
ANNUAL FINANCIAL REPORT CHESTER COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2009



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ANNUAL FINANCIAL REPORT
CHESTER COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2009

DEPARTMENT OF AUDIT
JUSTIN P. WILSON
Comptroller of the Treasury

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

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State Auditors

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

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Audit Highlights
Annual Financial Report
Chester County, Tennessee
For the Year Ended June 30, 2009

Scope

We have audited the basic financial statements of Chester County as of and for the year ended June 30, 2009.

Results

Our report on the aggregate discretely presented component units is qualified because the financial statements do 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 do 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 eight findings and recommendations, which we have reviewed with Chester County management. Detailed findings, recommendations and management's response 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 financial statements and notes to the financial statements.

OFFICE OF COUNTY MAYOR

- ◆ Some county funds were not invested in accordance with state statute.

OFFICE OF ROAD SUPERVISOR

- ◆ Duties were not segregated adequately in the Office of Road Supervisor.
 - ◆ The office had deficiencies in computer system backup procedures.
-

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ The School Federal Projects Fund had a deficit of \$6,089 in unreserved fund balance at June 30, 2009.
-

OFFICE OF CLERK AND MASTER

- ◆ The office did not review software audit logs.
-

OFFICES OF COUNTY MAYOR, TRUSTEE, AND SCHOOL FOOD SERVICE

- ◆ The Offices of County Mayor, Trustee and School Food Service had deficiencies in computer system backup procedures.
-

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, 2009

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
Blair Weaver, Chief Deputy - Acting Sheriff

Board of County Commissioners

Troy Kilzer, County Mayor, Chairman	Diane Jordan
Bobby Hysmith	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	

Board of Education

Dwain Seaton, Chairman
Dwight Bingham
Ronald Johnson
Samuel Jones
Bob Moore
Glenn Naylor

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FINANCIAL SECTION

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

INDEPENDENT AUDITOR'S REPORT

October 6, 2009

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, 2009, 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, 2009, 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, 2009, 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 6, 2009, 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.

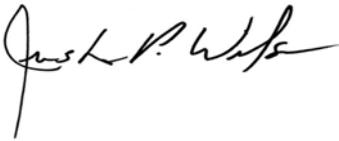
As described in Note V.B., Chester County has adopted the provisions of Governmental Accounting Standards Board Statement No. 49, Accounting and Financial Reporting for Pollution and Remediation Obligations; and Statement No. 52, Land and Other Real Estate Held as Investments by Endowments.

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

The budgetary comparison, pension, and other postemployment benefits information on pages 67 through 73 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, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a long vertical stroke extending downwards from the end.

Justin P. Wilson
Comptroller of the Treasury

JPW/yu

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BASIC FINANCIAL STATEMENTS

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Exhibit A

Chester County, Tennessee
Statement of Net Assets
June 30, 2009

	Primary Government Governmental Activities	Component Unit Chester County School Department
<u>ASSETS</u>		
Cash	\$ 251,693	\$ 0
Equity in Pooled Cash and Investments	3,897,774	3,966,212
Investments	5,611,534	0
Accounts Receivable	62,696	293
Due from Other Governments	670,678	387,986
Property Taxes Receivable	2,324,102	2,269,373
Allowance for Uncollectible Property Taxes	(96,536)	(94,259)
Accrued Interest Receivable	433	912
Deferred Charges - Debt Issuance Cost	262,672	0
Capital Assets:		
Assets Not Depreciated:		
Land	2,875,278	414,252
Construction in Progress	3,297,659	402,229
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	2,292,572	8,914,163
Infrastructure	871,691	0
Other Capital Assets	1,393,165	1,544,064
Total Assets	<u>\$ 23,715,411</u>	<u>\$ 17,805,225</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 218,874	\$ 70,098
Payroll Deductions Payable	211	4,020
Contracts Payable	702,880	0
Retainage Payable	36,849	0
Accrued Interest Payable	6,265	0
Other Current Liabilities	248	0
Deferred Revenue - Current Property Taxes	2,118,501	2,068,625
Noncurrent Liabilities:		
Due Within One Year	726,767	0
Due in More Than One Year (net of unamortized premium on debt)	13,305,192	148,849
Total Liabilities	<u>\$ 17,115,787</u>	<u>\$ 2,291,592</u>
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	\$ 6,495,439	\$ 0
Invested in Capital Assets	0	11,274,708
Restricted for:		
Debt Service	446,571	0
Solid Waste/Sanitation	476,577	0
Highway/Public Works	775,550	0
Drug Control	57,742	0
Capital Projects	6,182,319	1,390,549
School Federal Projects	0	88,171
Food Service	0	240,346
Other Purposes	55,449	4,812
Unrestricted	<u>(7,890,023)</u>	<u>2,515,047</u>
Total Net Assets	<u>\$ 6,599,624</u>	<u>\$ 15,513,633</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, 2009

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	\$ 698,418	\$ 68,897	\$ 17,525	\$ 0	\$ (611,996)	\$ 0	0
Finance	541,659	312,709	5,685	0	(223,265)	0	0
Administration of Justice	570,148	318,221	11,550	0	(240,377)	0	0
Public Safety	2,385,775	136,554	58,277	0	(2,190,944)	0	0
Public Health and Welfare	1,073,489	767,591	72,541	0	(233,357)	0	0
Social, Cultural, and Recreational Services	656,568	0	0	0	(656,568)	0	0
Agriculture and Natural Resources	84,379	0	0	0	(84,379)	0	0
Other Operations	101,101	0	0	0	(101,101)	0	0
Highways/Public Works	2,034,169	20,276	1,374,342	421,796	(217,755)	0	0
Interest on Long-term Debt	537,032	0	0	0	(537,032)	0	0
Other Debt Service	1,818,125	0	0	0	(1,818,125)	0	0
Total Primary Government	\$ 10,500,863	\$ 1,624,248	\$ 1,539,920	\$ 421,796	\$ (6,914,899)	\$ 0	0
Component Unit:							
Chester County School Department	\$ 18,132,718	\$ 522,351	\$ 2,224,088	\$ 1,792,778	\$ 0	\$ (13,593,501)	
Total Component Unit	\$ 18,132,718	\$ 522,351	\$ 2,224,088	\$ 1,792,778	\$ 0	\$ (13,593,501)	

