unemployment Compensation		178	
Dues and Memberships		110	
Office Supplies		2,003	
Total Chancery Court			\$ 123,243

Juvenile Court

Deputy(ies)	\$	20,640	
Longevity Pay		100	
Social Security		1,587	
State Retirement		1,519	
Medical Insurance		1,500	
Unemployment Compensation		84	
Total Juvenile Court			25,430

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	55,703
Assistant(s)		27,370
Supervisor/Director		39,311
Deputy(ies)		225,774
Investigator(s)		71,930
Salary Supplements		5,187
Dispatchers/Radio Operators		124,302
Guards		144,862
Secretary(ies)		24,764
Part-time Personnel		16,879
Longevity Pay		6,450
Overtime Pay		29,167
Other Salaries & Wages		14,433
In-Service Training		4,642
Social Security		59,557
State Retirement		55,090
Medical Insurance		81,300
Unemployment Compensation		2,127

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Data Processing Services	\$	557	
Dues and Memberships		1,225	
Maintenance & Repair Services - Equipment		3,618	
Maintenance & Repair Services - Vehicles		6,219	
Medical and Dental Services		105,705	
Tow-in Services		405	
Travel		4,513	
Other Contracted Services		4,887	
Custodial Supplies		4,815	
Food Supplies		28,756	
Gasoline		22,889	
Law Enforcement Supplies		2,465	
Office Supplies		3,094	
Prisoners Clothing		778	
Tires and Tubes		1,752	
Uniforms		9,063	
Other Supplies and Materials		1,787	
Workers' Compensation Insurance		28,194	
Other Charges		373	
Law Enforcement Equipment		972	
Motor Vehicles		27,169	
Total Sheriff's Department			\$ 1,248,084

Juvenile Services

Youth Service Officer(s)	\$	39,728	
Longevity Pay		1,000	
Social Security		3,116	
State Retirement		2,924	
Medical Insurance		3,600	
Unemployment Compensation		84	
Contracts with Other Public Agencies		8,574	
Dues and Memberships		100	
Travel		389	
Office Supplies		1,048	
Total Juvenile Services			60,563

Fire Prevention and Control

Supervisor/Director	\$	24,331	
Longevity Pay		200	
In-Service Training		2,292	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Fire Prevention and Control (Cont.)

Social Security	\$	1,877	
State Retirement		1,791	
Medical Insurance		3,600	
Unemployment Compensation		84	
Maintenance & Repair Services - Buildings		6,737	
Maintenance & Repair Services - Equipment		6,885	
Maintenance & Repair Services - Office Equipment		3,127	
Maintenance & Repair Services - Vehicles		12,038	
Tow-in Services		210	
Equipment Parts - Light		1,225	
Equipment and Machinery Parts		11,623	
Gasoline		6,054	
Office Supplies		823	
Tires and Tubes		1,929	
Uniforms		306	
Vehicle Parts		50	
Vehicle and Equipment Insurance		19,166	
Workers' Compensation Insurance		8,288	
Other Charges		908	
Other Equipment		13,774	
Total Fire Prevention and Control			\$ 127,318

Civil Defense

Supervisor/Director	\$	29,523	
Longevity Pay		1,500	
Social Security		2,373	
State Retirement		2,173	
Medical Insurance		3,600	
Unemployment Compensation		84	
Dues and Memberships		35	
Maintenance & Repair Services - Equipment		422	
Maintenance & Repair Services - Vehicles		467	
Travel		162	
Gasoline		1,748	
Office Supplies		321	
Other Equipment		598	
Total Civil Defense			43,006

Rescue Squad

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

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Other Emergency Management

Clerical Personnel	\$	21,935	
Social Security		1,678	
Unemployment Compensation		84	
Other Equipment		<u>107,107</u>	
Total Other Emergency Management	\$		130,804

County Coroner/Medical Examiner

Other Per Diem & Fees	\$	<u>7,682</u>	
Total County Coroner/Medical Examiner			7,682

Public Health and Welfare

Local Health Center

Part-time Personnel	\$	1,376	
Social Security		105	
Unemployment Compensation		16	
Communication		3,493	
Contracts with Government Agencies		11,805	
Pest Control		214	
Postal Charges		2,484	
Travel		126	
Other Contracted Services		1,470	
Drugs and Medical Supplies		1,825	
Office Supplies		<u>641</u>	
Total Local Health Center			23,555

