
ANNUAL FINANCIAL REPORT CHESTER COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2008



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

DEPARTMENT OF AUDIT
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Comptroller of the Treasury

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State Auditors

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

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

Scope

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

Results

Our report on the aggregate discretely presented component units is qualified because the financial statements did not include a component unit whose financial statements were not available from other auditors at the date of this report. Our report on the 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 six findings and recommendations, which we have reviewed with Chester County management. Detailed findings, recommendations and management's responses are included in the Single Audit section of this report.

Findings

The following are summaries of the audit findings:

CHESTER COUNTY AND CHESTER COUNTY SCHOOL DEPARTMENT

- ◆ Chester County and the Chester County School Department do not have the resources to produce their financial statements and notes to the financial statements.

OFFICE OF ROAD SUPERVISOR

- ◆ Duties were not segregated adequately in the Office of Road Supervisor.

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ The General Purpose School Fund required material adjustments for proper financial statement presentation.

OFFICE OF DIRECTOR OF SCHOOLS (Cont.)

- ◆ Expenditures exceeded total appropriations approved by the County Commission in the Central Cafeteria Fund by \$33,708.
 - ◆ Amounts withheld from contractor payments were not deposited into an escrow account.
-

OTHER FINDING

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

INTRODUCTORY SECTION

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Chester County Officials
June 30, 2008

Officials

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

Board of County Commissioners

Troy Kilzer, Chairman	Diane Jordan
Bobby Hysmith, Chairman Pro-Tem	Jerry Lowe
Mike Alexander	Burl Malone
Johnny Beshires	David Morrison
Larry Blackstock	Robert Richardson
Doug Burkhead	Leon Robison
Tim Crowe	Barry Smith
Jerry Emerson	John Welch
Sandra Highers	Jimmy Wells
Barry Hutcherson	

Budget Committee

Troy Kilzer, Chairman
Mike Alexander
Lance Beshires
Larry Blackstock
Bobby Hysmith
David Morrison
Leon Robison
Barry Smith

Purchasing Committee

Troy Kilzer, Chairman
Lance Beshires
Sandra Highers
Bobby Hysmith
Jerry Lowe

Board of Education

Dwain Seaton, Chairman	Samuel Jones
Dwight Bingham	Bob Moore
Ronald Johnson	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
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INDEPENDENT AUDITOR'S REPORT

October 23, 2008

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, 2008, 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, a component unit requiring discrete presentation, and the Chester County Library, a 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' financial statements and aggregate remaining fund information financial statements referred to above do not include amounts for 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 of the aggregate discretely presented component units and aggregate remaining fund information are not reasonably determinable.

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

Additionally, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Chester County, Tennessee, as of June 30, 2008, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 23, 2008, 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 adopted the provisions of Governmental Accounting Standards Board Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions; Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues; and Statement No. 50, Pension Disclosures.

The management of 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, pension, and other postemployment benefit information on pages 65 through 71 are not required parts of the basic financial statements but they do provide supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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" with a long horizontal flourish extending to the right.

John G. Morgan
Comptroller of the Treasury

JGM/yu

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BASIC FINANCIAL STATEMENTS

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Exhibit A

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

	<u>Primary Government Governmental Activities</u>	<u>Component Unit Chester County School Department</u>
<u>ASSETS</u>		
Cash	\$ 1,564	\$ 0
Equity in Pooled Cash and Investments	5,165,676	2,047,457
Investments	9,100,395	0
Accounts Receivable	19,684	1,927
Due from Other Governments	401,112	492,017
Property Taxes Receivable	2,327,461	1,558,692
Allowance for Uncollectible Property Taxes	(84,623)	(56,655)
Accrued Interest Receivable	3,475	3,350
Deferred Charges - Debt Issuance Cost	240,546	0
Capital Assets:		
Assets Not Depreciated:		
Land	2,872,209	414,252
Construction in Progress	433,927	0
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	2,227,949	9,149,670
Infrastructure	841,613	0
Other Capital Assets	1,370,009	1,418,309
Total Assets	<u>\$ 24,920,997</u>	<u>\$ 15,029,019</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 24,221	\$ 0
Payroll Deductions Payable	2,455	5,522
Contracts Payable	198,110	75,330
Retainage Payable	4,817	141,765
Accrued Interest Payable	34,097	0
Other Current Liabilities	184	0
Deferred Revenue - Current Property Taxes	2,121,660	1,420,935
Noncurrent Liabilities:		
Due Within One Year	686,266	0
Due in More Than One Year (net of unamortized premium on debt)	13,798,568	70,449
Total Liabilities	<u>\$ 16,870,378</u>	<u>\$ 1,714,001</u>
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	\$ 6,948,780	\$ 0
Invested in Capital Assets	0	10,982,231
Restricted for:		
Debt Service	2,152,090	0
Solid Waste/Sanitation	313,594	0
Highway/Public Works	1,057,385	0
Drug Control	45,457	0
Capital Projects	9,140,077	0
Computer Systems	24,584	0
School Federal Projects	0	30,911
Food Service	0	211,812
Other Purposes	15,566	2,255
Unrestricted	(11,646,914)	2,087,809
Total Net Assets	<u>\$ 8,050,619</u>	<u>\$ 13,315,018</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, 2008

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Total Governmental Activities	Chester County School Department	
Primary Government:							
Governmental Activities:							
General Government	\$ 686,632	\$ 77,610	\$ 34,852	\$ 0	\$ (574,170)	\$ 0	0
Finance	511,983	314,524	5,615	0	(191,844)	0	0
Administration of Justice	543,094	356,396	6,750	0	(179,948)	0	0
Public Safety	2,072,318	207,548	95,804	299,997	(1,468,969)	0	0
Public Health and Welfare	1,140,891	680,787	87,788	96,289	(276,027)	0	0
Social, Cultural, and Recreational Services	106,927	0	0	200,000	93,073	0	0
Agriculture and Natural Resources	59,159	0	0	0	(59,159)	0	0
Other Operations	89,741	0	0	0	(89,741)	0	0
Highways/Public Works	1,342,201	6,147	1,481,349	5,4503	199,798	0	0
Interest on Long-term Debt	223,156	0	50,000	0	(173,156)	0	0
Other Debt Service	8,430	0	0	0	(8,430)	0	0
Total Primary Government	\$ 6,784,532	\$ 1,643,012	\$ 1,762,158	\$ 650,789	\$ (2,728,573)	\$ 0	0
Component Unit:							
Chester County School Department	\$ 17,545,346	\$ 658,594	\$ 1,932,777	\$ 0	\$ 0	\$ (14,953,975)	
Total Component Unit	\$ 17,545,346	\$ 658,594	\$ 1,932,777	\$ 0	\$ 0	\$ (14,953,975)	

(Continued)

Exhibit B

Chester County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary	Component
				Government Total	Unit
Expenses	Contributions	Contributions	Governmental Activities	Chester County School Department	
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes				\$ 2,286,607	\$ 1,538,350
Property Taxes Levied for Debt Service				18,433	0
Local Option Sales Tax				792,476	755,614
Wheel Tax				749,041	0
Other Local Taxes				242,141	1,239
Grants and Contributions Not Restricted to Specific Programs				255,719	12,733,979
Unrestricted Investment Earnings				10,140	145,342
Miscellaneous				37,980	64,167
Total General Revenues				\$ 4,392,537	\$ 15,238,691
Change in Net Assets				\$ 1,663,964	\$ 284,716
Net Assets, July 1, 2007				6,386,655	13,030,302
Net Assets, June 30, 2008				\$ 8,050,619	\$ 13,315,018

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

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

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	Education Debt Service	General Capital Projects	Other Governmental Funds		
ASSETS							
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,564	\$ 1,564	\$ 1,564
Equity in Pooled Cash and Investments	1,669,653	815,135	1,981,180	65,811	633,897	5,165,676	5,165,676
Investments	0	0	0	9,100,395	0	9,100,395	9,100,395
Accounts Receivable	17,916	649	0	0	1,119	19,684	19,684
Due from Other Governments	43,076	247,128	98,000	0	12,908	401,112	401,112
Due from Other Funds	3,743	0	0	0	2,524	6,267	6,267
Property Taxes Receivable	2,252,582	36,539	0	0	38,340	2,327,461	2,327,461
Allowance for Uncollectible Property Taxes	(77,347)	(1,330)	0	0	(5,946)	(84,623)	(84,623)
Accrued Interest Receivable	0	1,256	0	0	2,219	3,475	3,475
Total Assets	\$ 3,909,623	\$ 1,099,377	\$ 2,079,180	\$ 9,166,206	\$ 686,625	\$ 16,941,011	\$ 16,941,011

LIABILITIES AND FUND BALANCES

Liabilities							
Accounts Payable	\$ 953	\$ 0	\$ 0	\$ 23,202	\$ 66	\$ 24,231	\$ 24,231
Payroll Deductions Payable	2,169	178	0	0	108	2,455	2,455
Contracts Payable	0	0	0	198,110	0	198,110	198,110
Retainage Payable	0	0	0	4,817	0	4,817	4,817
Due to Other Funds	2,524	0	0	0	3,743	6,267	6,267
Other Current Liabilities	0	184	0	0	0	184	184
Deferred Revenue - Current Property Taxes	2,071,710	33,300	0	0	16,650	2,121,660	2,121,660
Deferred Revenue - Delinquent Property Taxes	90,625	1,709	0	0	13,644	105,978	105,978
Other Deferred Revenues	29,700	121,040	50,000	0	6,000	206,740	206,740
Total Liabilities	\$ 2,197,681	\$ 156,411	\$ 50,000	\$ 226,129	\$ 40,211	\$ 2,670,432	\$ 2,670,432
Fund Balances							
Reserved for Encumbrances	\$ 0	\$ 0	\$ 0	\$ 771,319	\$ 0	\$ 771,319	\$ 771,319
Reserved for Drug Court	9,178	0	0	0	0	9,178	9,178
Reserved for Sexual Offender Registration	550	0	0	0	0	550	550
Reserved for Courtroom Security	170	0	0	0	0	170	170
Reserved for Victims Assistance Programs	5,668	0	0	0	0	5,668	5,668
Reserved for Computer System - Register	8,065	0	0	0	0	8,065	8,065

(Continued)

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

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	Education Debt Service	General Capital Projects	Other	Governmental Funds	
Fund Balances (Cont.)							
Reserved for Automation Purposes - Circuit Court	\$ 1,066	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	1,066
Reserved for Automation Purposes - General Sessions Court	11,182	0	0	0	0	0	11,182
Reserved for Automation Purposes - Juvenile Court	276	0	0	0	0	0	276
Reserved for Automation Purposes - Chancery Court	2,515	0	0	0	0	0	2,515
Reserved for Automation Purposes - Sheriff Unreserved, Reported In:	1,480	0	0	0	0	0	1,480
General Fund	1,671,792	0	0	0	0	0	1,671,792
Special Revenue Funds	0	942,966	0	0	340,261	0	1,283,227
Debt Service Funds	0	0	2,029,180	0	106,153	0	2,135,333
Capital Projects Funds	0	0	0	8,168,758	200,000	0	8,368,758
Total Fund Balances	\$ 1,711,942	\$ 942,966	\$ 2,029,180	\$ 8,940,077	\$ 646,414	\$ 0	\$ 14,270,579
Total Liabilities and Fund Balances	\$ 3,909,623	\$ 1,099,377	\$ 2,079,180	\$ 9,166,206	\$ 686,625	\$ 0	\$ 16,941,011

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, 2008

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$ 14,270,579
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 2,872,209	
Add: construction in progress	433,927	
Add: buildings and improvements net of accumulated depreciation	2,227,949	
Add: infrastructure net of accumulated depreciation	841,613	
Add: other capital assets net of accumulated depreciation	<u>1,370,009</u>	7,745,707
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: notes payable	\$ (32,667)	
Less: bonds payable	(14,205,000)	
Less: capital leases payable	(43,398)	
Add: deferred charges - debt issuance costs	240,546	
Less: compensated absences payable	(8,330)	
Less: landfill closure/postclosure care costs	(147,096)	
Less: other postemployment benefits	(7,402)	
Less: accrued interest on bonds and notes	(34,097)	
Less: other deferred revenue - premium on debt	<u>(40,941)</u>	(14,278,385)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>312,718</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 8,050,619</u>

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

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

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	Education Debt Service	General Capital Projects	Other	Governmental Funds	
Revenues							
Local Taxes	\$ 2,966,011	\$ 36,116	\$ 672,003	\$ 0	\$ 417,498	\$ 0	\$ 4,091,628
Fines, Forfeitures, and Penalties	101,226	0	0	0	12,553	0	113,779
Charges for Current Services	14,642	0	0	0	107,346	0	121,988
Other Local Revenues	578,796	64,453	0	0	201,719	0	844,968
Fees Received from County Officials	620,516	0	0	0	0	0	620,516
State of Tennessee	366,001	1,484,345	0	0	259,689	0	2,110,035
Federal Government	302,997	0	0	0	0	0	302,997
Other Governments and Citizens Groups	177,499	0	50,000	0	0	0	227,499
Total Revenues	\$ 5,127,688	\$ 1,584,914	\$ 722,003	\$ 0	\$ 998,805	\$ 0	\$ 8,433,410
Expenditures							
Current:							
General Government	\$ 811,421	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 811,421
Finance	487,500	0	0	0	0	0	487,500
Administration of Justice	519,004	0	0	0	15,690	0	534,694
Public Safety	2,172,728	0	0	0	22,607	0	2,195,335
Public Health and Welfare	452,421	0	0	0	682,503	0	1,134,924
Social, Cultural, and Recreational Services	75,918	0	0	0	0	0	75,918
Agriculture and Natural Resources	57,782	0	0	0	0	0	57,782
Other Operations	89,260	0	0	481	8,714	0	98,455
Highways	0	1,342,654	0	0	0	0	1,342,654
Debt Service:							
Principal on Debt	0	0	485,000	0	213,288	0	698,288
Interest on Debt	0	0	192,662	0	36,300	0	228,962
Other Debt Service	0	0	7,859	0	571	0	8,430
Capital Projects	6,000	0	0	712,063	0	0	718,063
Total Expenditures	\$ 4,672,034	\$ 1,342,654	\$ 685,521	\$ 712,544	\$ 979,673	\$ 0	\$ 8,392,426
Excess (Deficiency) of Revenues Over Expenditures	\$ 455,654	\$ 242,260	\$ 36,482	\$ (712,544)	\$ 19,132	\$ 40,984	
Other Financing Sources (Uses)							
Bonds Issued	\$ 0	\$ 0	\$ 0	\$ 9,300,000	\$ 0	\$ 0	\$ 9,300,000
Capital Leases Issued	0	0	0	0	48,353	0	48,353
Premiums on Debt Issued	0	0	0	40,941	0	0	40,941

(Continued)

Exhibit C-3

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

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	Education Debt Service	General Capital Projects	Other Governmental Funds		
<u>Other Financing Sources (Uses) (Cont.)</u>							
Insurance Recovery	\$ 19,972	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 19,972
Transfers In	0	0	0	125,800	152,509	0	278,309
Transfers Out	(125,800)	(152,509)	0	0	0	0	(278,309)
Total Other Financing Sources (Uses)	\$ (105,828)	\$ (152,509)	\$ 0	\$ 9,466,741	\$ 200,862	\$ 0	\$ 9,409,266
Net Change in Fund Balances	\$ 349,826	\$ 89,751	\$ 36,482	\$ 8,754,197	\$ 219,994	\$ 0	\$ 9,450,250
Fund Balance, July 1, 2007	1,362,116	853,215	1,992,698	185,880	426,420	0	4,820,329
Fund Balance, June 30, 2008	\$ 1,711,942	\$ 942,966	\$ 2,029,180	\$ 8,940,077	\$ 646,414	\$ 0	\$ 14,270,579

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, 2008

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

Net change in fund balances - total governmental funds (Exhibit C-3)		\$ 9,450,250
 (1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$ 1,091,011	
Less: current year depreciation expense	<u>(443,265)</u>	647,746
 (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, 2008	\$ 312,718	
Less: deferred delinquent property taxes and other deferred June 30, 2007	<u>(297,632)</u>	15,086
 (3) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Less: capital lease proceeds	\$ (48,353)	
Less: bond proceeds	(9,300,000)	
Less: change in premium on debt issuances	(40,941)	
Add: change in deferred debt issuance costs	240,546	
Add: principal payments on capital leases	4,955	
Add: principal payments on notes	173,333	
Add: principal payments on bonds	<u>520,000</u>	(8,450,460)
 (4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest payable	\$ 5,806	
Change in closure/postclosure care costs	5,490	
Change in compensated absences payable	(2,552)	
Change in other postemployment benefits	<u>(7,402)</u>	1,342
 Change in net assets of governmental activities (Exhibit B)		 <u>\$ 1,663,964</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, 2008

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 1,168,905
Due from Other Governments	<u>147,873</u>
Total Assets	<u>\$ 1,316,778</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 147,873
Due to Litigants, Heirs, and Others	<u>1,168,905</u>
Total Liabilities	<u>\$ 1,316,778</u>

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

CHESTER COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

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 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 grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the 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.

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.