(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	Governmental Activities	School Department	
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes				\$ 2,304,365	\$ 1,588,953
Property Taxes Levied for Debt Service				18,558	0
Local Option Sales Tax				833,423	734,648
Wheel Tax				741,698	0
Other Local Taxes				209,095	1,707
Grants and Contributions Not Restricted to Specific Programs				950,097	13,317,448
Unrestricted Investment Earnings				329,331	51,561
Miscellaneous				77,337	97,799
Total General Revenues				\$ 5,463,904	\$ 15,792,116
Change in Net Assets				\$ (1,450,995)	\$ 2,198,615
Net Assets, July 1, 2008				8,050,619	13,315,018
Net Assets, June 30, 2009				\$ 6,599,624	\$ 15,513,633

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

Chester County, Tennessee
 Balance Sheet
 Governmental Funds
 June 30, 2009

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	Education Debt Service	General Capital Projects	Other Governmental Funds	Governmental Funds	
\$	0	0	0	0	322	0	251,693
Equity in Pooled Cash and Investments	1,538,473	555,693	226,944	251,371	709,141	0	3,897,774
Investments	0	0	0	5,611,534	0	0	5,611,534
Accounts Receivable	276	0	0	0	62,420	0	62,696
Due from Other Governments	44,816	442,812	104,856	0	78,194	0	670,678
Due from Other Funds	322	0	0	1,448	34,454	0	36,224
Property Taxes Receivable	2,269,373	36,486	0	0	18,243	0	2,324,102
Allowance for Uncollectible Property Taxes	(94,259)	(1,518)	0	0	(759)	0	(96,536)
Accrued Interest Receivable	0	0	0	0	433	0	433
Total Assets	\$ 3,759,001	\$ 1,033,473	\$ 331,800	\$ 6,731,876	\$ 902,448	\$ 12,758,598	

ASSETS

Cash
 Equity in Pooled Cash and Investments
 Investments
 Accounts Receivable
 Due from Other Governments
 Due from Other Funds
 Property Taxes Receivable
 Allowance for Uncollectible Property Taxes
 Accrued Interest Receivable

Total Assets

LIABILITIES AND FUND BALANCES

Liabilities

Accounts Payable
 Payroll Deductions Payable
 Contracts Payable
 Retainage Payable
 Due to Other Funds
 Other Current Liabilities
 Deferred Revenue - Current Property Taxes
 Deferred Revenue - Delinquent Property Taxes
 Other Deferred Revenues

Total Liabilities

Fund Balances

Reserved for Encumbrances
 Reserved for Alcohol and Drug Treatment
 Reserved for Drug Court
 Reserved for Sexual Offender Registration

\$	1,695	215,000	0	0	2,179	0	218,874
0	211	0	0	0	0	0	211
0	0	0	577,580	125,300	702,880	0	702,880
0	0	0	30,399	6,450	36,849	0	36,849
0	0	0	34,454	1,770	36,224	0	36,224
0	248	0	0	0	248	0	248
2,068,625	33,250	0	0	16,626	2,118,501	0	2,118,501
93,589	1,518	0	0	758	95,865	0	95,865
26,185	116,040	52,000	0	7,900	202,125	0	202,125
\$ 2,190,094	\$ 366,267	\$ 52,000	\$ 642,433	\$ 160,983	\$ 3,411,777		

\$	0	0	0	5,407,640	165,065	0	5,572,705
2,318	0	0	0	0	0	0	2,318
11,923	0	0	0	0	0	0	11,923
1,922	0	0	0	0	0	0	1,922

(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	Governmental Funds		
\$	1,813	0	0	0	0	0	1,813	
	7,751	0	0	0	0	0	7,751	
	6,392	0	0	0	0	0	6,392	
	1,360	0	0	0	0	0	1,360	
	14,377	0	0	0	0	0	14,377	
	490	0	0	0	0	0	490	
	3,411	0	0	0	0	0	3,411	
	3,692	0	0	0	0	0	3,692	
	1,513,458	0	0	0	0	0	1,513,458	
	0	667,206	0	0	0	529,319	1,196,525	
	0	0	279,800	0	0	119,270	399,070	
	0	0	0	681,803	0	(72,189)	609,614	
	\$ 1,568,907	\$ 667,206	\$ 279,800	\$ 6,089,443	\$ 741,465	\$ 9,346,821		
	\$ 3,759,001	\$ 1,033,473	\$ 331,800	\$ 6,731,876	\$ 902,448	\$ 12,758,598		

LIABILITIES AND FUND BALANCES (Cont.)