Ambulance/Emergency Medical Services

Ambulance Services	\$	151,354	
Motor Vehicles		<u>54,042</u>	
Total Ambulance/Emergency Medical Services			205,396

Nursing Home

Maintenance Personnel	\$	17,100	
Social Security		1,308	
Unemployment Compensation		84	
Maintenance & Repair Services - Buildings		56,683	
Maintenance & Repair Services - Equipment		12,681	
Pest Control		616	
Travel		1,894	
Building Improvements		<u>44,675</u>	
Total Nursing Home			135,041

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Crippled Children Services

Contributions	\$ 6,500	
Total Crippled Children Services		\$ 6,500

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

Guards	\$ 24,763	
State Retirement	2,282	
Unemployment Compensation	77	
Maintenance & Repair Services - Vehicles	145	
Gasoline	645	
Tires and Tubes	12	
Uniforms	500	
Other Charges	1,937	
Total Sanitation Education/Information		30,361

Convenience Centers

Maintenance & Repair Services - Buildings	\$ 47	
Total Convenience Centers		47

Social, Cultural, and Recreational Services

Libraries

County Official/Administrative Officer	\$ 21,726	
Part-time Personnel	21,573	
Longevity Pay	750	
Social Security	3,370	
State Retirement	1,599	
Unemployment Compensation	309	
Total Libraries		49,327

Other Social, Cultural, and Recreational

Contributions	\$ 15,000	
Total Other Social, Cultural, and Recreational		15,000

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Agriculture & Natural Resources

Agriculture Extension Service

Salary Supplements	\$	29,031	
Extension Service Medicare		2,681	
Maintenance & Repair Services - Office Equipment		1,599	
Office Supplies		670	
Total Agriculture Extension Service			\$ 33,981

Soil Conservation

Secretary(ies)	\$	10,858	
Longevity Pay		25	
Social Security		833	
Unemployment Compensation		88	
Total Soil Conservation			11,804

Flood Control

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

Other Operations

Industrial Development

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

Veterans' Services

County Official/Administrative Officer	\$	14,853	
Longevity Pay		650	
Social Security		1,186	
Unemployment Compensation		84	
Total Veterans' Services			16,773

Employee Benefits

Medical Insurance	\$	12,996	
Total Employee Benefits			12,996

Miscellaneous

Trustee's Commission	\$	46,611	
Other Charges		1,220	
Total Miscellaneous			47,831

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Capital Projects

Administration of Justice Projects

Land	\$ 250,662	
Total Administration of Justice Projects		\$ 250,662

Public Safety Projects

Permits	\$ 2,701	
Total Public Safety Projects		<u>2,701</u>

Total General Fund		\$ 4,315,526
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Solid Waste/Sanitation Fund

Public Health and Welfare

Convenience Centers

Supervisor/Director	\$ 39,646	
Accountants/Bookkeepers	12,000	
Foremen	24,814	
Laborers	105,168	
Longevity Pay	2,300	
Overtime Pay	2,179	
In-Service Training	300	
Social Security	14,237	
State Retirement	5,627	
Medical Insurance	7,125	
Unemployment Compensation	1,377	
Communication	1,561	
Contracts with Government Agencies	2,000	
Maintenance & Repair Services - Buildings	4,158	
Maintenance & Repair Services - Equipment	1,405	
Maintenance & Repair Services - Vehicles	1,144	
Travel	1,635	
Custodial Supplies	835	
Electricity	5,008	
Natural Gas	463	
Office Supplies	1,329	
Water and Sewer	720	
Chemicals	413	
Other Charges	1,632	
Building Construction	2,500	
Heating and Air Conditioning Equipment	426	
Maintenance Equipment	40	
Site Development	186,523	
Total Convenience Centers	<u>426,565</u>	\$ 426,565

(Continued)

Exhibit J-7

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Recycling Center

Motor Vehicles	\$	2,017	
Solid Waste Equipment		12,731	
Total Recycling Center			\$ 14,748

Other Waste Disposal

Truck Drivers	\$	23,934	
Longevity Pay		375	
Overtime Pay		202	
Social Security		1,875	
Unemployment Compensation		214	
Contracts with Government Agencies		166,617	
Maintenance & Repair Services - Equipment		1,777	
Maintenance & Repair Services - Vehicles		5,881	
Tow-in Services		329	
Custodial Supplies		432	
Diesel Fuel		20,820	
Equipment Parts - Heavy		569	
Equipment and Machinery Parts		7	
Gasoline		5,262	
Tires and Tubes		5,483	
Chemicals		312	
Total Other Waste Disposal			234,089