General Capital Projects Fund – This fund accounts for financial resources to be used for the construction of a new jail.

Additionally, Chester County reports the following fund type:

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

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 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.

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. In addition, investments are held separately by the primary government's General Capital Projects Fund. Chester County and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the

balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value.

2. Receivables and Payables

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

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 1.91 percent of total taxes levied.

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

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

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

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

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

3. 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 primary government as assets with an initial, individual cost of \$5,000 or more (buildings, motor vehicles, and equipment \$10,000 and infrastructure \$12,000-\$40,000) and an estimated useful life of more than five years. Capital assets are defined by the discretely presented Chester County School Department as assets with an initial, individual cost of \$10,000 or more (buildings \$25,000) and an estimated useful life of more than seven 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 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

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

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	25-40
Buses	15
Other Vehicles	7
Equipment	7

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.

The School Department does not have a formal leave policy; however, the general policy does not provide for employees to receive compensation for unused accumulated vacation or sick leave days.

5. Long-term Obligations

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

netted against the new debt and amortized over the remaining life of the refunded debt or the life of the new debt issued, whichever is shorter.

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

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

6. Net Assets and Fund Equity

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

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

As of June 30, 2008, Chester County had \$4,225,000 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 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 is not budgeted, and the capital projects funds, 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, Budget and Finance Committee, County Mayor, etc.). Management may make revisions within major categories, but only the County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

B. Expenditures Exceeded Appropriations

Expenditures exceeded total appropriations in the discretely presented Central Cafeteria Fund by \$33,708. 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. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

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

Investments

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

Investment Balances. As of June 30, 2008, Chester County had the following investments carried at fair value. Separate disclosures concerning pooled investments cannot be made for Chester County and the discretely

presented Chester County School Department since both pool their deposits and investments through the county trustee.

Investment	Maturities	Fair Value
Federal Home Loan Discount Note	7-1-08	\$ 9,100,395

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

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Chester County has no investment policy that would further limit its investment choices. As of June 30, 2008, Chester County's investment in the Federal Home Loan Discount Note was rated AAA by Moody's Investor's Service and Standard & Poor's Ratings.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the county's investment in a single issuer. Chester County places no limit on the amount the county may invest in one issuer. More than five percent of the county's investments are in the Federal Home Loan Discount Note. This investment is 100 percent of the county's total investments.

B. Capital Assets

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

Primary Government

Governmental Activities:

	Balance 7-1-07	Increases	Decreases	Balance 6-30-08
Capital Assets Not Depreciated:				
Land	\$ 2,866,235	\$ 5,974	\$ 0	\$ 2,872,209
Construction in Progress	0	433,927	0	433,927
Total Capital Assets Not Depreciated	\$ 2,866,235	\$ 439,901	\$ 0	\$ 3,306,136

Primary Government (Cont.)

Governmental Activities (Cont.):

	Balance 7-1-07	Increases	Decreases	Balance 6-30-08
Capital Assets Depreciated:				
Buildings and				
Improvements	\$ 5,385,080	\$ 0	\$ 0	\$ 5,385,080
Infrastructure	965,453	101,602	0	1,067,055
Other Capital Assets	3,254,725	549,508	(41,729)	3,762,504
Total Capital Assets				
Depreciated	\$ 9,605,258	\$ 651,110	\$ (41,729)	\$ 10,214,639
Less Accumulated				
Depreciation For:				
Buildings and				
Improvements	\$ 3,022,673	\$ 134,458	\$ 0	\$ 3,157,131
Infrastructure	156,297	69,145	0	225,442
Other Capital Assets	2,194,562	239,662	(41,729)	2,392,495
Total Accumulated				
Depreciation	\$ 5,373,532	\$ 443,265	\$ (41,729)	\$ 5,775,068
Total Capital Assets				
Depreciated, Net	\$ 4,231,726	\$ 207,845	\$ 0	\$ 4,439,571
Governmental Activities				
Capital Assets, Net	\$ 7,097,961	\$ 647,746	\$ 0	\$ 7,745,707

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

Governmental Activities:

General Government	\$ 10,635
Finance	3,441
Administration of Justice	8,400
Public Safety	92,877
Public Health and Welfare	147,682
Social, Cultural, and Recreational Services	15,790
Agriculture and Natural Resources	1,376
Highways	163,064
Total Depreciation Expense - Governmental Activities	<u>\$ 443,265</u>

Discretely Presented Chester County School Department

Governmental Activities:

	Balance 7-1-07	Increases	Decreases	Balance 6-30-08
Capital Assets Not Depreciated:				
Land	\$ 414,252	\$ 0	\$ 0	\$ 414,252
Construction in Progress	16,000	0	(16,000)	0
Total Capital Assets Not Depreciated	\$ 430,252	\$ 0	\$ (16,000)	\$ 414,252
Capital Assets Depreciated:				
Buildings and Improvements	\$ 14,533,970	\$ 1,484,100	\$ 0	\$ 16,018,070
Other Capital Assets	2,961,058	92,618	0	3,053,676
Total Capital Assets Depreciated	\$ 17,495,028	\$ 1,576,718	\$ 0	\$ 19,071,746
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 6,548,133	\$ 320,267	\$ 0	\$ 6,868,400
Other Capital Assets	1,409,554	225,813	0	1,635,367
Total Accumulated Depreciation	\$ 7,957,687	\$ 546,080	\$ 0	\$ 8,503,767
Total Capital Assets Depreciated, Net	\$ 9,537,341	\$ 1,030,638	\$ 0	\$ 10,567,979
Governmental Activities Capital Assets, Net	\$ 9,967,593	\$ 1,030,638	\$ (16,000)	\$ 10,982,231

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

Governmental Activities:

Instruction	\$ 365,160
Support Services	141,911
Operation of Non-instructional Services	<u>39,009</u>
Total Depreciation Expense - Governmental Activities	\$ <u>546,080</u>

C. Construction Commitments

At June 30, 2008, the General Capital Projects Fund had uncompleted construction contracts of \$771,319 for the construction of the new criminal justice complex. Funding has been received for these future expenditures.

D. Interfund Receivables, Payables, and Transfers

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

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General	Nonmajor governmental	\$ 3,743
Nonmajor governmental	General	2,524
Discretely Presented School Department:		
General Purpose School	Nonmajor governmental	17,682

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 was in transit from the School Federal Projects Fund (\$16,495) and the Central Cafeteria Fund (\$1,187) at June 30, 2008.

Interfund Transfers:

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

Primary Government

Transfer Out	Transfers In	
	General Capital Projects Fund	Nonmajor Governmental Fund
General Fund	\$ 125,800	\$ 0
Highway/Public Works Fund	0	152,509
Total	<u>\$ 125,800</u>	<u>\$ 152,509</u>

Discretely Presented Chester County School Department

Transfers Out	Transfers In General Purpose School Fund
Nonmajor governmental fund	\$ 18,596

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

E. Capital Leases

On November 27, 2007, Chester County entered into a five-year lease-purchase agreement for a backhoe. The terms of the agreement require total lease payments of \$48,353 plus interest of 5.5 percent. Title to the backhoe transfers to Chester County at the end of the lease period. The lease payments are made from the Solid Waste/Sanitation Fund.

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

Year Ending June 30	Governmental Funds
2009	\$ 11,083
2010	11,083
2011	11,083
2012	11,083
2013	<u>4,619</u>
Total Minimum Lease Payments	\$ 48,951
Amount Representing Interest	<u>(5,553)</u>
 Present Value of Minimum Lease Payments	 <u>\$ 43,398</u>

F. Long-term Debt

Primary Government

General Obligation Bonds and Notes

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

General obligation bonds and capital outlay notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and capital outlay notes outstanding were issued for original terms of up to 32 years for bonds and up to 12 years for notes. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and notes included in long-term debt as of June 30, 2008, will be retired from the General Debt Service Fund and the Education Debt Service Fund.

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

Type	Interest Rate	Original Amount of Issues	Balance 6-30-08
General Obligation Bonds	1.25 to 5.5%	\$ 10,140,000	\$ 9,980,000
General Obligation Bonds - Refunding	1.25 to 6	7,990,000	4,225,000
Capital Outlay Notes	4.6 to 5.75	250,000	32,667
Capital Leases	5.5	48,353	43,398

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

Year Ending June 30	Bonds		
	Principal	Interest	Total
2009	\$ 640,000	\$ 574,779	\$ 1,214,779
2010	660,000	583,394	1,243,394
2011	690,000	558,257	1,248,257
2012	740,000	531,073	1,271,073
2013	780,000	501,692	1,281,692
2014-2018	2,500,000	2,069,998	4,569,998
2019-2023	1,445,000	1,690,437	3,135,437
2024-2028	1,500,000	1,373,523	2,873,523
2029-2033	1,850,000	1,027,555	2,877,555
2034-2038	2,305,000	584,675	2,889,675
2039-2040	1,095,000	79,325	1,174,325
Total	<u>\$ 14,205,000</u>	<u>\$ 9,574,708</u>	<u>\$ 23,779,708</u>

Year Ending June 30	Notes		
	Principal	Interest	Total
2009	\$ 24,334	\$ 2,179	\$ 26,513
2010	8,333	840	9,173
Total	<u>\$ 32,667</u>	<u>\$ 3,019</u>	<u>\$ 35,686</u>

There is \$2,135,333 available in the debt service funds to service long-term debt. Bonded debt per capita totaled \$914, based on the 2000 federal census.

Debt per capita, including bonds, notes, and capital leases totaled \$919, based on the 2000 federal census.

Changes in Long-term Liabilities

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

Governmental Activities:

	Bonds	Notes	Capital Leases
Balance, July 1, 2007	\$ 5,425,000	\$ 206,000	\$ 0
Additions	9,300,000	0	48,353
Deductions	(52,000)	(173,333)	(4,955)
Balance, June 30, 2008	<u>\$ 14,673,000</u>	<u>\$ 32,667</u>	<u>\$ 43,398</u>

Balance Due

Within One Year	<u>\$ 640,000</u>	<u>\$ 24,334</u>	<u>\$ 8,926</u>
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	Compensated Absences	Landfill Closure/ Postclosure Care Costs	Other Postemployment Benefits
Balance, July 1, 2007	\$ 5,778	\$ 152,586	\$ 0
Additions	8,158	0	14,727
Deductions	(5,606)	(5,490)	(7,325)
Balance, June 30, 2008	<u>\$ 8,330</u>	<u>\$ 147,096</u>	<u>\$ 7,402</u>

Balance Due

Within One Year	<u>\$ 8,330</u>	<u>\$ 4,676</u>	<u>\$ 0</u>
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Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2008	\$ 14,443,893
Less: Balance Due Within One Year	(686,266)
Add: Unamortized Premium on Debt	<u>40,941</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 13,798,568</u>

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

Discretely Presented Chester County School Department

Changes in Long-term Liabilities

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

Governmental Activities:	<u>Other Postemployment Benefits</u>
Balance, July 1, 2007	\$ 0
Additions	130,235
Deductions	<u>(59,786)</u>
Balance, June 30, 2008	<u>\$ 70,449</u>
Balance Due Within One Year	<u>\$ 0</u>

G. Pledges of Future Revenues

Local Option Sales Tax Revenues Pledged

In 1995, the citizens of Chester County voted to increase the local option sales tax rate from two and one-fourth to two and three-fourths percent. Chester County, the City of Henderson, and the Chester County School Department have pledged their additional sales tax collections generated from the one-half percent increase to repay \$7.5 million in general obligation bonds issued in June 1995 to finance the construction of new school buildings. The bonds are also guaranteed by the county in the event the additional sales tax revenues are insufficient to meet the debt service requirements on the bonds. Total principal and interest requirements for the bonds are \$4,979,068, payable semiannually through May 2016. For the current year, principal and interest paid and sales tax revenues generated by the increase were \$677,662 and \$672,003, respectively.

H. On-Behalf Payments – Discretely Presented Chester County School Department

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Chester County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the

State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2008, were \$26,430 and \$9,738, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School 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 (TCA), all local governments and quasi-governmental entities described above are eligible to participate. The LGGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. The state statute provides for the LGGIF to be self-sustaining through member premiums.

Liability, Property, Casualty, and Workers' Compensation Insurance

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

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 8-27-301, TCA, all local education agencies are eligible to participate. The LEGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. Section 8-27-303,

TCA, provides for the LEGIF to be self-sustaining through member premiums.

Liability, Property, Casualty, and Workers' Compensation Insurance

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

B. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions; No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues; and Statement No. 50, Pension Disclosures became effective for the year ended June 30, 2008.

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

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions are sales or collateralized borrowings and provides guidance on how to account for sales or pledges of receivables or future revenues. This statement provides additional guidance for sales of receivables and future revenues within the same reporting entity. This statement also requires governments to disclose in the notes to the financial statements the nature of any receivables or future revenues that have been pledged or sold. Tennessee state statutes do not currently allow counties to sell or pledge receivables or sell future revenue streams. Therefore, those provisions of GASB Statement No. 48 that pertain to the sale or pledge receivables or sale of future revenue will not apply to Chester County. Chester County previously did not disclose the nature of its pledged revenue streams.

GASB Statement No. 50 amends previous guidance concerning pension information. This statement closely aligns the financial reporting

requirements for pensions with those for other postemployment benefits (OPEB) and enhances the information disclosed in the notes to the financial statements or presented as required supplementary information for pension plans. This statement requires Chester County to provide additional and more detailed pension plan note disclosures than in previous years.

C. Subsequent Event

On September 30, 2008, Chester County issued \$3,695,000 in general obligation refunding bonds.

D. Contingent Liabilities

The county is involved in one pending lawsuit. The county attorney estimates that the potential claims against the county not covered by insurance resulting from such litigation would not materially affect the financial statements of the county.

The School Department is involved in one pending lawsuit. 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.

E. 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 \$294,191. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. The \$147,096 reported as Accrued Liability for Landfill Closure/Postclosure Care Costs for Chester County at June 30, 2008, represents Chester County's share (50 percent) of the remaining closure/postclosure care functions.

F. Retirement Commitments

Employees

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 <http://treasury.state.tn.us/tcrs/PS/>.

Funding Policy

Chester County requires employees to contribute five percent of their earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2008, was 8.17 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, 2008, Chester County's annual pension cost of \$4424,639 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2005, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected postretirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term

volatility in the market value of total investments over a five-year period. 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, 2005 was 15 years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-08	\$424,639	100%	\$0
6-30-07	387,446	100	0
6-30-06	321,721	100	0

Funded Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was 90.21 percent funded. The actuarial accrued liability for benefits was \$11.74 million, and the actuarial value of assets was \$10.59 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.15 million. The covered payroll (annual payroll of active employees covered by the plan) was \$4.82 million, and the ratio of the UAAL to the covered payroll was 23.85 percent.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the Actuarial Accrued Liability for benefits.

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

School Teachers

Plan Description

The 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 SETHEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.treasury.state.tn.us>.

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, 2008, was 6.24 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, 2008, 2007, and 2006, were \$495,198, \$456,639, and \$378,098, respectively, equal to the required contributions for each year.

G. Other Postemployment Benefits (OPEB)

Postemployment Healthcare Plan

Plan Description

Chester County and the School Department participate in the state-administered Local Government Group Insurance Plan and Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans.

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

Funding Policy

The premium requirements of the plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop their own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state does not provide a subsidy for local government participants; however, the state does provide a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare supplement plan. During the year ended June 30, 2008, Chester County and the discretely presented Chester County School Department contributed \$7,325 and \$59,786, respectively, for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan	Local Government Group Plan
ARC	\$ 130,235	\$ 14,727
Interest on the NPO	0	0
Adjustment to the ARC	0	0
Annual OPEB cost	\$ 130,235	\$ 14,727
Less: Amount of contribution	(59,786)	(7,325)
Increase/decrease in NPO	\$ 70,449	\$ 7,402
Net OPEB obligation, 7-1-07	0	0
Net OPEB obligation, 6-30-08	<u>\$ 70,449</u>	<u>\$ 7,402</u>

Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-08	Local Education Group	\$ 130,235	46%	\$ 70,449
6-30-08	Local Government Group	14,727	50	7,402

*Data not available for two preceding years.

Funded Status and Funding Progress

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

	Local Education Group Plan	Local Government Group Plan
Actuarial valuation date	6-30-07	6-30-07
Actuarial accrued liability (AAL)	\$ 1,136,301	\$ 131,475
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 1,136,301	\$ 131,475
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 8,156,525	\$ 1,862,392
UAAL as a % of covered payroll	14%	7%

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

Actuarial Methods and Assumptions

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

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

H. Purchasing Laws

Office of County Mayor

Purchasing procedures for the County Mayor's Office are governed by the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, Tennessee Code Annotated (TCA). This act provides for all purchases exceeding \$10,000 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, TCA, 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, TCA, 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.