Fund Balances (Cont.)
Reserved for Courtroom Security
Reserved for Victims Assistance Programs
Reserved for Computer System - Register
Reserved for Automation Purposes - Circuit Court
Reserved for Automation Purposes - General Sessions
Reserved for Automation Purposes - Juvenile Court
Reserved for Automation Purposes - Chancery Court
Reserved for Automation Purposes - Sheriff
Unreserved, Reported In:
General Fund
Special Revenue Funds
Debt Service Funds
Capital Projects Funds (Deficit)
Total Fund Balances

Total Liabilities and Fund Balances

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, 2009

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)		\$ 9,346,821
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 2,875,278	
Add: construction in progress	3,297,659	
Add: buildings and improvements net of accumulated depreciation	2,292,572	
Add: infrastructure net of accumulated depreciation	871,691	
Add: other capital assets net of accumulated depreciation	<u>1,393,165</u>	10,730,365
(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	\$ (208,334)	
Less: bonds payable	(13,575,000)	
Less: capital leases payable	(34,472)	
Add: deferred charges - debt issuance costs	262,672	
Less: compensated absences payable	(9,214)	
Less: landfill closure/postclosure care costs	(152,213)	
Less: other postemployment benefits liability	(14,076)	
Less: accrued interest on bonds and notes	(6,265)	
Add: deferred amount on refunding	1,008	
Less: other deferred revenue - premium on debt	<u>(39,658)</u>	(13,775,552)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>297,990</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 6,599,624</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, 2009

	Major Funds					Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	Education Debt Service	Capital Projects	Other			
					Governmental Funds	Other		
Revenues								
Local Taxes	\$ 2,709,442	\$ 36,982	\$ 687,960	\$ 0	\$ 0	\$ 710,963	\$ 4,145,347	
Fines, Forfeitures, and Penalties	86,920	0	0	0	0	29,961	116,881	
Charges for Current Services	15,686	0	0	0	0	86,845	102,531	
Other Local Revenues	267,758	86,136	0	262,510	0	538,992	1,155,396	
Fees Received from County Officials	590,325	0	0	0	0	0	590,325	
State of Tennessee	354,557	1,804,296	0	0	0	53,633	2,212,486	
Federal Government	57,331	0	0	0	0	0	57,331	
Other Governments and Citizens Groups	166,605	0	50,000	0	0	466,411	683,016	
Total Revenues	\$ 4,248,624	\$ 1,927,414	\$ 737,960	\$ 262,510	\$ 0	\$ 1,886,805	\$ 9,063,313	
Expenditures								
Current:								
General Government	\$ 823,622	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 823,622	
Finance	516,221	0	0	0	0	0	516,221	
Administration of Justice	556,972	0	0	0	0	0	556,972	
Public Safety	1,945,236	0	0	0	0	19,989	1,965,225	
Public Health and Welfare	293,306	0	0	0	0	612,380	905,686	
Social, Cultural, and Recreational Services	74,671	0	0	0	0	0	74,671	
Agriculture and Natural Resources	83,003	0	0	0	0	0	83,003	
Other Operations	98,628	0	0	15	0	9,532	108,175	
Highways	0	2,203,174	0	0	0	0	2,203,174	
Debt Service:								
Principal on Debt	0	0	530,000	0	0	168,259	698,259	
Interest on Debt	0	0	156,835	0	0	408,029	564,864	
Other Debt Service	0	0	1,836,334	0	0	5,754	1,842,088	
Capital Projects	0	0	0	2,613,129	0	1,267,811	3,880,940	
Total Expenditures	\$ 4,391,659	\$ 2,203,174	\$ 2,523,169	\$ 2,613,144	\$ 0	\$ 2,491,754	\$ 14,222,900	
Excess (Deficiency) of Revenues Over Expenditures	\$ (143,035)	\$ (275,760)	\$ (1,785,209)	\$ (2,350,634)	\$ 0	\$ (604,949)	\$ (5,159,587)	
Other Financing Sources (Uses)								
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 200,000	\$ 200,000	

(Continued)

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	Governmental Funds	
<u>Other Financing Sources (Uses) (Cont.)</u>							
Refunding Debt Issued	\$ 0	\$ 0	\$ 3,695,000	\$ 0	\$ 0	\$ 0	\$ 3,695,000
Transfers In	0	0	0	0	500,000	0	500,000
Transfers Out	0	0	0	(500,000)	0	0	(500,000)
Payments to Refunded Debt Escrow Agent	0	0	(3,659,171)	0	0	0	(3,659,171)
<u>Total Other Financing Sources (Uses)</u>	\$ 0	\$ 0	\$ 35,829	\$ (500,000)	\$ 700,000	\$ 235,829	
Net Change in Fund Balances	\$ (143,035)	\$ (275,760)	\$ (1,749,380)	\$ (2,850,634)	\$ 95,051	\$ 646,414	\$ (4,923,758)
Fund Balance, July 1, 2008	1,711,942	942,966	2,029,180	8,940,077			14,270,579
Fund Balance, June 30, 2009	\$ 1,568,907	\$ 667,206	\$ 279,800	\$ 6,089,443	\$ 741,465	\$ 9,346,821	

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, 2009

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

Net change in fund balances - total governmental funds (Exhibit C-3)		\$ (4,923,758)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$ 3,315,259	
Less: current year depreciation expense	<u>(324,737)</u>	2,990,522
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.		
Add: gain on disposal of capital assets	\$ 11,136	
Less: proceeds from sale of capital assets	<u>(17,000)</u>	(5,864)
(3) 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, 2009	\$ 297,990	
Less: deferred delinquent property taxes and other deferred June 30, 2008	<u>(312,718)</u>	(14,728)
(4) 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: note proceeds	\$ (200,000)	
Less: bond proceeds	(3,695,000)	
Add: change in premium on debt issuances	1,283	
Less: deferred amount on refunding	(161)	
Add: payment to refunding agent	3,659,171	
Add: change in deferred debt issuance costs	24,124	
Add: principal payments on capital leases	8,926	
Add: principal payments on notes	24,333	
Add: principal payments on bonds	<u>665,000</u>	487,676
(5) 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	\$ 27,832	
Change in closure/postclosure care costs	(5,117)	
Change in compensated absences payable	(884)	
Change in other postemployment benefits liability	<u>(6,674)</u>	<u>15,157</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ (1,450,995)</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, 2009

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 370,979
Due from Other Governments	<u>121,150</u>
Total Assets	<u>\$ 492,129</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 121,150
Due to Litigants, Heirs, and Others	<u>370,979</u>
Total Liabilities	<u>\$ 492,129</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, 2009

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.