Postclosure Care Costs

Contracts with Government Agencies	\$	2,907	
Total Postclosure Care Costs			2,907

Other Operations

Miscellaneous

Trustee's Commission	\$	7,439	
Other Charges		430	
Total Miscellaneous			7,869

Total Solid Waste/Sanitation Fund \$ 686,178

Drug Control Fund

Public Safety

Drug Enforcement

Contributions	\$	1,000	
Confidential Drug Enforcement Payments		1,906	

(Continued)

Exhibit J-7

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

Drug Control Fund (Cont.)

Public Safety (Cont.)

Drug Enforcement (Cont.)

Instructional Supplies and Materials	\$	445	
Law Enforcement Supplies		1,290	
Other Charges		588	
Law Enforcement Equipment		8,305	
Total Drug Enforcement			\$ 13,534

Other Operations

Miscellaneous

Trustee's Commission	\$	221	
Total Miscellaneous			221

Total Drug Control Fund \$ 13,755

Constitutional Officers - Fees Fund

Administration of Justice

Chancery Court

Constitutional Officers' Operating Expenses	\$	18,942	
Total Chancery Court			\$ 18,942

Total Constitutional Officers - Fees Fund 18,942

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	58,009	
Assistant(s)		31,475	
Accountants/Bookkeepers		20,122	
Part-time Personnel		2,573	
Educational Incentive - Other County Employees		3,000	
Contracts with Other Public Agencies		3,000	
Dues and Memberships		2,517	
Legal Services		330	
Pest Control		440	
Postal Charges		460	
Travel		2,462	
Custodial Supplies		1,568	
Office Supplies		8,318	
Other Charges		2,524	
Total Administration			\$ 136,798

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance

Foremen	\$	89,777	
Equipment Operators		196,873	
Truck Drivers		84,867	
Laborers		52,207	
Asphalt - Liquid		131,541	
Concrete		2,137	
Crushed Stone		99,707	
Pipe		3,439	
Road Signs		2,522	
Small Tools		1,169	
Wood Products		14,943	
Gravel and Chert		13,347	
Other Supplies and Materials		3,155	
Total Highway and Bridge Maintenance			\$ 695,684

Operation and Maintenance of Equipment

Mechanic(s)	\$	24,016	
Maintenance & Repair Services - Equipment		12,689	
Diesel Fuel		67,204	
Equipment and Machinery Parts		66,206	
Garage Supplies		6,897	
Gasoline		38,999	
Lubricants		4,181	
Propane Gas		246	
Tires and Tubes		14,087	
Total Operation and Maintenance of Equipment			234,525

Other Charges

Communication	\$	3,500	
Electricity		6,068	
Natural Gas		2,575	
Water and Sewer		744	
Trustee's Commission		15,251	
Vehicle and Equipment Insurance		46,070	
Total Other Charges			74,208

Employee Benefits

Social Security	\$	43,063	
State Retirement		32,948	
Employee and Dependent Insurance		70,247	

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Employee Benefits (Cont.)

Unemployment Compensation	\$ 5,035	
Workers' Compensation Insurance	<u>23,273</u>	
Total Employee Benefits		\$ 174,566

Capital Outlay

Highway Equipment	\$ 2,500	
Total Capital Outlay		<u>2,500</u>

Total Highway/Public Works Fund \$ 1,318,281

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$ 30,000	
Principal on Notes	<u>22,333</u>	
Total General Government		\$ 52,333

Highways and Streets

Principal on Notes	\$ 136,000	
Total Highways and Streets		136,000

Interest on Debt

General Government

Interest on Bonds	\$ 29,490	
Interest on Notes	<u>5,562</u>	
Total General Government		35,052

Highways and Streets

Interest on Notes	\$ 16,872	
Total Highways and Streets		16,872

Other Debt Service

General Government

Trustee's Commission	\$ 2,296	
Total General Government		<u>2,296</u>

Total General Debt Service Fund 242,553

(Continued)