**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, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,966,011	\$ 2,653,000	\$ 2,653,000	\$ 313,011
Fines, Forfeitures, and Penalties	101,226	75,700	75,700	25,526
Charges for Current Services	14,642	10,900	10,900	3,742
Other Local Revenues	578,796	481,000	476,000	102,796
Fees Received from County Officials	620,516	557,000	557,000	63,516
State of Tennessee	366,001	229,880	269,779	96,222
Federal Government	302,997	2,500	312,855	(9,858)
Other Governments and Citizens Groups	177,499	206,000	206,000	(28,501)
Total Revenues	\$ 5,127,688	\$ 4,215,980	\$ 4,561,234	\$ 566,454
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 20,946	\$ 25,450	\$ 25,450	\$ 4,504
Board of Equalization	500	750	750	250
Budget and Finance Committee	1,453	1,000	1,454	1
County Mayor/Executive	206,305	193,225	209,825	3,520
County Attorney	5,154	8,500	8,500	3,346
Election Commission	130,959	115,420	131,971	1,012
Register of Deeds	120,277	120,553	124,703	4,426
County Buildings	293,703	383,495	376,163	82,460
Other General Administration	32,124	66,150	52,550	20,426
<u>Finance</u>				
Accounting and Budgeting	3,593	5,000	5,000	1,407
Property Assessor's Office	140,483	165,579	165,579	25,096
Reappraisal Program	8,046	12,865	12,865	4,819
County Trustee's Office	148,596	150,230	150,230	1,634
County Clerk's Office	186,782	186,926	194,926	8,144
<u>Administration of Justice</u>				
Circuit Court	225,585	225,354	232,813	7,228
General Sessions Court	97,636	101,105	101,105	3,469
Chancery Court	164,830	170,577	170,577	5,747
Juvenile Court	30,953	30,840	31,700	747
<u>Public Safety</u>				
Sheriff's Department	1,551,316	1,623,297	1,623,297	71,981
Juvenile Services	59,519	59,198	61,298	1,779
Fire Prevention and Control	444,997	125,517	452,110	7,113
Civil Defense	76,820	48,118	80,995	4,175
Rescue Squad	2,500	2,500	2,500	0
Other Emergency Management	26,336	38,248	38,248	11,912
County Coroner/Medical Examiner	11,240	8,000	11,500	260
<u>Public Health and Welfare</u>				
Local Health Center	18,845	24,600	24,600	5,755
Ambulance/Emergency Medical Services	270,468	275,113	275,113	4,645

(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	\$ 102,416	\$ 82,195	\$ 102,624	\$ 208
Crippled Children Services	1,500	1,500	1,500	0
Other Local Health Services	18,789	3,000	18,789	0
Regional Mental Health Center	10,000	25,000	17,771	7,771
Sanitation Education/Information	30,403	31,817	31,817	1,414
<u>Social, Cultural, and Recreational Services</u>				
Libraries	51,622	53,310	55,676	4,054
Other Social, Cultural, and Recreational	24,296	23,772	21,932	(2,364)
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	37,007	38,500	38,500	1,493
Soil Conservation	13,275	14,170	14,170	895
Flood Control	7,500	7,900	7,900	400
<u>Other Operations</u>				
Industrial Development	15,000	15,000	15,000	0
Veterans' Services	14,891	18,076	18,076	3,185
Employee Benefits	0	2,500	2,500	2,500
Miscellaneous	59,369	50,000	59,370	1
<u>Capital Projects</u>				
Public Safety Projects	6,000	0	6,000	0
Total Expenditures	<u>\$ 4,672,034</u>	<u>\$ 4,534,350</u>	<u>\$ 4,977,447</u>	<u>\$ 305,413</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 455,654</u>	<u>\$ (318,370)</u>	<u>\$ (416,213)</u>	<u>\$ 871,867</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 19,972	\$ 0	\$ 5,000	\$ 14,972
Transfers In	0	88,000	88,000	(88,000)
Transfers Out	(125,800)	0	(125,800)	0
Total Other Financing Sources (Uses)	<u>\$ (105,828)</u>	<u>\$ 88,000</u>	<u>\$ (32,800)</u>	<u>\$ (73,028)</u>
Net Change in Fund Balance	\$ 349,826	\$ (230,370)	\$ (449,013)	\$ 798,839
Fund Balance, July 1, 2007	<u>1,362,116</u>	<u>1,141,648</u>	<u>1,141,648</u>	<u>220,468</u>
Fund Balance, June 30, 2008	<u>\$ 1,711,942</u>	<u>\$ 911,278</u>	<u>\$ 692,635</u>	<u>\$ 1,019,307</u>

Exhibit E-2

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, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 36,116	\$ 34,540	\$ 34,540	\$ 1,576
Other Local Revenues	64,453	56,500	56,500	7,953
State of Tennessee	1,484,345	1,582,792	1,582,792	(98,447)
Total Revenues	<u>\$ 1,584,914</u>	<u>\$ 1,673,832</u>	<u>\$ 1,673,832</u>	<u>\$ (88,918)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 127,892	\$ 158,567	\$ 164,567	\$ 36,675
Highway and Bridge Maintenance	663,695	961,000	961,000	297,305
Operation and Maintenance of Equipment	209,763	276,500	276,500	66,737
Other Charges	64,831	75,500	75,500	10,669
Employee Benefits	190,888	231,000	225,000	34,112
Capital Outlay	85,585	572,265	568,756	483,171
Total Expenditures	<u>\$ 1,342,654</u>	<u>\$ 2,274,832</u>	<u>\$ 2,271,323</u>	<u>\$ 928,669</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 242,260</u>	<u>\$ (601,000)</u>	<u>\$ (597,491)</u>	<u>\$ 839,751</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (152,509)	\$ 0	\$ (152,509)	\$ 0
Total Other Financing Sources (Uses)	<u>\$ (152,509)</u>	<u>\$ 0</u>	<u>\$ (152,509)</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 89,751	\$ (601,000)	\$ (750,000)	\$ 839,751
Fund Balance, July 1, 2007	853,215	750,000	750,000	103,215
Fund Balance, June 30, 2008	<u>\$ 942,966</u>	<u>\$ 149,000</u>	<u>\$ 0</u>	<u>\$ 942,966</u>

Exhibit E-3

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

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-07	\$ 1,307	\$ 1,661	\$ 354	78.69 %	\$ 397	89.17 %

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

Exhibit E-4

Chester County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plan
Chester County and the Discretely Presented Chester County School Department
June 30, 2008

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll ((b-a)/c)
	(a)	(b)	(b)-(a)	(a/b)		
Local Government Group Plan	\$ 0	131 \$	131	0 %	\$ 1,862	7.04 %
Local Education Group Plan	0	1,136	1,136	0	8,157	13.93

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

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 schedule.

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

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Nonmajor Governmental Funds

Special Revenue Funds

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

Solid Waste/Sanitation Fund – The Solid Waste/Sanitation Fund is used to account for transactions involving solid waste collection.

Drug Control Fund – The Drug Control Fund is used to account for revenues received from drug-related fines, forfeitures, and seizures.

Constitutional Officers - Fees Fund – The Constitutional Officers - Fees Fund is used to account for operating expenses paid directly from the fee and commission accounts of the trustee, clerks, register, and sheriff.

Debt Service Fund

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

Other Capital Projects Fund – The Other Capital Projects Fund is used to account for transactions involving the construction of a vocational school.

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Exhibit F-1

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

ASSETS

	Special Revenue Funds			Total	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees				
Cash	\$ 0	\$ 0	\$ 1,564	\$ 1,564	\$ 0	\$ 0	\$ 1,564
Equity in Pooled Cash and Investments	280,152	47,702	0	327,854	106,043	200,000	633,897
Accounts Receivable	1,109	0	0	1,109	10	0	1,119
Due from Other Governments	12,908	0	0	12,908	0	0	12,908
Due from Other Funds	2,524	0	0	2,524	0	0	2,524
Property Taxes Receivable	20,070	0	0	20,070	18,270	0	38,340
Allowance for Uncollectible Property Taxes	(5,280)	0	0	(5,280)	(666)	0	(5,946)
Accrued Interest Receivable	2,219	0	0	2,219	0	0	2,219
Total Assets	\$ 313,702	\$ 47,702	\$ 1,564	\$ 362,968	\$ 123,657	\$ 200,000	\$ 686,625

LIABILITIES AND FUND BALANCES

	Special Revenue Funds			Total	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees				
Liabilities							
Accounts Payable	\$ 0	\$ 66	\$ 0	\$ 66	\$ 0	\$ 0	\$ 66
Payroll Deductions Payable	108	0	0	108	0	0	108
Due to Other Funds	0	2,179	1,564	3,743	0	0	3,743
Deferred Revenue - Current Property Taxes	0	0	0	0	16,650	0	16,650
Deferred Revenue - Delinquent Property Taxes	12,790	0	0	12,790	854	0	13,644
Other Deferred Revenues	6,000	0	0	6,000	0	0	6,000
Total Liabilities	\$ 18,898	\$ 2,245	\$ 1,564	\$ 22,707	\$ 17,504	\$ 0	\$ 40,211
Fund Balances							
Unreserved	\$ 294,804	\$ 45,457	\$ 0	\$ 340,261	\$ 106,153	\$ 200,000	\$ 646,414
Total Fund Balances	\$ 294,804	\$ 45,457	\$ 0	\$ 340,261	\$ 106,153	\$ 200,000	\$ 646,414
Total Liabilities and Fund Balances	\$ 313,702	\$ 47,702	\$ 1,564	\$ 362,968	\$ 123,657	\$ 200,000	\$ 686,625

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, 2008

	Special Revenue Funds						Total
	Solid Waste / Sanitation		Drug Control		Constitutional Officers - Fees		
	Waste / Sanitation	Drug Control	General Debt Service	Other Capital Projects	Debt Service Fund	Capital Projects Fund	
Revenues							
Local Taxes	\$ 379,315	\$ 0	\$ 0	\$ 379,315	\$ 38,183	\$ 0	\$ 417,498
Fines, Forfeitures, and Penalties	0	12,553	0	12,553	0	0	12,553
Charges for Current Services	91,656	0	15,690	107,346	0	0	107,346
Other Local Revenues	170,282	31,437	0	201,719	0	0	201,719
State of Tennessee	57,725	467	0	58,192	1,497	200,000	259,689
Total Revenues	\$ 698,978	\$ 44,457	\$ 15,690	\$ 759,125	\$ 39,680	\$ 200,000	\$ 998,805
Expenditures							
Current:							
Administration of Justice	\$ 0	\$ 0	\$ 15,690	\$ 15,690	\$ 0	\$ 0	\$ 15,690
Public Safety	0	22,607	0	22,607	0	0	22,607
Public Health and Welfare	682,503	0	0	682,503	0	0	682,503
Other Operations	8,602	112	0	8,714	0	0	8,714
Debt Service:							
Principal on Debt	4,955	0	0	4,955	208,333	0	213,288
Interest on Debt	1,510	0	0	1,510	34,790	0	36,300
Other Debt Service	0	0	0	0	571	0	571
Total Expenditures	\$ 697,570	\$ 22,719	\$ 15,690	\$ 735,979	\$ 243,694	\$ 0	\$ 979,673
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,408	\$ 21,738	\$ 0	\$ 23,146	\$ (204,014)	\$ 200,000	\$ 19,132
Other Financing Sources (Uses)							
Capital Leases Issued	\$ 48,353	0	0	48,353	0	0	48,353
Transfers In	0	0	0	0	152,509	0	152,509
Total Other Financing Sources (Uses)	\$ 48,353	\$ 0	\$ 0	\$ 48,353	\$ 152,509	\$ 0	\$ 200,862
Net Change in Fund Balances	\$ 49,761	\$ 21,738	\$ 0	\$ 71,499	\$ (51,505)	\$ 200,000	\$ 219,994
Fund Balance, July 1, 2007	245,043	23,719	0	268,762	157,658	0	426,420
Fund Balance, June 30, 2008	\$ 294,804	\$ 45,457	\$ 0	\$ 340,261	\$ 106,153	\$ 200,000	\$ 646,414

Exhibit F-3

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, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 379,315	\$ 358,200	\$ 358,200	\$ 21,115
Charges for Current Services	91,656	82,000	82,000	9,656
Other Local Revenues	170,282	105,000	105,000	65,282
State of Tennessee	57,725	17,200	50,043	7,682
Total Revenues	<u>\$ 698,978</u>	<u>\$ 562,400</u>	<u>\$ 595,243</u>	<u>\$ 103,735</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Convenience Centers	\$ 355,756	\$ 262,340	\$ 357,406	\$ 1,650
Recycling Center	47,930	2,000	48,164	234
Other Waste Disposal	274,141	279,634	280,699	6,558
Postclosure Care Costs	4,676	5,000	5,000	324
<u>Other Operations</u>				
Other Charges	0	16,000	0	0
Miscellaneous	8,602	10,000	10,000	1,398
<u>Principal on Debt</u>				
General Government	4,955	0	4,955	0
<u>Interest on Debt</u>				
General Government	1,510	0	1,511	1
Total Expenditures	<u>\$ 697,570</u>	<u>\$ 574,974</u>	<u>\$ 707,735</u>	<u>\$ 10,165</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,408	\$ (12,574)	\$ (112,492)	\$ 113,900
<u>Other Financing Sources (Uses)</u>				
Capital Leases Issued	\$ 48,353	\$ 0	\$ 48,353	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 48,353</u>	<u>\$ 0</u>	<u>\$ 48,353</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 49,761	\$ (12,574)	\$ (64,139)	\$ 113,900
Fund Balance, July 1, 2007	245,043	164,530	164,530	80,513
Fund Balance, June 30, 2008	<u>\$ 294,804</u>	<u>\$ 151,956</u>	<u>\$ 100,391</u>	<u>\$ 194,413</u>

Exhibit F-4

Chester County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 12,553	\$ 12,700	\$ 19,095	\$ (6,542)
Other Local Revenues	31,437	0	31,161	276
State of Tennessee	467	0	468	(1)
Total Revenues	<u>\$ 44,457</u>	<u>\$ 12,700</u>	<u>\$ 50,724</u>	<u>\$ (6,267)</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 22,607	\$ 10,500	\$ 29,248	\$ 6,641
<u>Other Operations</u>				
Miscellaneous	112	200	200	88
Total Expenditures	<u>\$ 22,719</u>	<u>\$ 10,700</u>	<u>\$ 29,448</u>	<u>\$ 6,729</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 21,738</u>	<u>\$ 2,000</u>	<u>\$ 21,276</u>	<u>\$ 462</u>
Net Change in Fund Balance	\$ 21,738	\$ 2,000	\$ 21,276	\$ 462
Fund Balance, July 1, 2007	<u>23,719</u>	<u>23,754</u>	<u>23,754</u>	<u>(35)</u>
Fund Balance, June 30, 2008	<u><u>\$ 45,457</u></u>	<u><u>\$ 25,754</u></u>	<u><u>\$ 45,030</u></u>	<u><u>\$ 427</u></u>

Exhibit F-5

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, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 38,183	\$ 36,780	\$ 36,780	\$ 1,403
Other Local Revenues	0	25,000	25,000	(25,000)
State of Tennessee	1,497	1,100	1,100	397
Total Revenues	<u>\$ 39,680</u>	<u>\$ 62,880</u>	<u>\$ 62,880</u>	<u>\$ (23,200)</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 59,333	\$ 59,334	\$ 59,334	\$ 1
Highways and Streets	149,000	149,000	149,000	0
<u>Interest on Debt</u>				
General Government	31,281	31,710	31,710	429
Highways and Streets	3,509	3,509	3,509	0
<u>Other Debt Service</u>				
General Government	571	2,000	2,000	1,429
Total Expenditures	<u>\$ 243,694</u>	<u>\$ 245,553</u>	<u>\$ 245,553</u>	<u>\$ 1,859</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (204,014)</u>	<u>\$ (182,673)</u>	<u>\$ (182,673)</u>	<u>\$ (21,341)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 152,509	\$ 152,509	\$ 152,509	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 152,509</u>	<u>\$ 152,509</u>	<u>\$ 152,509</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (51,505)	\$ (30,164)	\$ (30,164)	\$ (21,341)
Fund Balance, July 1, 2007	157,658	146,562	146,562	11,096
Fund Balance, June 30, 2008	<u>\$ 106,153</u>	<u>\$ 116,398</u>	<u>\$ 116,398</u>	<u>\$ (10,245)</u>

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Major Governmental Fund

Education Debt Service Fund

The Education Debt Service Fund is used to account for certain Better Education Program funds of the Chester County School Department and sales tax collections that are pledged for the retirement of education 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, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 672,003	\$ 600,000	\$ 600,000	\$ 72,003
Other Governments and Citizens Groups	50,000	50,000	50,000	0
Total Revenues	\$ 722,003	\$ 650,000	\$ 650,000	\$ 72,003
<u>Expenditures</u>				
<u>Principal on Debt</u>				
Education	\$ 485,000	\$ 440,000	\$ 485,000	\$ 0
<u>Interest on Debt</u>				
Education	192,662	153,903	192,662	0
<u>Other Debt Service</u>				
Education	7,859	9,500	9,500	1,641
Total Expenditures	\$ 685,521	\$ 603,403	\$ 687,162	\$ 1,641
Excess (Deficiency) of Revenues Over Expenditures	\$ 36,482	\$ 46,597	\$ (37,162)	\$ 73,644
Net Change in Fund Balance	\$ 36,482	\$ 46,597	\$ (37,162)	\$ 73,644
Fund Balance, July 1, 2007	1,992,698	1,889,846	1,889,846	102,852
Fund Balance, June 30, 2008	\$ 2,029,180	\$ 1,936,443	\$ 1,852,684	\$ 176,496

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Fiduciary Funds

Agency Funds are used to account for assets held by the county in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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

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.