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 funds:

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.

Education Capital Projects Fund – This fund is used to account for various capital projects within 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; deposit accounts at state and federal chartered banks and savings and loan associations; repurchase agreements; the State Treasurer's Investment Pool; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes.

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 Fund and the School Department's General Purpose School Fund. In addition, the primary government's General Capital Projects Fund holds investments separately. 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 2.06 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 and Other Capital Projects funds 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; 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 and 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>
<u>Primary Government</u>	
Buildings and Improvements	30
Other Capital Assets	5-15
Infrastructure:	
Roads	10-20
Bridges	15-30
<u>Discretely Presented Chester County</u>	
<u>School Department</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, other postemployment benefits, and landfill closure/postclosure care costs, are recognized to the extent that the liabilities have matured (come due for payment) each period.

6. Net Assets and Fund Equity

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

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

As of June 30, 2009, Chester County had \$3,730,000 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 adopt project length budgets. All annual appropriations lapse at fiscal year end.

The county is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the 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. Fund Deficits

The Other Capital Projects Fund had a deficit in unreserved fund balance of \$72,189 at June 30, 2009. This deficit resulted from the unperformed portions of construction contracts of \$165,065 being reserved as encumbrances. These future expenditures will be funded from Chester County and the City of Henderson.

The School Federal Projects Fund (special revenue fund) of the discretely presented Chester County School Department had a deficit in unreserved fund balance of \$6,089 at June 30, 2009. This deficit occurred because School Department personnel did not request certain grant funds for the 2008-09 year until July 2009. This deficit was liquidated when revenues were recognized after June 30, 2009.

C. Expenditures Exceeded Appropriations

Expenditures exceeded appropriations approved by the County Commission in the Crippled Children Services major appropriation category (the legal level of control) of the General Fund by \$4,168. 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; deposits at state and federal chartered banks and savings and loan associations; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; 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.

During the year, Chester County had investments in the Sevier and Blount County Public Building Authorities. These investments are not an investment type permitted by section 5-8-301, Tennessee Code Annotated. See the Schedule of Findings and Questioned Costs for further information concerning these unauthorized investments.

Investment Balances. As of June 30, 2009, 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.

Investments	Maturities	Fair Value
Sevier County Tennessee Public Building Authority	6-1-24	\$ 3,306,464
Sevier County Tennessee Public Building Authority	6-1-29	1,303,348
Blount County Tennessee Public Building Authority	6-1-32	1,001,722

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, 2009, Chester County’s investments in the Sevier County Tennessee Public Building Authority and Blount County Public Building Authority were rated Aaa, Aa2, and AA+ by Moody’s Investor’s Service and Standard and 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 public

building authority bonds. These investments are 100 percent of the county's total investments.

B. Capital Assets

Capital assets activity for the year ended June 30, 2009, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-08	Increases	Decreases	Balance 6-30-09
Capital Assets Not Depreciated:				
Land	\$ 2,872,209	\$ 3,069	\$ 0	\$ 2,875,278
Construction in Progress	433,927	2,863,732	0	3,297,659
Total Capital Assets Not Depreciated	\$ 3,306,136	\$ 2,866,801	\$ 0	\$ 6,172,937
Capital Assets Depreciated:				
Buildings and Improvements	\$ 5,385,080	\$ 194,276	\$ 0	\$ 5,579,356
Infrastructure	1,067,055	40,000	0	1,107,055
Other Capital Assets	3,762,504	214,182	(47,972)	3,928,714
Total Capital Assets Depreciated	\$ 10,214,639	\$ 448,458	\$ (47,972)	\$ 10,615,125
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 3,157,131	\$ 129,653	\$ 0	\$ 3,286,784
Infrastructure	225,442	9,922	0	235,364
Other Capital Assets	2,392,495	185,162	(42,108)	2,535,549
Total Accumulated Depreciation	\$ 5,775,068	\$ 324,737	\$ (42,108)	\$ 6,057,697
Total Capital Assets Depreciated, Net	\$ 4,439,571	\$ 123,721	\$ (5,864)	\$ 4,557,428
Governmental Activities Capital Assets, Net	\$ 7,745,707	\$ 2,990,522	\$ (5,864)	\$ 10,730,365

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		125,657
Public Health and Welfare		150,729
Social, Cultural, and Recreational Services		15,790
Agriculture and Natural Resources		1,376
Highways		<u>8,709</u>

Total Depreciation Expense - Governmental Activities \$ 324,737

Discretely Presented Chester County School Department

Governmental Activities:

	Balance 7-1-08	Increases	Balance 6-30-09
Capital Assets Not Depreciated:			
Land	\$ 414,252	\$ 0	\$ 414,252
Construction in Progress	0	402,229	402,229
Total Capital Assets Not Depreciated	<u>\$ 414,252</u>	<u>\$ 402,229</u>	<u>\$ 816,481</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 16,018,070	\$ 114,413	\$ 16,132,483
Other Capital Assets	3,053,676	357,510	3,411,186
Total Capital Assets Depreciated	<u>\$ 19,071,746</u>	<u>\$ 471,923</u>	<u>\$ 19,543,669</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 6,868,400	\$ 349,920	\$ 7,218,320
Other Capital Assets	1,635,367	231,755	1,867,122
Total Accumulated Depreciation	<u>\$ 8,503,767</u>	<u>\$ 581,675</u>	<u>\$ 9,085,442</u>
Total Capital Assets Depreciated, Net	<u>\$ 10,567,979</u>	<u>\$ (109,752)</u>	<u>\$ 10,458,227</u>
Governmental Activities Capital Assets, Net	<u>\$ 10,982,231</u>	<u>\$ 292,477</u>	<u>\$ 11,274,708</u>

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

Governmental Activities:

Instruction	\$ 389,848
Support Services	144,138
Operation of Non-Instructional Services	<u>47,689</u>
 Total Depreciation Expense - Governmental Activities	 <u><u>\$ 581,675</u></u>

C. Construction Commitments

At June 30, 2009, the General Capital Projects Fund had uncompleted construction contracts of \$5,407,640 for the construction of the new criminal justice complex. The Other Capital Projects Fund had uncompleted construction contracts of \$82,532 for the construction of a technology center. Funding has been received for these future expenditures.

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2009, is as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General	Nonmajor governmental	\$ 322
General Capital Projects	"	1,448
Nonmajor governmental	General Capital Projects	34,454
Discretely Presented School Department:		
General Purpose School	Nonmajor governmental	1,085

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 Central Cafeteria Fund (\$1,085) at June 30, 2009.

Interfund Transfers:

Interfund transfers for the year ended June 30, 2009, consisted of the following amounts:

Primary Government

Transfer Out	Transfer In Nonmajor Governmental Fund
General Capital Projects Fund	\$ 500,000

Discretely Presented Chester County School Department

Transfer Out	Transfer In General Purpose School Fund
Nonmajor governmental fund	\$ 2,184

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, 2009, were as follows:

Year Ending June 30	Governmental Funds
2010	\$ 11,083
2011	11,083
2012	11,083
2013	4,619
Total Minimum Lease Payments	\$ 37,868
Less: Amount Representing Interest	<u>(3,396)</u>
 Present Value of Minimum Lease Payments	 \$ <u><u>34,472</u></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 11 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, 2009, will be retired from the Solid Waste/Sanitation, General Debt Service, and Education Debt Service funds.

General obligation bonds, capital outlay notes, and capital leases outstanding as of June 30, 2009, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-09
General Obligation Bonds	1.25 to 5.5%	\$ 10,140,000	\$ 9,845,000
General Obligation Bonds - Refunding	1.25 to 4	4,455,000	3,730,000
Capital Outlay Notes	3.54 to 5.0379	300,000	208,334
Capital Leases	5.5	48,353	34,472

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2009, including interest payments, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2010	\$ 675,000	\$ 552,518	\$ 1,227,518
2011	695,000	531,267	1,226,267
2012	740,000	508,397	1,248,397
2013	785,000	483,800	1,268,800
2014	835,000	457,605	1,292,605
2015-2019	1,910,000	1,958,109	3,868,109
2020-2024	1,460,000	1,623,763	3,083,763
2025-2029	1,565,000	1,310,925	2,875,925
2030-2034	1,935,000	947,975	2,882,975
2035-2039	2,400,000	480,363	2,880,363
2040	575,000	27,312	602,312
Total	\$ 13,575,000	\$ 8,882,034	\$ 22,457,034

Year Ending June 30	Notes		
	Principal	Interest	Total
2010	\$ 34,334	\$ 7,460	\$ 41,794
2011	27,000	5,682	32,682
2012	27,000	4,725	31,725
2013	28,000	3,752	31,752
2014	29,000	2,744	31,744
2015-2016	63,000	2,248	65,248
Total	\$ 208,334	\$ 26,611	\$ 234,945

There is \$399,070 available in the debt service funds to service long-term debt. Bonded debt per capita totaled \$874, based on the 2000 federal census. Debt per capita, including bonds, notes, and capital leases totaled \$889, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability for the year ended June 30, 2009, was as follows:

Governmental Activities:

	Bonds	Notes	Capital Leases
Balance, July 1, 2008	\$ 14,205,000	\$ 32,667	\$ 43,398
Additions	3,695,000	200,000	0
Deductions	(4,325,000)	(24,333)	(8,926)
Balance, June 30, 2009	<u>\$ 13,575,000</u>	<u>\$ 208,334</u>	<u>\$ 34,472</u>
Balance Due Within One Year	<u>\$ 675,000</u>	<u>\$ 34,334</u>	<u>\$ 9,429</u>

	Compensated Absences	Landfill Closure/ Postclosure Care Costs	Other Postemployment Benefits
Balance, July 1, 2008	\$ 8,330	\$ 147,096	\$ 7,402
Additions	9,714	11,246	15,229
Deductions	(8,830)	(6,129)	(8,555)
Balance, June 30, 2009	<u>\$ 9,214</u>	<u>\$ 152,213</u>	<u>\$ 14,076</u>
Balance Due Within One Year	<u>\$ 9,214</u>	<u>\$ 3,791</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2009	\$ 13,992,301
Less: Balance Due Within One Year	(726,767)
Add: Unamortized Premium on Debt	<u>39,658</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 13,305,192</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. Other postemployment benefits will be paid from the employing funds, primarily the General Fund.

Current Refunding

On September 30, 2008, Chester County issued \$3,695,000 in general obligation bonds for a current refunding of \$3,660,000 of school refunding bonds. As a result, the refunded bonds are considered defeased, and the liability has been removed from the county's long-term debt. Because of the refunding, total debt service payments over the next six years will be reduced by \$100,493, and an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$79,415 was obtained.