Exhibit J-7

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

<u>Education Debt Service Fund</u>		
<u>Principal on Debt</u>		
<u>Education</u>		
Principal on Bonds	\$ 440,000	
Total Education		\$ 440,000
<u>Interest on Debt</u>		
<u>Education</u>		
Interest on Bonds	\$ 230,274	
Total Education		230,274
<u>Other Debt Service</u>		
<u>Education</u>		
Bank Charges	\$ 382	
Trustee's Commission	7,617	
Total Education		7,999
Total Education Debt Service Fund		\$ 678,273
<u>General Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>General Administration Projects</u>		
Building Construction	\$ 7,364	
Total General Administration Projects		\$ 7,364
<u>Public Health and Welfare Projects</u>		
Building Construction	\$ 1,249	
Total Public Health and Welfare Projects		1,249
Total General Capital Projects Fund		8,613
Total Governmental Funds - Primary Government		<u>\$ 7,282,121</u>

Exhibit J-8

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

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 4,560,864	
Career Ladder Program	70,116	
Career Ladder Extended Contracts	43,248	
Educational Assistants	122,465	
Non-certified Substitute Teachers	92,114	
Social Security	285,580	
State Retirement	264,243	
Life Insurance	2,208	
Medical Insurance	484,959	
Unemployment Compensation	4,274	
Employer Medicare	66,790	
Other Fringe Benefits	4,600	
Maintenance & Repair Services - Equipment	2,884	
Other Contracted Services	11,024	
Instructional Supplies and Materials	118,921	
Textbooks	144,768	
Other Supplies and Materials	454	
Other Charges	351	
Regular Instruction Equipment	75,916	
Total Regular Instruction Program		\$ 6,355,779

Special Education Program

Teachers	\$ 397,959	
Career Ladder Program	6,765	
Career Ladder Extended Contracts	1,000	
Educational Assistants	155,230	
Other Salaries & Wages	11,340	
Non-certified Substitute Teachers	13,735	
Social Security	35,577	
State Retirement	33,806	
Life Insurance	198	
Medical Insurance	32,000	
Unemployment Compensation	749	
Employer Medicare	8,321	
Contracts with Private Agencies	50,309	
Other Contracted Services	3,000	
Instructional Supplies and Materials	14,345	
Other Supplies and Materials	1,500	
Total Special Education Program		765,834

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Vocational Education Program

Teachers	\$	337,010	
Career Ladder Program		5,500	
Non-certified Substitute Teachers		7,068	
Social Security		19,677	
State Retirement		18,743	
Life Insurance		198	
Medical Insurance		56,018	
Unemployment Compensation		277	
Employer Medicare		4,602	
Other Contracted Services		1,114	
Instructional Supplies and Materials		5,000	
Total Vocational Education Program			\$ 455,207

Student Body Education Program

Other Charges	\$	40,000	
Total Student Body Education Program			40,000

Adult Education Program

Teachers	\$	88,822	
Other Salaries & Wages		5,310	
Social Security		5,675	
State Retirement		1,618	
Unemployment Compensation		130	
Employer Medicare		1,327	
Instructional Supplies and Materials		27,369	
Other Charges		2,247	
Total Adult Education Program			132,498

Support Services

Attendance

Supervisor/Director	\$	39,172	
Career Ladder Program		2,000	
Social Security		2,274	
State Retirement		2,265	
Life Insurance		20	
Medical Insurance		6,562	
Unemployment Compensation		22	
Employer Medicare		532	
Travel		1,693	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Attendance (Cont.)

Other Supplies and Materials	\$ 250	
Total Attendance		\$ 54,790

Health Services

Medical Personnel	\$ 13,419	
Social Security	832	
State Retirement	988	
Unemployment Compensation	17	
Employer Medicare	195	
Travel	813	
Drugs and Medical Supplies	4,936	
Other Supplies and Materials	684	
Total Health Services		21,884

Other Student Support

Career Ladder Program	\$ 7,992	
Guidance Personnel	168,176	
Career Ladder Extended Contracts	1,600	
Social Security	9,985	
State Retirement	9,777	
Life Insurance	82	
Medical Insurance	25,570	
Unemployment Compensation	115	
Employer Medicare	2,335	
Evaluation and Testing	9,839	
Travel	824	
Other Supplies and Materials	94	
Total Other Student Support		236,389