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Exhibit H-1

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

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 1,168,905	\$ 1,168,905
Due from Other Governments	147,873	0	147,873
Total Assets	<u>\$ 147,873</u>	<u>1,168,905</u>	<u>\$ 1,316,778</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 147,873	\$ 0	\$ 147,873
Due to Litigants, Heirs, and Others	0	1,168,905	1,168,905
Total Liabilities	<u>\$ 147,873</u>	<u>\$ 1,168,905</u>	<u>\$ 1,316,778</u>

Exhibit H-2

Chester County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2008

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 786,357	\$ 786,357	\$ 0
Due from Other Governments	141,675	147,873	141,675	147,873
Total Assets	\$ 141,675	\$ 934,230	\$ 928,032	\$ 147,873
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 141,675	\$ 934,230	\$ 928,032	\$ 147,873
Total Liabilities	\$ 141,675	\$ 934,230	\$ 928,032	\$ 147,873
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 648,779	\$ 4,196,133	\$ 3,676,007	\$ 1,168,905
Total Assets	\$ 648,779	\$ 4,196,133	\$ 3,676,007	\$ 1,168,905
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 648,779	\$ 4,196,133	\$ 3,676,007	\$ 1,168,905
Total Liabilities	\$ 648,779	\$ 4,196,133	\$ 3,676,007	\$ 1,168,905
<u>Total - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 786,357	\$ 786,357	\$ 0
Cash	648,779	4,196,133	3,676,007	1,168,905
Due from Other Governments	141,675	147,873	141,675	147,873
Total Assets	\$ 790,454	\$ 5,130,363	\$ 4,604,039	\$ 1,316,778
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 141,675	\$ 934,230	\$ 928,032	\$ 147,873
Due to Litigants, Heirs, and Others	648,779	4,196,133	3,676,007	1,168,905
Total Liabilities	\$ 790,454	\$ 5,130,363	\$ 4,604,039	\$ 1,316,778

Chester County School Department

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

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.

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Exhibit I-1

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

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 10,582,463	\$ 11,665	\$ 1,062,115	\$ (9,508,683)
Support Services	5,215,703	37,548	145,673	(5,032,482)
Operation of Non-Instructional Services	1,697,180	609,381	724,989	(362,810)
Other Debt Service	50,000	0	0	(50,000)
Total Governmental Activities	\$ 17,545,346	\$ 658,594	\$ 1,932,777	\$ (14,953,975)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 1,538,350
Local Option Sales Tax				755,614
Other Local Taxes				1,239
Grants and Contributions Not Restricted to Specific Programs				12,733,979
Unrestricted Investment Earnings				145,342
Miscellaneous				64,167
Total General Revenues				\$ 15,238,691
Change in Net Assets				\$ 284,716
Net Assets, July 1, 2007				13,030,302
Net Assets, June 30, 2008				\$ 13,315,018

Exhibit I-2

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

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	<u>Total Govern- mental Funds</u>
	General Purpose School	Other Govern- mental Funds	
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 1,821,630	\$ 208,145	\$ 2,029,775
Accounts Receivable	1,458	469	1,927
Due from Other Governments	457,908	34,109	492,017
Due from Other Funds	17,682	0	17,682
Property Taxes Receivable	1,558,692	0	1,558,692
Allowance for Uncollectible Property Taxes	(56,655)	0	(56,655)
Accrued Interest Receivable	3,350	0	3,350
Total Assets	<u>\$ 3,804,065</u>	<u>\$ 242,723</u>	<u>\$ 4,046,788</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Payroll Deductions Payable	\$ 5,522	\$ 0	\$ 5,522
Contracts Payable	75,330	0	75,330
Retainage Payable	141,765	0	141,765
Deferred Revenue - Current Property Taxes	1,420,935	0	1,420,935
Deferred Revenue - Delinquent Property Taxes	70,102	0	70,102
Other Deferred Revenues	70,150	0	70,150
Total Liabilities	<u>\$ 1,783,804</u>	<u>\$ 0</u>	<u>\$ 1,783,804</u>
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 239,836	\$ 18,501	\$ 258,337
Reserved for Career Ladder Program	2,255	0	2,255
Reserved for Title I Grants to Local Education Agencies	0	3,329	3,329
Reserved for Special Education - Grants to States	0	5,160	5,160
Other Federal Reserves	0	3,921	3,921
Unreserved, Reported In:			
General Fund	1,778,170	0	1,778,170
Special Revenue Funds	0	211,812	211,812
Total Fund Balances	<u>\$ 2,020,261</u>	<u>\$ 242,723</u>	<u>\$ 2,262,984</u>
Total Liabilities and Fund Balances	<u>\$ 3,804,065</u>	<u>\$ 242,723</u>	<u>\$ 4,046,788</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, 2008

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

Total fund balances - balance sheet - governmental funds (Exhibit I-2)		\$ 2,262,984
(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: buildings and improvements net of accumulated depreciation	9,149,670	
Add: other capital assets net of accumulated depreciation	<u>1,418,309</u>	10,982,231
(2) Long-term liabilities are not due in the current period and therefore are not reported in the funds.		(70,449)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>140,252</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 13,315,018</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, 2008

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 2,299,171	\$ 0	\$ 2,299,171
Licenses and Permits	1,217	0	1,217
Charges for Current Services	43,513	454,757	498,270
Other Local Revenues	200,502	41,079	241,581
State of Tennessee	12,713,830	14,944	12,728,774
Federal Government	146,942	1,688,423	1,835,365
Other Governments and Citizens Groups	0	139,409	139,409
Total Revenues	<u>\$ 15,405,175</u>	<u>\$ 2,338,612</u>	<u>\$ 17,743,787</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 8,977,908	\$ 910,386	\$ 9,888,294
Support Services	4,948,784	222,529	5,171,313
Operation of Non-Instructional Services	196,800	1,373,083	1,569,883
Capital Outlay	1,730,757	0	1,730,757
Debt Service:			
Other Debt Service	50,000	0	50,000
Total Expenditures	<u>\$ 15,904,249</u>	<u>\$ 2,505,998</u>	<u>\$ 18,410,247</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (499,074)</u>	<u>\$ (167,386)</u>	<u>\$ (666,460)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	\$ 18,596	\$ 0	\$ 18,596
Transfers Out	0	(18,596)	(18,596)
Total Other Financing Sources (Uses)	<u>\$ 18,596</u>	<u>\$ (18,596)</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ (480,478)	\$ (185,982)	\$ (666,460)
Fund Balance, July 1, 2007	2,500,739	428,705	2,929,444
Fund Balance, June 30, 2008	<u>\$ 2,020,261</u>	<u>\$ 242,723</u>	<u>\$ 2,262,984</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, 2008

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

Net change in fund balances - total governmental funds (Exhibit I-4)	\$	(666,460)
<p>(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:</p>		
Add: capital assets purchased in the current period	\$ 1,560,718	
Less: current year depreciation expense	<u>(546,080)</u>	1,014,638
<p>(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Add: deferred delinquent property taxes and other deferred June 30, 2008	\$ 140,252	
Less: deferred delinquent property taxes and other deferred June 30, 2007	<u>(133,265)</u>	6,987
<p>(3) Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
		<u>(70,449)</u>
Change in net assets of governmental activities (Exhibit B)	\$	<u><u>284,716</u></u>

Exhibit I-6

Chester County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Chester County School Department
June 30, 2008

	<u>Special Revenue Funds</u>		
	School Federal Projects	Central Cafeteria	Total Nonmajor Governmental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 30,911	\$ 177,234	\$ 208,145
Accounts Receivable	0	469	469
Due from Other Governments	0	34,109	34,109
Total Assets	<u>\$ 30,911</u>	<u>\$ 211,812</u>	<u>\$ 242,723</u>
<u>FUND BALANCES</u>			
Reserved for Encumbrances	\$ 18,501	\$ 0	\$ 18,501
Reserved for Title I Grants to Local Education Agencies	3,329	0	3,329
Reserved for Special Education - Grants to States	5,160	0	5,160
Other Federal Reserves	3,921	0	3,921
Unreserved	0	211,812	211,812
Total Fund Balances	<u>\$ 30,911</u>	<u>\$ 211,812</u>	<u>\$ 242,723</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, 2008

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 454,757	\$ 454,757
Other Local Revenues	0	41,079	41,079
State of Tennessee	0	14,944	14,944
Federal Government	1,068,252	620,171	1,688,423
Other Governments and Citizens Groups	0	139,409	139,409
Total Revenues	<u>\$ 1,068,252</u>	<u>\$ 1,270,360</u>	<u>\$ 2,338,612</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 910,386	\$ 0	\$ 910,386
Support Services	222,529	0	222,529
Operation of Non-Instructional Services	0	1,373,083	1,373,083
Total Expenditures	<u>\$ 1,132,915</u>	<u>\$ 1,373,083</u>	<u>\$ 2,505,998</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (64,663)</u>	<u>\$ (102,723)</u>	<u>\$ (167,386)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	\$ (18,596)	\$ 0	\$ (18,596)
Total Other Financing Sources (Uses)	<u>\$ (18,596)</u>	<u>\$ 0</u>	<u>\$ (18,596)</u>
Net Change in Fund Balances	\$ (83,259)	\$ (102,723)	\$ (185,982)
Fund Balance, July 1, 2007	<u>114,170</u>	<u>314,535</u>	<u>428,705</u>
Fund Balance, June 30, 2008	<u>\$ 30,911</u>	<u>\$ 211,812</u>	<u>\$ 242,723</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, 2008

	Actual (GAAP Basis)	Less:		Add:	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Encumbrances 7/1/2007	Encumbrances 6/30/2008			Original	Final	
<u>Revenues</u>								
Local Taxes	\$ 2,299,171	\$ 0	\$ 0	\$ 2,299,171	\$ 2,269,800	\$ 2,269,800	\$ 29,371	
Licenses and Permits	1,217	0	0	1,217	1,000	1,000	217	
Charges for Current Services	43,513	0	0	43,513	36,500	36,500	7,013	
Other Local Revenues	200,502	0	0	200,502	137,500	137,500	63,002	
State of Tennessee	12,713,830	0	0	12,713,830	12,225,500	12,406,765	307,065	
Federal Government	146,942	0	0	146,942	91,000	99,117	47,825	
Total Revenues	\$ 15,405,175	\$ 0	\$ 0	\$ 15,405,175	\$ 14,761,300	\$ 14,950,682	\$ 454,493	

<u>Expenditures</u>								
<u>Instruction</u>								
Regular Instruction Program	\$ 7,392,000	\$ (10,892)	\$ 39,015	\$ 7,420,123	\$ 7,398,000	\$ 7,542,020	\$ 121,897	
Special Education Program	936,611	0	0	936,611	960,400	971,800	35,189	
Vocational Education Program	517,170	0	0	517,170	524,700	529,625	12,455	
Student Body Education Program	40,000	0	0	40,000	40,000	40,000	0	
Adult Education Program	92,127	(585)	0	91,542	84,040	93,865	2,323	
<u>Support Services</u>								
Attendance	59,845	0	0	59,845	61,460	61,460	1,615	
Health Services	147,315	0	0	147,315	137,836	151,386	4,071	
Other Student Support	335,050	0	0	335,050	358,380	353,280	18,230	
Regular Instruction Program	588,958	0	0	588,958	610,090	603,790	14,832	
Special Education Program	113,967	0	0	113,967	117,760	124,060	10,093	
Vocational Education Program	4,179	(295)	0	3,884	4,000	4,000	116	
Adult Programs	106,691	0	0	106,691	109,545	110,618	3,927	
Other Programs	36,168	0	0	36,168	0	36,168	0	
Board of Education	226,983	0	0	226,983	241,830	249,830	22,847	
Director of Schools	150,323	0	0	150,323	159,760	159,760	9,437	

(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 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Office of the Principal	\$ 918,313	\$ 0	\$ 0	\$ 918,313	\$ 969,530	\$ 969,530	\$ 51,217
Fiscal Services	89,878	0	0	89,878	92,800	92,800	2,922
Operation of Plant	1,139,956	0	0	1,139,956	1,216,860	1,216,860	76,904
Maintenance of Plant	325,587	0	0	325,587	319,260	359,725	34,138
Transportation	705,571	0	153,208	858,779	918,325	926,665	67,886
<u>Operation of Non-Instructional Services</u>							
Community Services	10,174	0	0	10,174	12,300	12,300	2,126
Early Childhood Education	186,626	0	0	186,626	94,469	187,361	735
<u>Capital Outlay</u>							
Regular Capital Outlay	1,730,757	(124,369)	47,613	1,654,001	279,000	1,744,000	89,999
<u>Principal on Debt</u>							
Education	0	0	0	0	35,000	0	0
Interest on Debt	0	0	0	0	15,000	0	0
<u>Other Debt Service</u>							
Education	50,000	0	0	50,000	0	50,000	0
Total Expenditures	\$ 15,904,249	\$ (136,141)	\$ 239,836	\$ 16,007,944	\$ 14,760,345	\$ 16,590,903	\$ 582,959
Excess (Deficiency) of Revenues Over Expenditures	\$ (499,074)	\$ 136,141	\$ (239,836)	\$ (602,769)	\$ 955	\$ (1,640,221)	\$ 1,037,452
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 18,596	\$ 0	\$ 0	\$ 18,596	\$ 0	\$ 0	\$ 18,596
Total Other Financing Sources (Uses)	\$ 18,596	\$ 0	\$ 0	\$ 18,596	\$ 0	\$ 0	\$ 18,596
Net Change in Fund Balance Fund Balance, July 1, 2007	\$ (480,478)	\$ 136,141	\$ (239,836)	\$ (584,173)	\$ 955	\$ (1,640,221)	\$ 1,056,048
Fund Balance, July 1, 2007	2,500,739	(136,141)	0	2,364,598	1,945,760	1,945,760	418,838
Fund Balance, June 30, 2008	\$ 2,020,261	\$ 0	\$ (239,836)	\$ 1,780,425	\$ 1,946,715	\$ 305,539	\$ 1,474,886

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, 2008

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Federal Government	\$ 1,068,252	\$ 0	\$ 1,068,252	\$ 1,183,035	\$ 1,234,745	\$ (166,493)
Total Revenues	\$ 1,068,252	\$ 0	\$ 1,068,252	\$ 1,183,035	\$ 1,234,745	\$ (166,493)
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 458,510	\$ 18,501	\$ 477,011	\$ 499,990	\$ 526,709	\$ 49,698
Special Education Program	364,034	0	364,034	409,554	410,200	46,166
Vocational Education Program	87,842	0	87,842	80,979	87,842	0
<u>Support Services</u>						
Health Services	22,376	0	22,376	29,013	27,904	5,528
Other Student Support	12,625	0	12,625	17,739	12,625	0
Regular Instruction Program	123,621	0	123,621	156,899	178,991	55,370
Special Education Program	28,560	0	28,560	42,639	41,483	12,923
Vocational Education Program	2,207	0	2,207	2,207	2,207	0
Transportation	33,140	0	33,140	36,719	38,410	5,270
Total Expenditures	\$ 1,132,915	\$ 18,501	\$ 1,151,416	\$ 1,275,739	\$ 1,326,371	\$ 174,955
Excess (Deficiency) of Revenues Over Expenditures	\$ (64,663)	\$ (18,501)	\$ (83,164)	\$ (92,704)	\$ (91,626)	\$ 8,462
<u>Other Financing Sources (Uses)</u>						
Transfers Out	\$ (18,596)	\$ 0	\$ (18,596)	\$ (21,466)	\$ (22,544)	\$ 3,948
Total Other Financing Sources (Uses)	\$ (18,596)	\$ 0	\$ (18,596)	\$ (21,466)	\$ (22,544)	\$ 3,948
Net Change in Fund Balance Fund Balance, July 1, 2007	\$ (83,259)	\$ (18,501)	\$ (101,760)	\$ (114,170)	\$ (114,170)	\$ 12,410
	114,170	0	114,170	114,170	114,170	0
Fund Balance, June 30, 2008	\$ 30,911	\$ (18,501)	\$ 12,410	\$ 0	\$ 0	\$ 12,410

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, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 454,757	\$ 488,500	\$ 488,500	\$ (33,743)
Other Local Revenues	41,079	37,000	37,000	4,079
State of Tennessee	14,944	15,000	15,000	(56)
Federal Government	620,171	557,300	557,300	62,871
Other Governments and Citizens Groups	139,409	70,000	70,000	69,409
Total Revenues	<u>\$ 1,270,360</u>	<u>\$ 1,167,800</u>	<u>\$ 1,167,800</u>	<u>\$ 102,560</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 1,373,083	\$ 1,239,375	\$ 1,339,375	\$ (33,708)
Total Expenditures	<u>\$ 1,373,083</u>	<u>\$ 1,239,375</u>	<u>\$ 1,339,375</u>	<u>\$ (33,708)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (102,723)</u>	<u>\$ (71,575)</u>	<u>\$ (171,575)</u>	<u>\$ 68,852</u>
Net Change in Fund Balance	\$ (102,723)	\$ (71,575)	\$ (171,575)	\$ 68,852
Fund Balance, July 1, 2007	<u>314,535</u>	<u>277,003</u>	<u>277,003</u>	<u>37,532</u>
Fund Balance, June 30, 2008	<u>\$ 211,812</u>	<u>\$ 205,428</u>	<u>\$ 105,428</u>	<u>\$ 106,384</u>