Discretely Presented Chester County School Department

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2009, was as follows:

Governmental Activities:	Other Postemployment Benefits
Balance, July 1, 2008	\$ 70,449
Additions	131,658
Deductions	(53,258)
Balance, June 30, 2009	\$ 148,849
Balance Due Within One Year	\$ 0

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

\$4,192,399, payable semiannually through May 2016. For the current year, principal and interest paid and sales tax revenues generated by the increase were \$686,835 and \$687,960, 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, 2009, were \$27,598 and \$10,087, 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. 49, Accounting and Financial Reporting for Pollution Remediation Obligations; and Statement No. 52, Land and Other Real Estate Held as Investments by Endowments became effective for the year ended June 30, 2009.

GASB Statement No. 49 requires county governments to measure and report their pollution remediation liabilities. A county has a pollution remediation problem if one of five obligating events occurs. The statement requires governments to restate beginning net assets in government-wide and proprietary fund financial statements for pollution remediation liabilities that existed as of July 1, 2008. Previous to GASB Statement No. 49, counties were not required to measure and record pollution remediation liabilities. GASB Statement No. 49 had no effect on the financial statements of Chester County for the year ended June 30, 2009, since the county had none of the obligating events. However, it is reasonably expected that Chester County could have pollution remediation liabilities in subsequent years.

GASB Statement No. 52 requires endowments to report land and other real estate investments at fair value. Previous to Statement No. 52, land and other real estate held by endowments were reported at historical cost. Changes in fair value between years will be reported as investment income (loss). GASB Statement No. 52 had no effect on the financial statements of

Chester County for the year ended June 30, 2009, since the county had no endowment investments. However, it is reasonably expected that Chester County could have endowment investments in subsequent years.

C. Contingent Liabilities

The county is not involved in any pending litigation.

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

D. Change in Administration

Sheriff Mark Davidson died on June 25, 2009. On September 14, 2009, the County Commission appointed chief deputy Blair Weaver to serve as acting sheriff until the next general election.

E. Landfill Closure/Postclosure Care Costs

Chester County and the City of Henderson have an active permit on file with the state Department of Environment and Conservation for a sanitary landfill. The county and city have provided financial assurances for estimated postclosure liabilities as required by the State of Tennessee. These financial assurances are on file with the Department of Environment and Conservation.

State and federal laws and regulations require the city and county to place a final cover on their sanitary landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the city and county report portions of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. Chester County and the City of Henderson closed their sanitary landfill in 1997. Chester County and the City of Henderson each verbally agreed to pay 50 percent of the postclosure costs. The \$152,213 reported as postclosure care liability at June 30, 2009, represents the county's 50 percent share of the amounts based on what it would cost to perform all postclosure care in 2009. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

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 www.tn.gov/treasury/tcrs.

Funding Policy

Chester County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2009, was 7.44 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, 2009, Chester County's annual pension cost of \$422,135 to TCRS was equal to Chester County's required and actual contributions. The required contribution was determined as part of the July 1, 2007, actuarial valuation using the frozen entry age actuarial cost

method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Chester County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2007, was 13 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
6-30-09	\$422,135	100%	\$0
6-30-08	424,639	100	0
6-30-07	387,446	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 \$5 million, and the ratio of the UAAL to the covered payroll was 23.85 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

School Teachers

Plan Description

The Chester County School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979, are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. A cost of living adjustment (COLA) is provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.tn.gov/treasury/tcrs.

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, 2009, was 6.42 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, 2009, 2008, and 2007, were \$516,837, \$495,198, and \$456,639, respectively, equal to the required contributions for each year.

G. Other Postemployment Benefits (OPEB)

Plan Description

Chester County and the Chester County 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 local education employees 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://tn.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 a 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, 2009, Chester County and the discretely presented Chester County School Department contributed \$8,231 and \$50,172, respectively, for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan	Local Government Group Plan
ARC	\$ 128,488	\$ 14,896
Interest on the NPO	3,170	333

Annual OPEB Cost and Net OPEB Obligation (Cont.)

	Local Education Group Plan	Local Government Group Plan
Adjustment to the ARC	\$ (3,086)	\$ (324)
Annual OPEB cost	\$ 128,572	\$ 14,905
Less: Amount of contribution	(50,172)	(8,231)
Increase/decrease in NPO	\$ 78,400	\$ 6,674
Net OPEB obligation, 7-1-08	70,449	7,402
Net OPEB obligation, 6-30-09	\$ 148,849	\$ 14,076

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
6-30-09	Local Education Group	128,572	39	148,849
6-30-08	Local Government Group	14,727	50	7,402
6-30-09	Local Government Group	14,905	55	14,076

*Data only available for two years.

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2009, was as follows:

	Local Education Group Plan	Local Government Group Plan
Actuarial valuation date	7-1-07	7-1-07
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)	\$ 8,293,622	\$ 2,639,500
UAAL as a % of covered payroll	14%	5%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multiyear 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 July 1, 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 requires 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.