Regular Instruction Program

Supervisor/Director	\$ 61,877
Career Ladder Program	6,000
Librarians	158,701
Instructional Computer Personnel	51,336
Clerical Personnel	2,700
Other Salaries & Wages	2,419
Social Security	17,260
State Retirement	15,829
Life Insurance	61

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Medical Insurance	\$	21,022	
Unemployment Compensation		216	
Employer Medicare		4,037	
Consultants		950	
Travel		10,354	
Other Contracted Services		500	
Library Books/Media		15,709	
Other Supplies and Materials		789	
In Service/Staff Development		4,000	
Other Equipment		2,000	
Total Regular Instruction Program			\$ 375,760

Special Education Program

Supervisor/Director	\$	58,809	
Career Ladder Program		3,000	
Psychological Personnel		21,656	
Social Security		5,076	
State Retirement		4,993	
Medical Insurance		3,741	
Unemployment Compensation		56	
Employer Medicare		1,187	
Travel		7,225	
Other Supplies and Materials		1,000	
In Service/Staff Development		1,944	
Total Special Education Program			108,687

Vocational Education Program

Travel	\$	263	
Total Vocational Education Program			263

Adult Programs

Supervisor/Director	\$	67,482	
Career Ladder Program		1,000	
Social Security		3,933	
State Retirement		4,129	
Medical Insurance		200	
Unemployment Compensation		57	
Employer Medicare		920	
Travel		580	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Adult Programs (Cont.)

Other Contracted Services	\$	8,400	
Other Supplies and Materials		10,835	
In Service/Staff Development		2,373	
Total Adult Programs			\$ 99,909

Board of Education

Other Salaries & Wages	\$	3,800	
Social Security		248	
Unemployment Compensation		16	
Employer Medicare		58	
Audit Services		4,750	
Dues and Memberships		6,668	
Legal Services		346	
Travel		2,466	
Other Contracted Services		1,530	
Liability Insurance		22,152	
Trustee's Commission		65,182	
Workers' Compensation Insurance		85,000	
Criminal Investigation of Applicants - TBI		1,584	
Other Charges		9,644	
Total Board of Education			203,444

Director of Schools

County Official/Administrative Officer	\$	77,047	
Career Ladder Program		1,000	
Clerical Personnel		19,288	
Social Security		5,973	
State Retirement		5,712	
Life Insurance		20	
Medical Insurance		3,648	
Unemployment Compensation		51	
Employer Medicare		1,397	
Other Fringe Benefits		1,556	
Communication		4,525	
Dues and Memberships		2,167	
Postal Charges		1,271	
Travel		4,893	
Other Contracted Services		2,699	
Office Supplies		3,459	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools (Cont.)

Other Charges	\$	24	
Administration Equipment		315	
Total Director of Schools			\$ 135,045

Office of the Principal

Principals	\$	307,735	
Career Ladder Program		12,000	
Career Ladder Extended Contracts		5,995	
Assistant Principals		95,361	
Secretary(ies)		208,393	
Social Security		37,824	
State Retirement		38,476	
Life Insurance		163	
Medical Insurance		29,965	
Unemployment Compensation		538	
Employer Medicare		8,846	
Communication		12,721	
Travel		3,990	
Other Supplies and Materials		43	
In Service/Staff Development		637	
Other Charges		150	
Administration Equipment		10,652	
Total Office of the Principal			773,489

Fiscal Services

Accountants/Bookkeepers	\$	65,712	
Social Security		3,510	
State Retirement		4,836	
Unemployment Compensation		57	
Employer Medicare		821	
Data Processing Services		480	
Travel		247	
Other Contracted Services		7,317	
Data Processing Supplies		1,469	
Office Supplies		696	
Total Fiscal Services			85,145

Operation of Plant

Supervisor/Director	\$	3,713	
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(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Guards	\$	21,548	
Custodial Personnel		263,408	
Other Salaries & Wages		1,868	
Social Security		17,652	
State Retirement		17,079	
Unemployment Compensation		599	
Employer Medicare		4,128	
Travel		3,982	
Disposal Fees		12,631	
Other Contracted Services		6,499	
Custodial Supplies		77,000	
Electricity		354,147	
Natural Gas		158,131	
Water and Sewer		20,433	
Other Supplies and Materials		469	
Boiler Insurance		3,400	
Building and Contents Insurance		65,000	
Total Operation of Plant			\$ 1,031,687