Exhibit I-11

Chester County, Tennessee
Statement of Fiduciary Net Assets
Fiduciary Fund
Discretely Presented Chester County School Department
June 30, 2008

	<u>Other Trust Fund</u> <u>Private Purpose Trust Fund</u>
<u>ASSETS</u>	
Equity in Pooled Cash and Investments	\$ 103,388
Total Assets	<u>\$ 103,388</u>
<u>NET ASSETS</u>	
Funds Held in Trust for College Scholarships for Chester County Students	<u>\$ 103,388</u>
Total Net Assets	<u><u>\$ 103,388</u></u>

Exhibit I-12

Chester County, Tennessee
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
Discretely Presented Chester County School Department
For the Year Ended June 30, 2008

	Other Trust Fund
	<u>Private Purpose Trust Fund</u>
<u>ADDITIONS</u>	
<u>Other Local Revenues</u>	
Investment Income	\$ 4,829
Total Additions	<u>\$ 4,829</u>
<u>DEDUCTIONS</u>	
<u>Miscellaneous</u>	
Trustee Commissions	\$ 27
Other Charges	4,000
Total Deductions	<u>\$ 4,027</u>
Change in Net Assets	\$ 802
Net Assets, July 1, 2007	<u>102,586</u>
Net Assets, June 30, 2008	<u><u>\$ 103,388</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, Capital Leases, and Bonds
For the Year Ended June 30, 2008

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-07	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-08
<u>NOTES PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Library Construction	\$ 150,000	4.6 to 5.75%	6-9-1997	6-1-09	\$ 32,000	0	\$ 16,000	\$ 16,000
Nursing Home Improvement	100,000	5.0379	2-11-1999	2-11-10	25,000	0	8,333	16,667
Bridge Improvements	800,000	4.71	9-27-01	9-1-07	149,000	0	149,000	0
Total Notes Payable					\$ 206,000	0	\$ 173,333	\$ 32,667
<u>CAPITAL LEASES PAYABLE</u>								
<u>Payable through Solid Waste/Sanitiation Fund</u>								
Backhoe	48,353	5.5	11-27-07	11-27-12	0	48,353	4,955	43,398
Total Capital Leases Payable					\$ 0	48,353	4,955	43,398
<u>BONDS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Courthouse Renovations	840,000	1.25 to 4.5	3-1-03	5-1-23	715,000	0	35,000	680,000
Jail and Vo-Tech School	9,300,000	3 to 5.5	6-30-08	6-1-40	0	9,300,000	0	9,300,000
Total Payable through General Debt Service Fund					\$ 715,000	9,300,000	35,000	\$ 9,980,000
<u>Payable through Education Debt Service Fund</u>								
School Refunding	7,230,000	4 to 6	11-1-1998	5-1-15	4,115,000	0	440,000	3,675,000
School Refunding	760,000	1.25 to 4	3-1-03	5-1-16	595,000	0	45,000	550,000
Total Payable through Education Debt Service Fund					\$ 4,710,000	0	485,000	4,225,000
Total Bonds Payable					\$ 5,425,000	9,300,000	520,000	\$ 14,205,000

Exhibit J-2

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

Year Ending June 30	Note Principal	Note Interest	Total Note Requirements
2009	\$ 24,334	\$ 2,179	\$ 26,513
2010	8,333	840	9,173
Total	\$ 32,667	\$ 3,019	\$ 35,686

Ending June 30	Lease Principal	Lease Interest	Total Capital Lease Requirements
2009	\$ 8,926	\$ 2,157	\$ 11,083
2010	9,429	1,654	11,083
2011	9,961	1,122	11,083
2012	10,523	560	11,083
2013	4,559	60	4,619
Total	\$ 43,398	\$ 5,553	\$ 48,951

Year Ending June 30	Bond Principal	Bond Interest	Total Bond Requirements
2009	\$ 640,000	\$ 574,779	\$ 1,214,779
2010	660,000	583,394	1,243,394
2011	690,000	558,257	1,248,257
2012	740,000	531,073	1,271,073
2013	780,000	501,692	1,281,692
2014	840,000	470,323	1,310,323
2015	880,000	435,912	1,315,912
2016	320,000	399,418	719,418
2017	220,000	386,617	606,617
2018	240,000	377,728	617,728
2019	260,000	365,177	625,177

(Continued)

Exhibit J-2

Chester County, Tennessee
Schedule of Long-term Debt Requirements by Year (Cont.)

Year Ending June 30	Bond Principal	Bond Interest	Total Bond Requirements
2020	\$ 275,000	\$ 351,528	\$ 626,528
2021	285,000	338,052	623,052
2022	305,000	324,078	629,078
2023	320,000	311,602	631,602
2024	275,000	298,503	573,503
2025	290,000	287,227	577,227
2026	300,000	275,338	575,338
2027	310,000	262,737	572,737
2028	325,000	249,718	574,718
2029	340,000	235,905	575,905
2030	355,000	221,455	576,455
2031	370,000	206,190	576,190
2032	385,000	190,280	575,280
2033	400,000	173,725	573,725
2034	425,000	156,325	581,325
2035	440,000	137,838	577,838
2036	460,000	118,037	578,037
2037	480,000	97,338	577,338
2038	500,000	75,137	575,137
2039	520,000	52,013	572,013
2040	575,000	27,312	602,312
Total	\$ 14,205,000	\$ 9,574,708	\$ 23,779,708

Exhibit J-3

Chester County, Tennessee
Schedule of Investments
June 30, 2008

<u>Fund and Type</u>	<u>Amount</u>
<u>General Capital Projects Fund</u>	
Federal Home Loan Discount Notes	<u>\$ 9,100,395</u>
Total Investments	<u><u>\$ 9,100,395</u></u>

Exhibit J-4

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

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>Primary Government</u>			
General Highway/Public Works	General Capital Projects	Justice Complex construction	\$ 125,800
	General Debt Service	Debt retirement	152,509
Total Transfers Primary Government			<u>\$ 278,309</u>
<u>Discretely Presented Chester County School Department</u>			
School Federal Projects	General Purpose School	Indirect costs	\$ 18,596
Total Transfers Discretely Presented Chester County School Department			<u>\$ 18,596</u>

Exhibit J-5

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, 2008

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 69,186 (1)	50,000	State Automobile Mutual Insurance Company
Road Supervisor	Section 8-24-102, <u>TCA</u>	62,736	100,000	"
Director of Schools	State Board of Education and Chester County Board of Education	80,946 (2)	100,000	Western Surety Company
Trustee	Section 8-24-102, <u>TCA</u>	56,872 (1)	525,000	State Automobile Mutual Insurance Company
Assessor of Property	Section 8-24-102, <u>TCA</u>	56,872 (1)	10,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	54,872	50,000	"
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	56,872 (1)	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u>	54,871 (3)	65,000	"
Register	Section 8-24-102, <u>TCA</u>	56,872 (1)	25,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	61,460 (4)	25,000	"
Employee Blanket Bonds:				
Public Employee Dishonesty - County Departments			150,000	Tennessee Risk Management Trust
Public Employee Dishonesty - School Departments			150,000	"

(1) Includes certified public administrator supplement of \$2,000 as provided by Section 5-1-310, TCA.

(2) Does not include chief executive officer training supplement of \$1,000.

(3) Does not include special commissioner fees of \$15,690.

(4) Does not include law enforcement training supplement of \$1,100.

Exhibit J-6

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

	Special Revenue Funds					Debt Service Funds			Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Education Debt Service	Other Capital Projects		
<u>Local Taxes</u>										
<u>County Property Taxes</u>										
Current Property Tax	\$ 1,803,170	\$ 257,594	0	0	\$ 33,238	\$ 16,620	0	0	\$ 2,110,622	
Discount on Property Taxes	(15,877)	(2,268)	0	0	(293)	(146)	0	0	(18,584)	
Trustee's Collections - Prior Year	100,741	13,798	0	0	1,729	862	0	0	117,130	
Circuit/Clerk & Master Collections - Prior Years	52,890	5,690	0	0	882	881	0	0	60,343	
Interest and Penalty	14,776	2,292	0	0	300	143	0	0	17,511	
<u>County Local Option Taxes</u>										
Local Option Sales Tax	55,638	69,335	0	0	0	0	672,003	0	796,976	
Hotel/Motel Tax	12,907	0	0	0	0	0	0	0	12,907	
Wheel Tax	749,041	0	0	0	0	0	0	0	749,041	
Litigation Tax - General	64,000	0	0	0	0	0	0	0	64,000	
Litigation Tax - Special Purpose	1,844	0	0	0	0	0	0	0	1,844	
Litigation Tax - Jail, Workhouse, or Courthouse Business Tax	0	0	0	0	0	19,693	0	0	19,693	
Business Tax	85,763	0	0	0	0	0	0	0	85,763	
<u>Statutory Local Taxes</u>										
Bank Excise Tax	14,112	2,016	0	0	260	130	0	0	16,518	
Wholesale Beer Tax	25,120	30,858	0	0	0	0	0	0	55,978	
Interstate Telecommunications Tax	1,886	0	0	0	0	0	0	0	1,886	
Total Local Taxes	\$ 2,966,011	\$ 379,315	\$ 0	\$ 0	\$ 36,116	\$ 38,183	\$ 672,003	\$ 0	\$ 4,091,628	
<u>Fines, Forfeitures, and Penalties</u>										
<u>Circuit Court</u>										
Fines	\$ 3,912	0	0	0	0	0	0	0	\$ 3,912	
Officers Costs	1,242	0	0	0	0	0	0	0	1,242	
Jail Fees	57	0	0	0	0	0	0	0	57	
Data Entry Fee - Circuit Court	446	0	0	0	0	0	0	0	446	
<u>General Sessions Court</u>										
Fines	42,970	0	0	0	0	0	0	0	42,970	
Officers Costs	25,601	0	0	0	0	0	0	0	25,601	
Game and Fish Fines	106	0	0	0	0	0	0	0	106	
Drug Control Fines	0	0	9,340	0	0	0	0	0	9,340	
Drug Court Fees	6,396	0	0	0	0	0	0	0	6,396	
Jail Fees	3,962	0	0	0	0	0	0	0	3,962	

(Continued)

Exhibit J-6

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

	Special Revenue Funds					Debt Service Funds			Capital Projects Fund	
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Education Debt Service	Other Capital Projects	Total	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>										
<u>General Sessions Court (Cont.)</u>										
DUI Treatment Fines	\$ 4,602	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	4,602	
Data Entry Fee - General Sessions Court	3,824	0	0	0	0	0	0	0	3,824	
Courtroom Security Fee	170	0	0	0	0	0	0	0	170	
Victims Assistance Assessments	5,668	0	0	0	0	0	0	0	5,668	
<u>Juvenile Court</u>										
Fines	327	0	0	0	0	0	0	0	327	
Officers Costs	234	0	0	0	0	0	0	0	234	
Data Entry Fee - Juvenile Court	276	0	0	0	0	0	0	0	276	
<u>Chancery Court</u>										
Officers Costs	551	0	0	0	0	0	0	0	551	
Data Entry Fee - Chancery Court	876	0	0	0	0	0	0	0	876	
<u>Judicial District Drug Program</u>										
Drug Task Force Forfeitures and Seizures	0	0	2,978	0	0	0	0	0	2,978	
Courtroom Security Fee	6	0	0	0	0	0	0	0	6	
<u>Other Fines, Forfeitures, and Penalties</u>										
Proceeds from Confiscated Property	0	0	235	0	0	0	0	0	235	
Total Fines, Forfeitures, and Penalties	\$ 101,226	\$ 0	\$ 12,553	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 113,779	
<u>Charges for Current Services</u>										
<u>General Service Charges</u>										
Convenience Waste Centers Collection Charge	\$ 0	\$ 91,339	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 91,339	
Solid Waste Disposal Fees	0	317	0	0	0	0	0	0	317	
<u>Fees</u>										
Telephone Commissions	3,781	0	0	0	0	0	0	0	3,781	
Vending Machine Collections	1,579	0	0	0	0	0	0	0	1,579	
Constitutional Officers' Fees and Commissions	0	0	0	15,690	0	0	0	0	15,690	
Data Processing Fee - Register	6,182	0	0	0	0	0	0	0	6,182	
Data Processing Fee - Sheriff	2,550	0	0	0	0	0	0	0	2,550	
Sexual Offender Registration Fees - Sheriff	550	0	0	0	0	0	0	0	550	
Total Charges for Current Services	\$ 14,642	\$ 91,656	\$ 0	\$ 15,690	\$ 0	\$ 0	\$ 0	\$ 0	\$ 121,988	

(Continued)

Exhibit J-6

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

	Special Revenue Funds					Debt Service Funds			Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Education Debt Service	Other Capital Projects		
<u>Other Local Revenues</u>										
<u>Recurring Items</u>										
Investment Income	\$ 10,140	\$ 96,289	\$ 0	\$ 0	\$ 54,503	\$ 0	\$ 0	\$ 0	\$ 160,932	
Lease/Rentals	515,205	0	0	0	0	0	0	0	515,205	
Sale of Materials and Supplies	0	0	0	0	58	0	0	0	58	
Sale of Gasoline	0	0	0	0	4,824	0	0	0	4,824	
Sale of Recycled Materials	0	73,926	0	0	0	0	0	0	73,926	
Miscellaneous Refunds	14,136	67	2,637	0	3,437	0	0	0	20,277	
Expenditure Credits	39,315	0	0	0	0	0	0	0	39,315	
<u>Nonrecurring Items</u>										
Sale of Equipment	0	0	17,237	0	0	0	0	0	17,237	
Resale of Materials - T&I House	0	0	0	0	366	0	0	0	366	
Damages Recovered from Individuals	0	0	100	0	0	0	0	0	100	
<u>Other Local Revenues</u>										
Other Local Revenues	0	0	11,463	0	1,265	0	0	0	12,728	
Total Other Local Revenues	\$ 578,796	\$ 170,282	\$ 31,437	\$ 0	\$ 64,453	\$ 0	\$ 0	\$ 0	\$ 844,968	
<u>Fees Received from County Officials</u>										
<u>Fees In-Lieu-of Salary</u>										
County Clerk	\$ 150,647	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 150,647	
Circuit Court Clerk	24,229	0	0	0	0	0	0	0	24,229	
General Sessions Court Clerk	125,497	0	0	0	0	0	0	0	125,497	
Clerk and Master	71,065	0	0	0	0	0	0	0	71,065	
Juvenile Court Clerk	6,371	0	0	0	0	0	0	0	6,371	
Register	71,428	0	0	0	0	0	0	0	71,428	
Sheriff	7,402	0	0	0	0	0	0	0	7,402	
Trustee	163,877	0	0	0	0	0	0	0	163,877	
Total Fees Received from County Officials	\$ 620,516	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 620,516	
<u>State of Tennessee</u>										
<u>General Government Grants</u>										
Juvenile Services Program	\$ 6,750	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,750	
State Reappraisal Grant	5,615	0	0	0	0	0	0	0	5,615	
Solid Waste Grants	0	32,843	0	0	0	0	0	0	32,843	

(Continued)

Exhibit J-6

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

	Special Revenue Funds					Debt Service Funds			Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Education Debt Service	Other Capital Projects		
<u>State of Tennessee (Cont.)</u>										
<u>General Government Grants (Cont.)</u>										
Other General Government Grants	\$ 8,047	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,047
<u>Public Safety Grants</u>										
Law Enforcement Training Programs	7,200	0	0	0	0	0	0	0	0	7,200
Other Public Safety Grants	11,329	0	0	0	0	0	0	0	0	11,329
<u>Health and Welfare Grants</u>										
Other Health and Welfare Grants	15,789	0	0	0	0	0	0	0	0	15,789
<u>Public Works Grants</u>										
Litter Program	31,924	0	0	0	0	0	0	0	0	31,924
<u>Other State Revenues</u>										
Income Tax	6,940	991	0	0	128	64	0	0	0	8,123
Beer Tax	19,312	0	0	0	0	0	0	0	0	19,312
Alcoholic Beverage Tax	26,983	0	0	0	0	0	0	0	0	26,983
Mixed Drink Tax	1,287	0	0	0	0	0	0	0	0	1,287
State Revenue Sharing - T.V.A.	161,038	16,659	0	0	2,866	1,433	0	0	0	181,996
Contracted Prisoner Boarding	30,708	0	0	0	0	0	0	0	0	30,708
Gasoline and Motor Fuel Tax	0	0	0	0	1,468,871	0	0	0	0	1,468,871
Petroleum Special Tax	0	0	0	0	12,480	0	0	0	0	12,480
Registrar's Salary Supplement	20,475	0	0	0	0	0	0	0	0	20,475
Other State Grants	0	7,232	0	0	0	0	0	0	0	7,232
Other State Revenues	12,604	0	467	0	0	0	0	200,000	0	213,071
Total State of Tennessee	\$ 366,001	\$ 57,725	\$ 467	\$ 0	\$ 1,484,345	\$ 1,497	\$ 0	\$ 200,000	\$ 2,110,035	
<u>Federal Government</u>										
<u>Federal Through State</u>										
Community Development	\$ 273,455	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 273,455
Homeland Security Grants	26,542	0	0	0	0	0	0	0	0	26,542
<u>Direct Federal Revenue</u>										
Other Direct Federal Revenue	3,000	0	0	0	0	0	0	0	0	3,000
Total Federal Government	\$ 302,997	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 302,997