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**REQUIRED SUPPLEMENTARY
INFORMATION**

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Exhibit E-1

Chester County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Fund
For the Year Ended June 30, 2009

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,709,442	\$ 3,159,887	\$ 2,719,887	\$ (10,445)
Fines, Forfeitures, and Penalties	86,920	83,100	83,100	3,820
Charges for Current Services	15,686	11,750	11,750	3,936
Other Local Revenues	267,758	201,500	239,960	27,798
Fees Received from County Officials	590,325	576,500	576,500	13,825
State of Tennessee	354,557	229,080	243,311	111,246
Federal Government	57,331	22,000	22,000	35,331
Other Governments and Citizens Groups	166,605	137,000	137,000	29,605
Total Revenues	\$ 4,248,624	\$ 4,420,817	\$ 4,033,508	\$ 215,116
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 22,592	\$ 25,800	\$ 25,800	\$ 3,208
Board of Equalization	500	1,615	1,615	1,115
Budget and Finance Committee	0	2,153	2,153	2,153
County Mayor/Executive	215,961	216,589	216,589	628
County Attorney	7,622	8,500	8,500	878
Election Commission	146,544	137,816	154,427	7,883
Register of Deeds	125,967	127,960	127,960	1,993
County Buildings	278,923	316,913	315,533	36,610
Other General Administration	25,513	46,750	46,750	21,237
<u>Finance</u>				
Accounting and Budgeting	4,662	5,000	5,000	338
Property Assessor's Office	152,090	161,663	161,663	9,573
Reappraisal Program	15,374	15,018	15,918	544
County Trustee's Office	151,213	167,225	167,225	16,012
County Clerk's Office	192,882	201,772	201,772	8,890
<u>Administration of Justice</u>				
Circuit Court	242,229	252,894	252,894	10,665
General Sessions Court	102,005	106,687	106,687	4,682
Chancery Court	183,017	191,260	191,260	8,243
Juvenile Court	29,721	33,104	33,104	3,383
<u>Public Safety</u>				
Sheriff's Department	1,666,004	1,803,752	1,803,752	137,748
Juvenile Services	62,235	67,105	67,105	4,870
Fire Prevention and Control	109,169	143,447	143,447	34,278
Civil Defense	58,146	56,607	60,674	2,528
Rescue Squad	6,605	2,500	6,605	0
Other Emergency Management	35,989	26,375	36,108	119
County Coroner/Medical Examiner	7,088	12,000	12,000	4,912
<u>Public Health and Welfare</u>				
Local Health Center	27,537	53,700	28,675	1,138
Ambulance/Emergency Medical Services	165,113	165,113	165,113	0

(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	\$ 55,877	\$ 83,745	\$ 83,745	\$ 27,868
Crippled Children Services	8,668	1,500	4,500	(4,168)
Other Local Health Services	0	3,000	3,000	3,000
Regional Mental Health Center	15,000	0	29,100	14,100
Sanitation Education/Information	21,111	33,134	33,134	12,023
<u>Social, Cultural, and Recreational Services</u>				
Libraries	54,599	56,431	56,431	1,832
Other Social, Cultural, and Recreational	20,072	25,613	25,613	5,541
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	39,028	39,900	39,900	872
Soil Conservation	36,475	42,843	42,843	6,368
Flood Control	7,500	7,900	7,900	400
<u>Other Operations</u>				
Industrial Development	15,000	15,000	15,000	0
Veterans' Services	20,750	17,379	21,080	330
Miscellaneous	62,878	55,000	62,880	2
Total Expenditures	\$ 4,391,659	\$ 4,730,763	\$ 4,783,455	\$ 391,796
Excess (Deficiency) of Revenues				
Over Expenditures	\$ (143,035)	\$ (309,946)	\$ (749,947)	\$ 606,912
Net Change in Fund Balance				
Fund Balance, July 1, 2008	\$ 1,711,942	\$ 1,566,912	\$ 1,566,912	\$ 145,030
Fund Balance, June 30, 2009	\$ 1,568,907	\$ 1,256,966	\$ 816,965	\$ 751,942

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, 2009

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 36,982	\$ 36,250	\$ 36,250	\$ 732
Other Local Revenues	86,136	59,750	59,750	26,386
State of Tennessee	1,804,296	2,938,017	2,938,017	(1,133,721)
Total Revenues	<u>\$ 1,927,414</u>	<u>\$ 3,034,017</u>	<u>\$ 3,034,017</u>	<u>\$ (1,106,603)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 151,431	\$ 164,443	\$ 164,443	\$ 13,012
Highway and Bridge Maintenance	790,480	966,288	891,788	101,308
Operation and Maintenance of Equipment	270,212	304,000	304,000	33,788
Other Charges	66,924	80,200	80,200	13,276
Employee Benefits	254,236	234,000	254,500	264
Capital Outlay	669,891	2,135,086	2,189,086	1,519,195
Total Expenditures	<u>\$ 2,203,174</u>	<u>\$ 3,884,017</u>	<u>\$ 3,884,017</u>	<u>\$ 1,680,843</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (275,760)</u>	<u>\$ (850,000)</u>	<u>\$ (850,000)</u>	<u>\$ 574,240</u>
Net Change in Fund Balance	\$ (275,760)	\$ (850,000)	\$ (850,000)	\$ 574,240
Fund Balance, July 1, 2008	<u>942,966</u>	<u>850,000</u>	<u>850,000</u>	<u>92,966</u>
Fund Balance, June 30, 2009	<u>\$ 667,206</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 667,206</u>

Exhibit E-3

Chester County, Tennessee
Schedule of Funding Progress – Pension Plan
Primary Government and Discretely Presented Chester County School Department
June 30, 2009

(Dollar amounts in thousands)

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial 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)
6-30-08	7-1-07	\$ 10,591	\$ 11,741	\$ 1,150	90.21 %	\$ 4,821	23.85 %
6-30-09	7-1-07	10,591	11,741	1,150	90.21	4,821	23.85

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 2007-08 year; therefore, only two years of data are presented.