Maintenance of Plant

Maintenance Personnel	\$	75,128	
Other Salaries & Wages		39,756	
Social Security		7,066	
State Retirement		5,659	
Unemployment Compensation		182	
Employer Medicare		1,652	
Maintenance & Repair Services - Buildings		32,906	
Maintenance & Repair Services - Equipment		9,000	
Other Contracted Services		32,867	
Other Supplies and Materials		44,633	
Maintenance Equipment		4,630	
Total Maintenance of Plant			253,479

Transportation

Supervisor/Director	\$	8,114
Mechanic(s)		49,440
Bus Drivers		295,426
Other Salaries & Wages		2,520
Social Security		21,699

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

State Retirement	\$	23,145	
Unemployment Compensation		730	
Employer Medicare		5,075	
Communication		296	
Maintenance & Repair Services - Vehicles		23,646	
Travel		744	
Other Contracted Services		10,992	
Gasoline		134,674	
Tires and Tubes		13,479	
Vehicle Parts		45,364	
Other Supplies and Materials		15,224	
Vehicle and Equipment Insurance		25,000	
Other Charges		302	
Transportation Equipment		<u>154,227</u>	
Total Transportation	\$		830,097

Operation of Non-Instructional Services

Community Services

Other Salaries & Wages	\$	4,055	
Social Security		165	
State Retirement		27	
Unemployment Compensation		2	
Employer Medicare		39	
Other Charges		<u>5,952</u>	
Total Community Services			10,240

Capital Outlay

Regular Capital Outlay

Engineering Services	\$	13,006	
Building Improvements		<u>285,826</u>	
Total Regular Capital Outlay			298,832

Other Debt Service

Education

Contributions	\$	<u>200,000</u>	
Total Education			<u>200,000</u>

Total General Purpose School Fund \$ 12,468,458

(Continued)

Exhibit J-8

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

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	268,618	
Educational Assistants		97,995	
Social Security		22,257	
State Retirement		21,986	
Medical Insurance		17,640	
Unemployment Compensation		399	
Employer Medicare		5,205	
Other Contracted Services		11,537	
Instructional Supplies and Materials		2,593	
Other Supplies and Materials		5,560	
Other Charges		485	
Regular Instruction Equipment		28,923	
Total Regular Instruction Program			\$ 483,198

Special Education Program

Teachers	\$	91,670	
Clerical Personnel		6,072	
Educational Assistants		186,822	
Social Security		17,202	
State Retirement		17,799	
Medical Insurance		6,826	
Unemployment Compensation		500	
Employer Medicare		4,023	
Contracts with Private Agencies		68,982	
Instructional Supplies and Materials		7,253	
Other Supplies and Materials		2,344	
Total Special Education Program			409,493

Vocational Education Program

Teachers	\$	8,577	
Social Security		532	
State Retirement		472	
Unemployment Compensation		12	
Employer Medicare		124	
Travel		4,794	
Other Contracted Services		6,678	
Instructional Supplies and Materials		20,680	
Vocational Instruction Equipment		15,848	
Total Vocational Education Program			57,717

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Support Services

Health Services

Medical Personnel	\$	15,636	
Social Security		969	
State Retirement		1,151	
Unemployment Compensation		57	
Employer Medicare		227	
Total Health Services			\$ 18,040

Other Student Support

Guidance Personnel	\$	6,872	
Travel		7,660	
Total Other Student Support			14,532

Regular Instruction Program

Supervisor/Director	\$	50,358	
Secretary(ies)		12,004	
Other Salaries & Wages		945	
Certified Substitute Teachers		1,582	
Social Security		4,092	
State Retirement		3,769	
Medical Insurance		3,633	
Unemployment Compensation		59	
Employer Medicare		957	
Consultants		975	
Travel		11,449	
Other Contracted Services		3,088	
Library Books/Media		8,378	
Other Supplies and Materials		2,042	
In Service/Staff Development		21,864	
Transfers to Other Funds		108	
Total Regular Instruction Program			125,303

Special Education Program

Psychological Personnel	\$	21,306	
Social Security		1,292	
State Retirement		1,568	
Medical Insurance		1,680	
Employer Medicare		302	
In Service/Staff Development		1,410	
Total Special Education Program			27,558

(Continued)