(Continued)

Exhibit J-6

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

	Special Revenue Funds				Debt Service Funds			Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional - Officers - Fees	Highway / Public Works	General Debt Service	Education Debt Service	Other Capital Projects	
Other Governments									
Contributions	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 50,000	\$ 0	\$ 50,000
Contracted Services	109,965	0	0	0	0	0	0	0	109,965
Other	67,534	0	0	0	0	0	0	0	67,534
Total Other Governments and Citizens Groups	\$ 177,499	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 50,000	\$ 0	\$ 227,499
Total	\$ 5,127,688	\$ 698,978	\$ 44,457	\$ 15,690	\$ 1,584,914	\$ 39,680	\$ 722,003	\$ 200,000	\$ 8,433,410

Exhibit J-7

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 1,400,182	\$ 0	\$ 0	\$ 1,400,182
Trustee's Collections - Prior Year	75,795	0	0	75,795
Circuit/Clerk & Master Collections - Prior Years	43,194	0	0	43,194
Interest and Penalty	13,022	0	0	13,022
<u>County Local Option Taxes</u>				
Local Option Sales Tax	754,684	0	0	754,684
<u>Statutory Local Taxes</u>				
Bank Excise Tax	11,055	0	0	11,055
Interstate Telecommunications Tax	1,239	0	0	1,239
Total Local Taxes	\$ 2,299,171	\$ 0	\$ 0	\$ 2,299,171
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 1,217	\$ 0	\$ 0	\$ 1,217
Total Licenses and Permits	\$ 1,217	\$ 0	\$ 0	\$ 1,217
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Tuition - Regular Day Students	\$ 8,615	\$ 0	\$ 0	\$ 8,615
Tuition - Summer School	3,050	0	0	3,050
Lunch Payments - Children	0	0	255,404	255,404
Lunch Payments - Adults	0	0	39,199	39,199
Income from Breakfast	0	0	19,349	19,349
Special Milk Sales	0	0	1,305	1,305
A la carte Sales	0	0	139,500	139,500
Receipts from Individual Schools	22,598	0	0	22,598
<u>Other Charges for Services</u>				
Other Charges for Services	9,250	0	0	9,250
Total Charges for Current Services	\$ 43,513	\$ 0	\$ 454,757	\$ 498,270
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 145,342	\$ 0	\$ 10,586	\$ 155,928
Lease/Rentals	6,530	0	0	6,530
Miscellaneous Refunds	30,543	0	30,493	61,036
<u>Nonrecurring Items</u>				
Sale of Equipment	1,853	0	0	1,853
Damages Recovered from Individuals	1,278	0	0	1,278
Contributions and Gifts	571	0	0	571
<u>Other Local Revenues</u>				
Other Local Revenues	14,385	0	0	14,385
Total Other Local Revenues	\$ 200,502	\$ 0	\$ 41,079	\$ 241,581
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-Behalf Contributions for OPEB	\$ 36,168	\$ 0	\$ 0	\$ 36,168
<u>State Education Funds</u>				
Basic Education Program	11,952,000	0	0	11,952,000

(Continued)

Exhibit J-7

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>				
Early Childhood Education	\$ 186,288	\$ 0	\$ 0	\$ 186,288
School Food Service	0	0	14,944	14,944
Driver Education	10,270	0	0	10,270
Other State Education Funds	198,078	0	0	198,078
Career Ladder Program	121,787	0	0	121,787
Career Ladder - Extended Contract	59,815	0	0	59,815
<u>Other State Revenues</u>				
Income Tax	5,437	0	0	5,437
State Revenue Sharing - T.V.A.	121,808	0	0	121,808
Other State Revenues	22,179	0	0	22,179
Total State of Tennessee	\$ 12,713,830	\$ 0	\$ 14,944	\$ 12,728,774
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 481,571	\$ 481,571
Breakfast	0	0	138,600	138,600
Adult Education State Grant Program	45,713	0	0	45,713
Vocational Education - Basic Grants to States	0	96,935	0	96,935
Title I Grants to Local Education Agencies	0	451,546	0	451,546
Innovative Education Program Strategies	0	4,157	0	4,157
Special Education - Grants to States	30,062	382,555	0	412,617
Special Education Preschool Grants	0	12,450	0	12,450
Eisenhower Professional Development State Grants	0	109,586	0	109,586
Job Training Partnership Act	61,095	0	0	61,095
Other Federal through State	10,072	11,023	0	21,095
Total Federal Government	\$ 146,942	\$ 1,068,252	\$ 620,171	\$ 1,835,365
<u>Other Governments and Citizens Groups</u>				
<u>Other Governments</u>				
Contracted Services	\$ 0	\$ 0	\$ 139,409	\$ 139,409
Total Other Governments and Citizens Groups	\$ 0	\$ 0	\$ 139,409	\$ 139,409
Total	\$ 15,405,175	\$ 1,068,252	\$ 1,270,360	\$ 17,743,787

Exhibit J-8

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

General Fund

General Government

County Commission

Board and Committee Members Fees	\$ 18,250	
Social Security	1,396	
Dues and Memberships	1,300	
Total County Commission		\$ 20,946

Board of Equalization

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

Budget and Finance Committee

Board and Committee Members Fees	\$ 1,350	
Social Security	103	
Total Budget and Finance Committee		1,453

County Mayor/Executive

County Official/Administrative Officer	\$ 67,186	
Assistant(s)	23,050	
Secretary(ies)	22,289	
Clerical Personnel	22,712	
Educational Incentive - Official/Admin Officer	2,000	
Educational Incentive - Other County Employees	4,000	
Longevity Pay	1,100	
In-Service Training	600	
Social Security	10,889	
State Retirement	11,376	
Medical Insurance	13,185	
Unemployment Compensation	221	
Communication	3,698	
Data Processing Services	7,969	
Dues and Memberships	1,435	
Printing, Stationery, and Forms	259	
Travel	4,647	
Office Supplies	4,099	
Office Equipment	5,590	
Total County Mayor/Executive		206,305

County Attorney

Legal Services	\$ 5,154	
Total County Attorney		5,154

(Continued)

Exhibit J-8

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

General Fund (Cont.)

General Government (Cont.)

Election Commission

County Official/Administrative Officer	\$	49,385	
Deputy(ies)		18,248	
Clerical Personnel		4,802	
Longevity Pay		300	
Election Commission		250	
Election Workers		11,142	
Social Security		5,620	
State Retirement		5,918	
Medical Insurance		8,244	
Unemployment Compensation		145	
Communication		1,527	
Data Processing Services		18,172	
Dues and Memberships		1,050	
Legal Notices, Recording, and Court Costs		1,072	
Printing, Stationery, and Forms		2,094	
Travel		390	
Office Supplies		739	
Data Processing Equipment		1,861	
Total Election Commission			\$ 130,959

Register of Deeds

County Official/Administrative Officer	\$	54,872	
Deputy(ies)		18,248	
Clerical Personnel		4,802	
Educational Incentive - Official/Admin Officer		2,000	
Longevity Pay		1,500	
Social Security		6,229	
State Retirement		6,530	
Medical Insurance		9,133	
Unemployment Compensation		70	
Communication		2,316	
Data Processing Services		5,714	
Dues and Memberships		598	
Legal Notices, Recording, and Court Costs		63	
Travel		12	
Data Processing Supplies		2,896	
Office Supplies		2,369	
Office Equipment		2,925	
Total Register of Deeds			120,277

(Continued)

Exhibit J-8

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

General Fund (Cont.)

General Government (Cont.)

County Buildings

Deputy(ies)	\$	247	
Salary Supplements		3,000	
Custodial Personnel		9,670	
Maintenance Personnel		43,273	
Longevity Pay		500	
Overtime Pay		1,586	
Social Security		4,458	
State Retirement		3,685	
Medical Insurance		7,936	
Unemployment Compensation		267	
Communication		4,735	
Contracts with Private Agencies		5,605	
Maintenance and Repair Services - Buildings		37,642	
Maintenance and Repair Services - Equipment		9,336	
Maintenance and Repair Services - Office Equipment		1,306	
Pest Control		1,796	
Rentals		8,800	
Custodial Supplies		6,968	
Electricity		70,299	
Gasoline		68	
Natural Gas		14,443	
Water and Sewer		12,136	
Boiler Insurance		1,268	
Building and Contents Insurance		36,061	
Heating and Air Conditioning Equipment		8,618	
Total County Buildings			\$ 293,703

Other General Administration

Contributions	\$	1,800	
Dues and Memberships		620	
Legal Notices, Recording, and Court Costs		1,385	
Maintenance and Repair Services - Office Equipment		106	
Postal Charges		22,963	
Printing, Stationery, and Forms		729	
Periodicals		797	
Premiums on Corporate Surety Bonds		3,724	
Total Other General Administration			32,124

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Finance

Accounting and Budgeting

Contracts with Other Public Agencies	\$ 3,593	
Total Accounting and Budgeting		\$ 3,593

Property Assessor's Office

County Official/Administrative Officer	\$ 54,872	
Deputy(ies)	29,477	
Clerical Personnel	10,988	
Educational Incentive - Official/Admin Officer	2,000	
Longevity Pay	50	
In-Service Training	300	
Social Security	7,450	
State Retirement	6,973	
Medical Insurance	8,415	
Unemployment Compensation	285	
Audit Services	2,975	
Communication	1,164	
Data Processing Services	7,924	
Dues and Memberships	1,002	
Travel	93	
Office Supplies	949	
Office Equipment	5,566	
Total Property Assessor's Office		140,483

Reappraisal Program

Deputy(ies)	\$ 4,070	
Clerical Personnel	2,050	
Social Security	468	
Unemployment Compensation	61	
Travel	1,397	
Total Reappraisal Program		8,046

County Trustee's Office

County Official/Administrative Officer	\$ 54,872	
Deputy(ies)	33,097	
Clerical Personnel	9,604	
Educational Incentive - Official/Admin Officer	2,000	
Educational Incentive - Other County Employees	4,000	
Longevity Pay	1,700	
Social Security	8,053	
State Retirement	8,266	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office (Cont.)

Medical Insurance	\$	9,026	
Unemployment Compensation		140	
Communication		2,416	
Dues and Memberships		833	
Legal Notices, Recording, and Court Costs		252	
Travel		3,077	
Office Supplies		2,810	
Furniture and Fixtures		120	
Office Equipment		8,330	
Total County Trustee's Office			\$ 148,596

County Clerk's Office

County Official/Administrative Officer	\$	54,872	
Deputy(ies)		56,437	
Clerical Personnel		16,538	
Part-time Personnel		7,203	
Educational Incentive - Other County Employees		2,000	
Longevity Pay		425	
Social Security		10,514	
State Retirement		10,209	
Medical Insurance		12,478	
Unemployment Compensation		283	
Communication		1,927	
Data Processing Services		2,694	
Dues and Memberships		383	
Travel		1,109	
Office Supplies		1,564	
Periodicals		164	
Office Equipment		7,982	
Total County Clerk's Office			186,782

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	54,872
Deputy(ies)		64,860
Clerical Personnel		17,040
Part-time Personnel		14,539
Educational Incentive - Official/Admin Officer		2,000
Educational Incentive - Other County Employees		5,000
Longevity Pay		1,250

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

Jury and Witness Fees	\$	5,850	
Social Security		12,206	
State Retirement		10,290	
Medical Insurance		11,546	
Unemployment Compensation		411	
Communication		3,676	
Data Processing Services		9,152	
Dues and Memberships		448	
Travel		144	
Food Supplies		241	
Office Supplies		4,380	
Furniture and Fixtures		222	
Office Equipment		7,458	
Total Circuit Court			\$ 225,585

General Sessions Court

Judge(s)	\$	76,855	
Assistant(s)		2,200	
Social Security		6,048	
State Retirement		6,279	
Medical Insurance		4,566	
Communication		1,548	
Dues and Memberships		120	
Office Supplies		20	
Total General Sessions Court			97,636

Chancery Court

County Official/Administrative Officer	\$	54,871	
Deputy(ies)		53,256	
Clerical Personnel		14,015	
Longevity Pay		1,650	
Social Security		9,470	
State Retirement		9,979	
Medical Insurance		14,579	
Unemployment Compensation		210	
Communication		1,697	
Data Processing Services		450	
Dues and Memberships		448	
Travel		120	
Office Supplies		3,769	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court (Cont.)

Office Equipment	\$ 316	
Total Chancery Court		\$ 164,830

Juvenile Court

Deputy(ies)	\$ 18,071	
Clerical Personnel	4,558	
Longevity Pay	200	
Social Security	1,746	
State Retirement	1,849	
Medical Insurance	4,459	
Unemployment Compensation	70	
Total Juvenile Court		30,953

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$ 60,360	
Assistant(s)	29,030	
Supervisor/Director	41,706	
Deputy(ies)	316,288	
Investigator(s)	79,362	
Salary Supplements	7,200	
Dispatchers/Radio Operators	151,274	
Guards	211,615	
Secretary(ies)	26,273	
Part-time Personnel	3,366	
Longevity Pay	6,450	
Overtime Pay	43,963	
Other Salaries and Wages	9,446	
In-Service Training	6,320	
Social Security	75,681	
State Retirement	78,885	
Medical Insurance	115,419	
Unemployment Compensation	2,619	
Communication	11,818	
Contributions	500	
Data Processing Services	680	
Dues and Memberships	50	
Maintenance and Repair Services - Equipment	4,445	
Maintenance and Repair Services - Vehicles	12,555	
Medical and Dental Services	28,539	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Tow-in Services	\$	1,805	
Travel		10,151	
Other Contracted Services		7,342	
Custodial Supplies		7,180	
Food Supplies		43,761	
Gasoline		38,813	
Law Enforcement Supplies		2,572	
Office Supplies		3,858	
Prisoners Clothing		703	
Tires and Tubes		2,120	
Uniforms		11,500	
Other Supplies and Materials		2,133	
Workers' Compensation Insurance		21,021	
Other Charges		1,280	
Law Enforcement Equipment		13,938	
Motor Vehicles		48,859	
Office Equipment		10,436	
Total Sheriff's Department			\$ 1,551,316

Juvenile Services

Youth Service Officer(s)	\$	42,150	
Longevity Pay		1,100	
Social Security		3,309	
State Retirement		3,444	
Medical Insurance		4,459	
Unemployment Compensation		70	
Communication		2,253	
Contracts with Other Public Agencies		1,350	
Travel		142	
Office Supplies		1,242	
Total Juvenile Services			59,519

Fire Prevention and Control

Supervisor/Director	\$	27,820	
Longevity Pay		300	
In-Service Training		1,852	
Social Security		2,151	
State Retirement		2,273	
Medical Insurance		4,459	
Unemployment Compensation		70	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Public Safety (Cont.)

Fire Prevention and Control (Cont.)

Communication	\$	2,958	
Maintenance and Repair Services - Buildings		33,313	
Maintenance and Repair Services - Equipment		11,818	
Maintenance and Repair Services - Office Equipment		395	
Maintenance and Repair Services - Vehicles		9,094	
Tow-in Services		200	
Travel		1,689	
Equipment Parts - Light		2,306	
Equipment and Machinery Parts		3,317	
Gasoline		6,793	
Office Supplies		415	
Tires and Tubes		1,235	
Uniforms		663	
Vehicle Parts		115	
Excess Risk Insurance		3,088	
Vehicle and Equipment Insurance		24,978	
Workers' Compensation Insurance		8,891	
Other Charges		1,096	
Furniture and Fixtures		2,935	
Heating and Air Conditioning Equipment		6,685	
Motor Vehicles		280,510	
Health Equipment		1,245	
Other Equipment		2,333	
Total Fire Prevention and Control	\$		444,997

Civil Defense

Supervisor/Director	\$	31,322	
Longevity Pay		1,600	
Social Security		2,519	
State Retirement		2,559	
Medical Insurance		4,566	
Unemployment Compensation		70	
Communication		4,926	
Maintenance and Repair Services - Equipment		75	
Maintenance and Repair Services - Vehicles		591	
Travel		398	
Gasoline		2,317	
Office Supplies		401	
Other Equipment		25,476	
Total Civil Defense			76,820

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Public Safety (Cont.)

Rescue Squad

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

Other Emergency Management

Supervisor/Director	\$ 4,838	
Clerical Personnel	17,848	
Social Security	1,735	
State Retirement	1,853	
Unemployment Compensation	62	
Total Other Emergency Management		26,336

County Coroner/Medical Examiner

Other Per Diem and Fees	\$ 11,240	
Total County Coroner/Medical Examiner		11,240

Public Health and Welfare

Local Health Center

Communication	\$ 3,412	
Contracts with Government Agencies	11,600	
Postal Charges	1,617	
Other Contracted Services	551	
Drugs and Medical Supplies	388	
Office Supplies	1,277	
Total Local Health Center		18,845

Ambulance/Emergency Medical Services

Ambulance Services	\$ 165,113	
Motor Vehicles	105,355	
Total Ambulance/Emergency Medical Services		270,468

Nursing Home

Maintenance Personnel	\$ 21,380	
Overtime Pay	216	
Social Security	1,652	
State Retirement	1,764	
Unemployment Compensation	22	
Maintenance and Repair Services - Buildings	28,420	
Maintenance and Repair Services - Equipment	39,650	
Pest Control	4,322	
Travel	2,507	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Nursing Home (Cont.)

Chemicals	\$	412	
Furniture and Fixtures		1,067	
Heating and Air Conditioning Equipment		1,004	
Total Nursing Home	\$		102,416

Crippled Children Services

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

Other Local Health Services

Printing, Stationery, and Forms	\$	358	
Instructional Supplies and Materials		10,112	
Other Supplies and Materials		8,319	
Total Other Local Health Services			18,789

Regional Mental Health Center

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

Sanitation Education/Information

Guards	\$	15,869	
Social Security		1,214	
State Retirement		1,285	
Unemployment Compensation		14	
Maintenance and Repair Services - Vehicles		189	
Travel		151	
Gasoline		1,838	
Uniforms		500	
Other Charges		2,231	
Motor Vehicles		5,000	
Plant Operation Equipment		2,112	
Total Sanitation Education/Information			30,403

Social, Cultural, and Recreational Services

Libraries

County Official/Administrative Officer	\$	23,050	
Part-time Personnel		22,183	
Longevity Pay		675	
Social Security		3,512	
State Retirement		1,883	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Libraries (Cont.)

Unemployment Compensation	\$	272	
Communication		47	
Total Libraries			\$ 51,622

Other Social, Cultural, and Recreational

Contributions	\$	24,296	
Total Other Social, Cultural, and Recreational			24,296

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$	28,311	
Extension Service Medicare		6,345	
Communication		1,977	
Office Supplies		374	
Total Agriculture Extension Service			37,007

Soil Conservation

Secretary(ies)	\$	11,146	
Longevity Pay		75	
Social Security		858	
Unemployment Compensation		74	
Communication		1,122	
Total Soil Conservation			13,275

Flood Control

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

Other Operations

Industrial Development

Contributions	\$	15,000	
Total Industrial Development			15,000

Veterans' Services

County Official/Administrative Officer	\$	11,172	
Longevity Pay		700	
Social Security		908	
Unemployment Compensation		66	
Office Supplies		429	
Furniture and Fixtures		1,616	
Total Veterans' Services			14,891

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Other Operations (Cont.)

Miscellaneous

Trustee's Commission	\$ 56,106	
Other Charges	3,263	
Total Miscellaneous		\$ 59,369

Capital Projects

Public Safety Projects

Site Development	\$ 6,000	
Total Public Safety Projects		6,000

Total General Fund \$ 4,672,034

Solid Waste/Sanitation Fund

Public Health and Welfare

Convenience Centers

Supervisor/Director	\$ 45,003
Accountants/Bookkeepers	13,400
Foremen	27,544
Mechanic(s)	6,877
Laborers	118,659
Educational Incentive - Other County Employees	3,000
Longevity Pay	2,850
Overtime Pay	2,811
Social Security	16,841
State Retirement	8,114
Medical Insurance	6,660
Unemployment Compensation	1,223
Communication	5,054
Dues and Memberships	200
Legal Services	456
Maintenance and Repair Services - Buildings	10,507
Maintenance and Repair Services - Equipment	8,452
Maintenance and Repair Services - Vehicles	1,661
Postal Charges	16
Travel	1,564
Custodial Supplies	414
Electricity	5,791
Food Supplies	248
Natural Gas	539
Office Supplies	640
Small Tools	198

(Continued)

Exhibit J-8

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Convenience Centers (Cont.)

Uniforms	\$	278	
Water and Sewer		673	
Chemicals		2,562	
Other Charges		1,582	
Data Processing Equipment		1,328	
Maintenance Equipment		50,795	
Motor Vehicles		9,517	
Solid Waste Equipment		299	
Total Convenience Centers			\$ 355,756

Recycling Center

Contributions	\$	30	
Maintenance and Repair Services - Buildings		994	
Maintenance and Repair Services - Equipment		80	
Maintenance and Repair Services - Vehicles		512	
Electricity		42	
Food Supplies		213	
Wire		1,514	
Other Supplies and Materials		529	
Other Charges		652	
Building Construction		1,910	
Motor Vehicles		2,817	
Solid Waste Equipment		38,637	
Total Recycling Center			47,930

Other Waste Disposal

Truck Drivers	\$	25,778	
Longevity Pay		525	
Overtime Pay		312	
Social Security		2,036	
Unemployment Compensation		175	
Contracts with Government Agencies		193,113	
Dues and Memberships		2,000	
Maintenance and Repair Services - Equipment		1,406	
Maintenance and Repair Services - Vehicles		1,204	
Tow-in Services		285	
Diesel Fuel		30,372	
Equipment Parts - Heavy		253	
Equipment and Machinery Parts		1,108	
Gasoline		8,124	

(Continued)

Exhibit J-8

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Other Waste Disposal (Cont.)

Propane Gas	\$	170	
Tires and Tubes		6,865	
Chemicals		415	
Total Other Waste Disposal	\$		274,141

Postclosure Care Costs

Contracts with Government Agencies	\$	4,676	
Total Postclosure Care Costs			4,676

Other Operations

Miscellaneous

Trustee's Commission	\$	8,162	
Other Charges		440	
Total Miscellaneous			8,602

Principal on Debt

General Government

Principal on Capital Leases	\$	4,955	
Total General Government			4,955

Interest on Debt

General Government

Interest on Capital Leases	\$	1,510	
Total General Government			1,510

Total Solid Waste/Sanitation Fund \$ 697,570

Drug Control Fund

Public Safety

Drug Enforcement

Communication	\$	227	
Confidential Drug Enforcement Payments		6,000	
Maintenance and Repair Services - Vehicles		1,661	
Instructional Supplies and Materials		421	
Law Enforcement Supplies		847	
Tires and Tubes		914	
Vehicle Parts		456	
Law Enforcement Equipment		6,280	
Motor Vehicles		5,625	
Office Equipment		176	
Total Drug Enforcement	\$		22,607

(Continued)

Exhibit J-8

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

Drug Control Fund (Cont.)

Other Operations

Miscellaneous

Trustee's Commission	\$ 112	
Total Miscellaneous	<u>112</u>	<u>\$ 112</u>

Total Drug Control Fund		\$ 22,719
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Constitutional Officers - Fees Fund

Administration of Justice

Chancery Court

Constitutional Officers' Operating Expenses	\$ 15,690	
Total Chancery Court		<u>\$ 15,690</u>

Total Constitutional Officers - Fees Fund		15,690
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Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 62,736	
Assistant(s)	34,030	
Accountants/Bookkeepers	2,650	
Part-time Personnel	5,548	
Educational Incentive - Other County Employees	3,000	
Contracts with Other Public Agencies	3,000	
Dues and Memberships	2,817	
Legal Services	525	
Pest Control	297	
Postal Charges	374	
Travel	2,795	
Custodial Supplies	533	
Office Supplies	5,682	
Other Charges	<u>3,905</u>	
Total Administration		\$ 127,892

Highway and Bridge Maintenance

Foremen	\$ 97,000
Equipment Operators	170,144
Truck Drivers	78,506
Laborers	50,326
Other Contracted Services	10,397
Asphalt - Liquid	146,649
Concrete	2,653

(Continued)

Exhibit J-8

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Crushed Stone	\$	60,554	
Fertilizer, Lime, and Seed		1,496	
Pipe		6,178	
Road Signs		8,538	
Small Tools		1,017	
Wood Products		230	
Gravel and Chert		23,240	
Other Supplies and Materials		6,751	
Other Charges		16	
Total Highway and Bridge Maintenance			\$ 663,695

Operation and Maintenance of Equipment

Mechanic(s)	\$	27,003	
Maintenance and Repair Services - Equipment		9,589	
Diesel Fuel		76,595	
Equipment and Machinery Parts		42,073	
Garage Supplies		6,465	
Gasoline		26,844	
Lubricants		2,791	
Propane Gas		267	
Tires and Tubes		18,136	
Total Operation and Maintenance of Equipment			209,763

Other Charges

Communication	\$	3,949	
Electricity		7,150	
Natural Gas		1,769	
Water and Sewer		668	
Trustee's Commission		15,954	
Vehicle and Equipment Insurance		35,341	
Total Other Charges			64,831

Employee Benefits

Social Security	\$	41,392	
State Retirement		38,376	
Employee and Dependent Insurance		88,546	
Unemployment Compensation		4,560	
Workers' Compensation Insurance		18,014	
Total Employee Benefits			190,888

(Continued)

Exhibit J-8

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Capital Outlay

Engineering Services	\$	8,625	
Highway Equipment		<u>76,960</u>	
Total Capital Outlay			\$ <u>85,585</u>

Total Highway/Public Works Fund \$ 1,342,654

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	35,000	
Principal on Notes		<u>24,333</u>	
Total General Government			\$ 59,333

Highways and Streets

Principal on Notes	\$	<u>149,000</u>	
Total Highways and Streets			149,000

Interest on Debt

General Government

Interest on Bonds	\$	28,198	
Interest on Notes		<u>3,083</u>	
Total General Government			31,281

Highways and Streets

Interest on Notes	\$	<u>3,509</u>	
Total Highways and Streets			3,509

Other Debt Service

General Government

Trustee's Commission	\$	<u>571</u>	
Total General Government			<u>571</u>

Total General Debt Service Fund 243,694

Education Debt Service Fund

Principal on Debt

Education

Principal on Bonds	\$	<u>485,000</u>	
Total Education			\$ 485,000

(Continued)

Exhibit J-8

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

Education Debt Service Fund (Cont.)

Interest on Debt

Education

Interest on Bonds	\$ 192,662	
Total Education		\$ 192,662

Other Debt Service

Education

Bank Charges	\$ 1,622	
Trustee's Commission	6,237	
Total Education		<u>7,859</u>

Total Education Debt Service Fund		\$ 685,521
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General Capital Projects Fund

Other Operations

Miscellaneous

Trustee's Commission	\$ 481	
Total Miscellaneous		\$ 481

Capital Projects

Other General Government Projects

Architects	\$ 359,008	
Underwriter's Discount	87,441	
Other Debt Issuance Charges	153,105	
Site Development	112,509	
Total Other General Government Projects		<u>712,063</u>

Total General Capital Projects Fund		<u>712,544</u>
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Total Governmental Funds - Primary Government		<u>\$ 8,392,426</u>
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Exhibit J-9

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

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 5,164,521	
Career Ladder Program	65,903	
Career Ladder Extended Contracts	51,826	
Educational Assistants	217,107	
Non-certified Substitute Teachers	93,711	
Social Security	324,551	
State Retirement	345,836	
Life Insurance	3,000	
Medical Insurance	546,936	
Unemployment Compensation	4,597	
Employer Medicare	76,107	
Other Fringe Benefits	3,826	
Maintenance and Repair Services - Equipment	4,869	
Other Contracted Services	12,682	
Instructional Supplies and Materials	160,435	
Textbooks	159,784	
Other Supplies and Materials	253	
Other Charges	14	
Regular Instruction Equipment	156,042	
Total Regular Instruction Program		\$ 7,392,000

Special Education Program

Teachers	\$ 393,953	
Career Ladder Program	7,000	
Career Ladder Extended Contracts	1,000	
Educational Assistants	218,092	
Speech Pathologist	48,541	
Other Salaries and Wages	23,397	
Non-certified Substitute Teachers	24,780	
Social Security	42,828	
State Retirement	47,046	
Life Insurance	300	
Medical Insurance	47,588	
Unemployment Compensation	873	
Employer Medicare	10,030	
Contracts with Private Agencies	61,000	
Other Contracted Services	3,479	
Instructional Supplies and Materials	6,049	
Other Supplies and Materials	655	
Total Special Education Program		936,611

(Continued)

Exhibit J-9

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	\$	391,684	
Career Ladder Program		4,000	
Non-certified Substitute Teachers		5,689	
Social Security		22,594	
State Retirement		24,691	
Life Insurance		268	
Medical Insurance		50,774	
Unemployment Compensation		283	
Employer Medicare		5,284	
Other Contracted Services		1,909	
Instructional Supplies and Materials		9,994	
Total Vocational Education Program			\$ 517,170

Student Body Education Program

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

Adult Education Program

Teachers	\$	62,920	
Social Security		3,873	
State Retirement		1,686	
Unemployment Compensation		71	
Employer Medicare		906	
Instructional Supplies and Materials		21,471	
Other Charges		1,200	
Total Adult Education Program			92,127

Support Services

Attendance

Supervisor/Director	\$	44,000	
Career Ladder Program		2,000	
Social Security		2,530	
State Retirement		2,870	
Life Insurance		20	
Medical Insurance		6,528	
Unemployment Compensation		22	
Employer Medicare		592	
Travel		1,164	
Other Supplies and Materials		119	
Total Attendance			59,845

(Continued)

Exhibit J-9

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.)

Health Services

Medical Personnel	\$	25,190	
Other Salaries and Wages		52,692	
Social Security		4,679	
State Retirement		5,701	
Life Insurance		20	
Medical Insurance		3,990	
Unemployment Compensation		84	
Employer Medicare		1,094	
Communication		900	
Postal Charges		82	
Travel		3,448	
Other Contracted Services		3,567	
Drugs and Medical Supplies		6,409	
Other Supplies and Materials		39,459	
Total Health Services			\$ 147,315

Other Student Support

Career Ladder Program	\$	6,985	
Guidance Personnel		212,450	
Career Ladder Extended Contracts		2,000	
Social Security		12,902	
State Retirement		13,818	
Life Insurance		108	
Medical Insurance		19,417	
Unemployment Compensation		134	
Employer Medicare		3,017	
Contracts with Government Agencies		46,134	
Evaluation and Testing		12,922	
Travel		266	
Other Contracted Services		4,897	
Total Other Student Support			335,050

Regular Instruction Program

Supervisor/Director	\$	165,570
Career Ladder Program		8,000
Librarians		170,225
Instructional Computer Personnel		83,162
Clerical Personnel		5,216
Other Salaries and Wages		2,610

(Continued)

Exhibit J-9

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.)

Social Security	\$	26,059	
State Retirement		27,933	
Life Insurance		119	
Medical Insurance		25,501	
Unemployment Compensation		295	
Employer Medicare		6,174	
Consultants		4,989	
Travel		15,126	
Other Contracted Services		10,500	
Library Books/Media		30,759	
Other Supplies and Materials		1,986	
In Service/Staff Development		4,734	
Total Regular Instruction Program			\$ 588,958

Special Education Program

Supervisor/Director	\$	66,956	
Career Ladder Program		3,000	
Psychological Personnel		21,000	
Social Security		5,452	
State Retirement		6,081	
Medical Insurance		3,654	
Unemployment Compensation		28	
Employer Medicare		1,275	
Travel		5,222	
In Service/Staff Development		1,299	
Total Special Education Program			113,967

Vocational Education Program

Travel	\$	4,179	
Total Vocational Education Program			4,179

Adult Programs

Supervisor/Director	\$	75,606
Career Ladder Program		1,000
Social Security		4,412
State Retirement		5,111
Medical Insurance		200
Unemployment Compensation		57
Employer Medicare		1,032

(Continued)

Exhibit J-9

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.)

Travel	\$	182	
Other Contracted Services		8,400	
Other Supplies and Materials		9,595	
In Service/Staff Development		1,096	
Total Adult Programs			\$ 106,691

Other Programs

On-Behalf Payments to OPEB	\$	36,168	
Total Other Programs			36,168

Board of Education

Other Salaries and Wages	\$	5,200	
Social Security		322	
Unemployment Compensation		21	
Employer Medicare		75	
Audit Services		4,750	
Dues and Memberships		6,443	
Legal Services		420	
Travel		2,425	
Other Contracted Services		2,102	
Liability Insurance		22,878	
Trustee's Commission		68,413	
Workers' Compensation Insurance		90,000	
Criminal Investigation of Applicants - TBI		3,216	
Other Charges		20,718	
Total Board of Education			226,983

Director of Schools

County Official/Administrative Officer	\$	80,946	
Career Ladder Program		1,000	
Clerical Personnel		26,720	
Social Security		6,665	
State Retirement		7,296	
Life Insurance		24	
Medical Insurance		3,467	
Unemployment Compensation		56	
Employer Medicare		1,559	
Other Fringe Benefits		1,800	
Communication		4,440	

(Continued)

Exhibit J-9

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.)