Exhibit J-8

Chester County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Discretely Presented 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	
Unemployment Compensation		1	
Employer Medicare		29	
Total Vocational Education Program			\$ 2,264

Transportation

Bus Drivers	\$	28,034	
Social Security		1,738	
State Retirement		2,008	
Unemployment Compensation		60	
Employer Medicare		407	
Total Transportation			\$ 32,247

Total School Federal Projects Fund \$ 1,170,352

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	25,400
Accountants/Bookkeepers		17,712
Clerical Personnel		26,825
Cafeteria Personnel		340,130
Other Salaries & Wages		28,966
Social Security		24,597
State Retirement		27,770
Unemployment Compensation		1,007
Employer Medicare		5,753
Communication		1,877
Maintenance & Repair Services - Equipment		4,130
Transportation - Other than Students		6,882
Travel		1,013
Other Contracted Services		14,078
Food Supplies		439,791
Office Supplies		4,259
Uniforms		5,368
Utilities		15,037
Other Supplies and Materials		24,715

(Continued)

Exhibit J-8

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

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

In Service/Staff Development	\$	1,445	
Other Charges		772	
Food Service Equipment		49,214	
Total Food Service			<u>\$ 1,066,741</u>

Total Central Cafeteria Fund \$ 1,066,741

Total Governmental Funds - Chester County School Department \$ 14,705,551

Exhibit J-9

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

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 739,246
Total Cash Receipts	<u>\$ 739,246</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 731,888
Trustee's Commission	7,358
Total Cash Disbursements	<u>\$ 739,246</u>
 Excess of Cash Receipts Over (Under) Cash Disbursements	 \$ 0
Cash Balance, July 1, 2005	<u>0</u>
 Cash Balance, June 30, 2006	 <u><u>\$ 0</u></u>

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# SINGLE AUDIT SECTION

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STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-0269  
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 10, 2006

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

To the County Mayor and Board of County Commissioners:

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Chester County, Tennessee, as of and for the year ended June 30, 2006, which collectively comprise Chester County's basic financial statements and have issued our report thereon dated August 10, 2006. Our report was qualified due to not including the financial statements of the Chester County Emergency Communications District and the Chester County Library, which were not available from other auditors as of the date of this report. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 06.01, 06.03, and 06.04.

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 financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying Schedule of Findings and Questioned Costs as item 06.02.

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

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

Very truly yours,



John G. Morgan  
Comptroller of the Treasury

JGM/rc



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

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

August 10, 2006

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

To the County Mayor and Board of County Commissioners:

Compliance

We have audited the compliance of Chester County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. Chester County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Chester County's management. Our responsibility is to express an opinion on Chester County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the 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 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 compliance with those requirements.

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

#### Internal Control Over Compliance

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

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

#### Schedule of Federal Awards

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Chester County, Tennessee, as of and for the year ended June 30, 2006, and have issued our report thereon dated August 10, 2006. Our report was qualified due to not including the financial statements of the Chester County Emergency Communications District and the Chester County Library which were not available from other auditors as of the date of this report. 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, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



John G. Morgan  
Comptroller of the Treasury

JGM/rc

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Agriculture:			
Food Donation (Noncash Assistance)	10.550	N/A	\$ 57,754
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	102,700
National School Lunch Program	10.555	N/A	396,997
Total U.S. Department of Agriculture			<u>\$ 557,451</u>
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	Z0600257800	\$ 9,000
Total U. S. Department of Justice			<u>\$ 9,000</u>
U.S. Department of Labor:			
Passed-through Southwest Human Resource Agency:			
WIA Youth Activities	17.259	(2)	\$ 57,178
Total U.S. Department of Labor			<u>\$ 57,178</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Adult Education - State Grant Program	84.002	Z0602776000	\$ 85,384
Title I Grants to Local Educational Agencies	84.010	N/A	475,784
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	496,766
Special Education - Preschool Grants	84.173	N/A	13,131
Vocational Education - Basic Grants to States	84.048	N/A	67,013
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	14,035
State Grants for Innovative Programs	84.298	N/A	8,378
Education Technology State Grants	84.318	(2)	8,731
Improving Teacher Quality State Grants	84.367	N/A	113,272
Total U.S. Department of Education			<u>\$ 1,282,494</u>
U.S. Elections Assistance Commission:			
Passed-through State Secretary of State's Office:			
Help America Vote Act Requirements Payments	90.401	(2)	\$ 171,000
Total U.S. Elections Assistance Commission			<u>\$ 171,000</u>
U.S. Department of Health and Human Services:			
Passed-through Southwest Human Resource Agency:			
Temporary Assistance for Needy Families	93.558	Z060271680	\$ 29,686
Total U.S. Department of Health and Human Services			<u>\$ 29,686</u>