Dues and Memberships	\$	1,739	
Postal Charges		1,917	
Travel		3,688	
Other Contracted Services		2,402	
Office Supplies		3,038	
Other Charges		221	
Administration Equipment		3,345	
Total Director of Schools			\$ 150,323

Office of the Principal

Principals	\$	333,114	
Career Ladder Program		9,950	
Career Ladder Extended Contracts		4,200	
Assistant Principals		136,438	
Secretary(ies)		248,945	
Social Security		43,981	
State Retirement		50,521	
Life Insurance		218	
Medical Insurance		44,287	
Unemployment Compensation		634	
Employer Medicare		10,286	
Communication		12,083	
Maintenance and Repair Services - Equipment		80	
Travel		6,545	
In Service/Staff Development		723	
Other Charges		318	
Administration Equipment		15,990	
Total Office of the Principal			918,313

Fiscal Services

Accountants/Bookkeepers	\$	69,100
Social Security		3,671
State Retirement		5,646
Unemployment Compensation		56
Employer Medicare		859
Data Processing Services		560
Travel		199
Other Contracted Services		7,439
Data Processing Supplies		1,456

(Continued)

Exhibit J-9

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.)

Fiscal Services (Cont.)

Office Supplies	\$ 892	
Total Fiscal Services		\$ 89,878

Operation of Plant

Supervisor/Director	\$ 3,899	
Guards	23,599	
Custodial Personnel	302,059	
Other Salaries and Wages	1,320	
Social Security	23,246	
State Retirement	23,557	
Unemployment Compensation	520	
Employer Medicare	4,641	
Travel	4,885	
Disposal Fees	9,181	
Other Contracted Services	17,574	
Custodial Supplies	104,670	
Electricity	386,300	
Natural Gas	138,926	
Water and Sewer	24,517	
Other Supplies and Materials	1,062	
Building and Contents Insurance	65,000	
Plant Operation Equipment	5,000	
Total Operation of Plant		1,139,956

Maintenance of Plant

Maintenance Personnel	\$ 107,738	
Other Salaries and Wages	24,870	
Social Security	7,847	
State Retirement	5,969	
Unemployment Compensation	235	
Employer Medicare	1,923	
Maintenance and Repair Services - Buildings	29,312	
Maintenance and Repair Services - Equipment	5,697	
Travel	29	
Other Contracted Services	48,633	
Other Supplies and Materials	84,197	
Maintenance Equipment	9,137	
Total Maintenance of Plant		325,587

(Continued)

Exhibit J-9

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

Supervisor/Director	\$	8,525	
Mechanic(s)		52,208	
Bus Drivers		312,913	
Other Salaries and Wages		2,445	
Social Security		22,500	
State Retirement		26,765	
Unemployment Compensation		777	
Employer Medicare		5,369	
Communication		871	
Maintenance and Repair Services - Vehicles		14,969	
Travel		526	
Other Contracted Services		10,496	
Gasoline		155,368	
Tires and Tubes		12,430	
Vehicle Parts		43,732	
Other Supplies and Materials		13,568	
Vehicle and Equipment Insurance		20,088	
Other Charges		276	
Transportation Equipment		1,745	
Total Transportation			\$ 705,571

Operation of Non-Instructional Services

Community Services

Other Salaries and Wages	\$	4,782	
Social Security		175	
State Retirement		6	
Employer Medicare		41	
Other Charges		5,170	
Total Community Services			10,174

Early Childhood Education

Teachers	\$	58,609	
Educational Assistants		27,070	
Social Security		5,236	
State Retirement		5,876	
Medical Insurance		7,776	
Unemployment Compensation		112	
Employer Medicare		1,224	
Travel		3,600	

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Early Childhood Education (Cont.)

Other Contracted Services	\$ 9,689	
Instructional Supplies and Materials	30,705	
Other Equipment	36,729	
Total Early Childhood Education		\$ 186,626

Capital Outlay

Regular Capital Outlay

Architects	\$ 65,000	
Engineering Services	2,907	
Building Construction	1,445,525	
Building Improvements	217,325	
Total Regular Capital Outlay		1,730,757

Other Debt Service

Education

Contributions	\$ 50,000	
Total Education		50,000

Total General Purpose School Fund \$ 15,904,249

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 262,097	
Educational Assistants	115,209	
Social Security	22,682	
State Retirement	23,746	
Medical Insurance	22,675	
Unemployment Compensation	404	
Employer Medicare	5,305	
Instructional Supplies and Materials	5,552	
Other Supplies and Materials	840	
Total Regular Instruction Program		\$ 458,510

Special Education Program

Teachers	\$ 53,116
Educational Assistants	206,954
Speech Pathologist	41,658
Social Security	17,491

(Continued)

Exhibit J-9

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

State Retirement	\$	21,447	
Medical Insurance		7,846	
Unemployment Compensation		561	
Employer Medicare		4,235	
Contracts with Private Agencies		1,000	
Instructional Supplies and Materials		8,981	
Other Supplies and Materials		745	
Total Special Education Program			\$ 364,034

Vocational Education Program

Travel	\$	4,000	
Other Contracted Services		1,260	
Other Supplies and Materials		82,582	
Total Vocational Education Program			87,842

Support Services

Health Services

Medical Personnel	\$	19,296	
Social Security		1,196	
State Retirement		1,576	
Unemployment Compensation		28	
Employer Medicare		280	
Total Health Services			22,376

Other Student Support

Guidance Personnel	\$	5,000	
Travel		4,386	
Other Supplies and Materials		239	
In Service/Staff Development		3,000	
Total Other Student Support			12,625

Regular Instruction Program

Supervisor/Director	\$	56,300	
Secretary(ies)		12,572	
Social Security		4,274	
State Retirement		4,540	
Medical Insurance		3,776	
Unemployment Compensation		51	
Employer Medicare		999	

(Continued)

Exhibit J-9

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.)

Regular Instruction Program (Cont.)

Consultants	\$	500	
Travel		7,499	
Other Contracted Services		2,740	
Library Books/Media		4,281	
Other Supplies and Materials		1,308	
In Service/Staff Development		24,781	
Total Regular Instruction Program			\$ 123,621

Special Education Program

Psychological Personnel	\$	21,000	
Social Security		1,273	
State Retirement		1,716	
Medical Insurance		1,872	
Unemployment Compensation		28	
Employer Medicare		298	
Travel		18	
In Service/Staff Development		2,355	
Total Special Education Program			28,560

Vocational Education Program

Supervisor/Director	\$	1,937	
Social Security		120	
State Retirement		121	
Unemployment Compensation		1	
Employer Medicare		28	
Total Vocational Education Program			2,207

Transportation

Bus Drivers	\$	28,568	
Social Security		1,771	
State Retirement		2,334	
Unemployment Compensation		53	
Employer Medicare		414	
Total Transportation			33,140

Total School Federal Projects Fund \$ 1,132,915

(Continued)

Exhibit J-9

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

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	26,390	
Accountants/Bookkeepers		20,964	
Clerical Personnel		29,159	
Cafeteria Personnel		377,982	
Other Salaries and Wages		63,878	
Social Security		29,125	
State Retirement		33,747	
Unemployment Compensation		956	
Employer Medicare		6,881	
Communication		1,875	
Maintenance and Repair Services - Equipment		14,148	
Transportation - Other than Students		12,041	
Travel		303	
Other Contracted Services		14,693	
Food Supplies		537,358	
Office Supplies		4,988	
Uniforms		5,426	
Utilities		8,370	
Other Supplies and Materials		42,312	
In Service/Staff Development		1,601	
Other Charges		4,759	
Food Service Equipment		136,127	
Total Food Service			\$ 1,373,083

Total Central Cafeteria Fund \$ 1,373,083

Total Governmental Funds - Chester County School Department \$ 18,410,247

Exhibit J-10

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

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 786,357
Total Cash Receipts	<u>\$ 786,357</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 778,493
Trustee's Commission	<u>7,864</u>
Total Cash Disbursements	<u>\$ 786,357</u>
 Excess of Cash Receipts Over (Under) Cash Disbursements	 \$ 0
Cash Balance, July 1, 2007	<u>0</u>
 Cash Balance, June 30, 2008	 <u><u>\$ 0</u></u>

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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

October 23, 2008

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, 2008, which collectively comprise Chester County's basic financial statements and have issued our report thereon dated October 23, 2008. Our report on the aggregate discretely presented component units' financial statements was qualified due to not including the financial statements of the Chester County Emergency Communications District, a discretely presented component unit, which were not available from other auditors as of the date of this report. Our report on the aggregate remaining fund information financial statements was qualified due to not including the financial statements of the Chester County Library, a special revenue fund, 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Chester County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Chester County's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting: 08.01, 08.02, and 08.03.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 08.01 and 08.03 to be material weaknesses.

Compliance and Other Matters

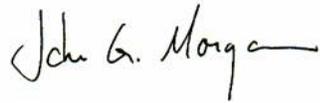
As part of obtaining reasonable assurance about whether Chester County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 two instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying Schedule of Findings and Questioned Costs as items 08.04 and 08.05.

We consider item 08.06 described in the accompanying Schedule of Findings and Questioned Costs to be a noteworthy control deficiency over financial operations. We also noted certain matters that we reported to the management of Chester County in separate communications.

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

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

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/yu

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

October 23, 2008

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, 2008. 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 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 of 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, 2008.

Internal Control Over Compliance

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

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

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Chester County as of and for the year ended June 30, 2008, and have issued our report thereon dated October 23, 2008. Our report on the aggregate discretely presented component units' financial statements was qualified due to not including the financial statements of the Chester County Emergency Communications District, a discretely presented component unit, which were not available from other auditors as of the date of this report. Our report on the aggregate remaining fund information financial

statements was qualified due to not including the financial statements of the Chester County Library, a special revenue fund, which were not available from other auditors as of the date of this report. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Chester County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

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

Yours very truly,

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

John G. Morgan
Comptroller of the Treasury

JGM/yu

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	\$ 79,288 (4)
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	138,600
National School Lunch Program	10.555	N/A	481,571 (4)
Total U.S. Department of Agriculture			<u>\$ 699,459</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants - State's Program	14.228	GG072049000	\$ 273,455
Total U.S. Department of Housing and Urban Development			<u>\$ 273,455</u>
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	Z0802274100	\$ 6,750
Total U.S. Department of Justice			<u>\$ 6,750</u>
U.S. Department of Labor:			
Passed-through Southwest Tennessee Human Resource Agency:			
WIA Youth Activities	17.259	(2)	\$ 61,095
Total U.S. Department of Labor			<u>\$ 61,095</u>
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	Z0802076800	\$ 84,776
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	450,169
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	474,856
Special Education - Preschool Grants	84.173	N/A	12,450
Vocational Education - Basic Grants to States	84.048	N/A	96,935
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	9,248
State Grants for Innovative Programs	84.298	N/A	4,280
Education Technology State Grants	84.318	(2)	5,137
Improving Teacher Quality State Grants	84.367	N/A	128,498
Total U.S. Department of Education			<u>\$ 1,266,349</u>
U.S. Department of Homeland Security:			
Passed-through State Department of the Military:			
Homeland Security Grant Program	97.067	(3)	\$ 26,542
Total U.S. Department of Homeland Security			<u>\$ 26,542</u>
Total Expenditures of Federal Awards			<u>\$ 2,333,650</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	Contract Number	Expenditures
State Grants:			
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	\$ 5,615
Litter Program - State Department of Transportation	N/A	Z0802097700	31,924
Tobacco Cessation - State Department of Health and Human Services	N/A	GG082328900	15,789
VFD Grant - State Department of Agriculture	N/A	(2)	2,274
Election Computer Equipment Grant - State Department of State	N/A	(2)	1,773
Community Enhancement Grant - Tennessee Secretary of State	N/A	(2)	4,000
Courtroom Security Grant - Administrative Office of the Courts	N/A	(2)	3,870
Computer Grant - Administrative Office of the Courts	N/A	(2)	7,459
Optional Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	7,232
Used Oil Grant - State Department of Environment and Conservation	N/A	(2)	10,388
Recycling Equipment Grant - State Department of Environment and Conservation	N/A	(2)	22,455
Safe Schools Act 2003 - State Department of Education	N/A	(2)	14,900
Family Resource Center - State Department of Education	N/A	(2)	33,299
Early Childhood Education - State Department of Education	N/A	(2)	186,288
LEAP Program - State Department of Education	N/A	(2)	18,425
Coordinated School Health - State Department of Education	N/A	(2)	95,000
AGMS - Nutrition PE Equipment - State Department of Education	N/A	(2)	3,551
ACT - Explore/Plan - State Department of Education	N/A	(2)	<u>3,912</u>
Total State Grants			<u>\$ 468,154</u>

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

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Information not available.
- (3) Z072059400: \$8,092; GG072082200: \$18,450.
- (4) Total for CFDA No. 10.555 is \$560,859.

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

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report for Chester County, Tennessee, for the year ended June 30, 2007, which have not been corrected.

OTHER FINDING

Finding Number	Page Number	Subject
07.04	141	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, 2008

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 significant deficiencies in internal control. Two of these conditions were considered to be material weaknesses.
3. The audit disclosed no instances of noncompliance that were material to the financial statements of Chester County.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555), 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 \$300,000 threshold 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. The written responses of the director of schools have been paraphrased in this report. Other officials did offer oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

CHESTER COUNTY AND CHESTER COUNTY SCHOOL DEPARTMENT

FINDING 08.01 **CHESTER COUNTY AND THE CHESTER COUNTY SCHOOL DEPARTMENT DO NOT HAVE THE RESOURCES TO PRODUCE THEIR FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS**

(Internal Control – Material Weakness Under Government Auditing Standards)

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

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

The state auditors have prepared the financial statements of most of the state's schools systems for years. This new auditing standard puts an excessive and unneeded burden on small school systems and county governments. The expertise and skills needed to correct this assumed deficiency would put an extra burden on taxpayers without any additional benefit, and this service is best provided by the state auditors and should continue as in previous years.

REBUTTAL

The preparation of the financial statements and notes to the financial statements and/or having the knowledge to determine the completeness of the financial statements and notes prepared by external auditors has always been management's responsibility. Government standard setting bodies are now placing more emphasis on this issue to encourage management to accept responsibility for their financial reports. We are recommending that at least one staff member be trained to have sufficient accounting expertise to either prepare the financial statements and disclosures or have the knowledge to determine the completeness of the statements and disclosures that the auditors prepare.

OFFICE OF ROAD SUPERVISOR

FINDING 08.02 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICE OF ROAD SUPERVISOR**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

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

RECOMMENDATION

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

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 08.03 THE GENERAL PURPOSE SCHOOL FUND REQUIRED MATERIAL AUDIT ADJUSTMENTS FOR PROPER FINANCIAL STATEMENT PRESENTATION
(Internal Control – Material Weakness Under Government Auditing Standards)

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

RECOMMENDATION

The Chester County School Department should have appropriate processes in place to ensure that its general ledgers are materially correct.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

The state's Basic Education Program funds are normally dispensed prior to the time that we close our books (the first week in July). A payment was made in late June. The final payment is always adjusted by several factors; however, we did not anticipate the amount of funding to be over the allowable limit. In the future, we will ask the state Department of Education to provide the exact amount of funding before we close the books.

FINDING 08.04 EXPENDITURES EXCEEDED APPROPRIATIONS
(Noncompliance Under Government Auditing Standards)

Total expenditures of the Central Cafeteria Fund exceeded appropriations approved by the County Commission by \$33,708. Section 5-9-401, Tennessee Code Annotated, states, "All funds from whatever source derived including, but not limited to taxes, county aid funds, federal funds, and fines that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices, and agencies of county governments shall be appropriated to such use by the county legislative bodies." This deficiency is the result of budget amendments not being presented to the County Commission for approval for two new summer feeding programs implemented in June 2008.

Therefore, management failed to hold spending within limits authorized by the County Commission.

RECOMMENDATION

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

FINDING 08.05 **AMOUNTS WITHHELD FROM CONTRACTOR PAYMENTS
WERE NOT DEPOSITED INTO AN ESCROW ACCOUNT**
(Noncompliance Under Government Auditing Standards)

The office did not deposit amounts withheld from contractor payments (\$141,765) into an escrow account. Section 66-11-144, Tennessee Code Annotated, requires that funds withheld from contractor payments be deposited into an escrow account for contracts of \$500,000 or more. Management advised that they were not aware of the aforementioned statute requiring amounts withheld from contractor payments to be deposited into an escrow account. This noncompliance could result in the loss of interest earnings for the contractor.

RECOMMENDATION

Amounts withheld from contractor payments on contracts of \$500,000 or more should be deposited into an escrow account in compliance with state statute.

OTHER FINDING AND RECOMMENDATION

FINDING 08.06 **A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND
PURCHASING HAD NOT BEEN ADOPTED**
(Internal Control – Control Deficiency Under Government Auditing
Standards)

County officials had not adopted a central system of accounting, budgeting, and purchasing. Sound business practice would indicate that establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes. The absence of a central system of accounting, budgeting, and purchasing has been a management decision by the County Commission resulting in decentralization and some duplication of effort.

RECOMMENDATION

County officials should consider adopting the County Financial Management System of 1981 or a private act, 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, 2008

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