(Continued)

Chester County, Tennessee.  
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 Homeland Security:			
Passed-through State Department of the Military:			
State Domestic Preparedness Equipment Support Program	97.004	Z0402242600	\$ 74,374
Diaster Grants - Public Assistance	97.036	Z0502540400	6,178
Pre-Disaster Mitigation	97.047	GG030989901	1,232
Homeland Security Grant Program	97.067	Z0603283100	13,050 (3)
Homeland Security Grant Program	97.067	Z0502514100	52,763 (3)
Total U.S. Department of Homeland Security			\$ 147,597
Total Expenditures of Federal Awards			\$ 2,254,406
State Grants:			
		Contract Number	
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	\$ 5,373
Litter Program - State Department of Transportation	N/A	Z0602794200	32,910
Waste Reduction Grant - Division of Solid Waste Management	N/A	(2)	179,181
Optional Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	6,708
Forestry Grant	N/A	(2)	2,985
Safe Schools Act 2003	N/A	(2)	15,399
Family Resource Center - State Department of Education	N/A	(2)	33,300
English as a Second Language - State Department of Education	N/A	(2)	10,000
Total State Grants			\$ 285,856

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 Homeland Security Grant (CFDA No. 97.067) from the U. S. Department of Homeland Security \$65,813.

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

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report for Chester County, Tennessee, and the Chester County School Department for the year ended June 30, 2005, which have not been corrected.

**OFFICE OF COUNTY MAYOR**

Finding Number	Page Number	Subject
05.02	13	The office had purchasing deficiencies

**OFFICE OF ROAD SUPERVISOR**

Finding Number	Page Number	Subject
05.03	13	The office had purchasing deficiencies

**OTHER FINDING**

Finding Number	Page Number	Subject
05.04	14	A central system of accounting, budgeting, and purchasing had not been adopted

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**CHESTER COUNTY, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2006**

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

1. Our report on the aggregate discretely presented component units and the aggregate remaining fund information is qualified. Our report on the governmental activities and each major fund is unqualified.
2. The audit of the financial statements of Chester County disclosed reportable conditions in internal control. None of these conditions was considered to be a material weakness.
3. The audit disclosed no instances of noncompliance that were material to the financial statements of Chester County.
4. The audit disclosed no reportable conditions in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The 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 did not qualify as a low-risk auditee.

## **PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS**

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. 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.

### **OFFICE OF COUNTY MAYOR**

#### **FINDING 06.01      **THE OFFICE DID NOT ALWAYS ISSUE PURCHASE ORDERS** (Internal Control – Reportable Condition Under Government Auditing Standards)**

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.

#### **RECOMMENDATION**

The office should improve purchasing procedures by issuing purchase orders for all applicable purchases.

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#### **FINDING 06.02      **THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS** (Noncompliance Under Government Auditing Standards)**

Our audit of the County Mayor's Office revealed the following deficiencies in budget operations:

- A.      Education Debt Service Fund total expenditures exceeded appropriations approved by the County Commission by \$669.
- B.      Expenditures exceeded appropriations approved by the County Commission in the Public Safety Projects major appropriation category (the legal level of control) of the General Fund by \$2,701.

Section 5-9-401, Tennessee Code Annotated, states, "All funds from whatever source derived including, but not limited to taxes, county aid funds, federal funds, and fines which are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices, and agencies of county governments shall be appropriated to such use by the county legislative bodies."

#### **RECOMMENDATION**

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

**OFFICE OF ROAD SUPERVISOR**

**FINDING 06.03**      **THE OFFICE DID NOT ALWAYS ISSUE PURCHASE ORDERS**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

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.

**RECOMMENDATION**

The office should improve purchasing procedures by issuing purchase orders for all applicable purchases.

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**OTHER FINDING AND RECOMMENDATION**

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

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

**RECOMMENDATION**

County officials should consider adopting 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**  
**AUDITEE REPORTING RESPONSIBILITIES**  
**For the Year Ended June 30, 2006**

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.