Exhibit E-4

Chester County, Tennessee
Schedule of Funding Progress—Other Postemployment Benefits Plans
Primary Government and the Discretely Presented Chester County School Department
June 30, 2009

(Dollar amounts in thousands)

Fiscal Year Ended*	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<u>PRIMARY GOVERNMENT</u>							
Local Government Group Plan	6-30-08	\$ 0	\$ 131	\$ 131	0%	\$ 1,862	7.04 %
"	6-30-09	0	131	131	0	1,862	7.04
<u>DISCRETELY PRESENTED CHESTER COUNTY SCHOOL DEPARTMENT</u>							
Local Education Group Plan	6-30-08	0	1,136	1,136	0	8,157	13.93
"	6-30-09	0	1,136	1,136	0	8,157	13.93

* Data only available for two years.

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CHESTER COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2009

A. BUDGETARY INFORMATION

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

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

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

B. EXPENDITURES EXCEEDED APPROPRIATIONS

Expenditures exceeded appropriations approved by the County Commission in the Crippled Children Services major appropriation category (the legal level of control) of the General Fund by \$4,168. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balance.

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

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Nonmajor Governmental Funds

Special Revenue Funds

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, 2009

	Special Revenue Funds				Total	Debt Service Fund		Capital Projects Fund		Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees			General Debt Service	Other Capital Projects			
Cash	\$ 0	\$ 0	\$ 322	\$ 322	\$ 0	\$ 0	\$ 0	\$ 0	\$ 322	
Equity in Pooled Cash and Investments	402,930	59,921	0	462,851	120,618	125,672			709,141	
Accounts Receivable	62,420	0	0	62,420	0	0			62,420	
Due from Other Governments	13,694	0	0	13,694	0	64,500			78,194	
Due from Other Funds	0	0	0	0	0	34,454			34,454	
Property Taxes Receivable	0	0	0	0	18,243	0			18,243	
Allowance for Uncollectible Property Taxes	0	0	0	0	(759)	0			(759)	
Accrued Interest Receivable	433	0	0	433	0	0			433	
Total Assets	\$ 479,477	\$ 59,921	\$ 322	\$ 539,720	\$ 138,102	\$ 224,626	\$ 0	\$ 0	\$ 902,448	

ASSETS

Cash	\$ 0
Equity in Pooled Cash and Investments	402,930
Accounts Receivable	62,420
Due from Other Governments	13,694
Due from Other Funds	0
Property Taxes Receivable	0
Allowance for Uncollectible Property Taxes	0
Accrued Interest Receivable	433
Total Assets	\$ 479,477

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			General Debt Service	Other Capital Projects			
Liabilities	\$ 0	\$ 2,179	\$ 0	\$ 2,179	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,179	
Accounts Payable	0	0	0	0	0	125,300			125,300	
Contracts Payable	0	0	0	0	0	6,450			6,450	
Retainage Payable	0	0	0	0	1,448	0			1,770	
Due to Other Funds	0	0	322	322	1,448	0			1,770	
Deferred Revenue - Current Property Taxes	0	0	0	0	16,626	0			16,626	
Deferred Revenue - Delinquent Property Taxes	0	0	0	0	758	0			758	
Other Deferred Revenues	7,900	0	0	7,900	0	0			7,900	
Total Liabilities	\$ 7,900	\$ 2,179	\$ 322	\$ 10,401	\$ 18,832	\$ 131,750	\$ 0	\$ 0	\$ 160,983	
Fund Balances	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 165,065			\$ 165,065	
Reserved for Encumbrances	471,577	57,742	0	529,319	119,270	(72,189)			576,400	
Unreserved (Deficit)	0	0	0	0	0	0			0	
Total Fund Balances	\$ 471,577	\$ 57,742	\$ 0	\$ 529,319	\$ 119,270	\$ 92,876	\$ 0	\$ 0	\$ 741,465	
Total Liabilities and Fund Balances	\$ 479,477	\$ 59,921	\$ 322	\$ 539,720	\$ 138,102	\$ 224,626	\$ 0	\$ 0	\$ 902,448	

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, 2009

	Special Revenue Funds				Total	Debt Service Fund		Capital Projects Fund		Total Nonmajor Governmental Funds	
	Solid Waste / Sanitation	Drug Control	Total	General Debt Service		Other Capital Projects	Debt Service Fund		Capital Projects Fund		
<u>Revenues</u>											
Local Taxes	\$ 131,573	\$ 0	\$ 131,573	\$ 579,390	\$ 0	\$ 0	\$ 0	\$ 0	\$ 710,963		
Fines, Forfeitures, and Penalties	0	29,961	29,961	0	0	0	0	0	29,961		
Charges for Current Services	86,845	0	86,845	0	0	0	0	0	86,845		
Other Local Revenues	536,542	2,450	538,992	0	0	0	0	0	538,992		
State of Tennessee	52,054	0	52,054	1,579	0	0	0	0	53,633		
Other Governments and Citizens Groups	0	0	0	0	466,411	0	466,411	0	466,411		
Total Revenues	\$ 807,014	\$ 32,411	\$ 839,425	\$ 580,969	\$ 466,411	\$ 466,411	\$ 1,886,805				

Expenditures

Current:									
Public Safety	\$ 0	\$ 19,989	\$ 19,989	\$ 0	\$ 0	\$ 0	\$ 19,989		
Public Health and Welfare	612,380	0	612,380	0	0	0	612,380		
Other Operations	9,395	137	9,532	0	0	0	9,532		
Debt Service:									
Principal on Debt	8,926	0	8,926	159,333	0	0	168,259		
Interest on Debt	5,264	0	5,264	402,765	0	0	408,029		
Other Debt Service	0	0	0	5,754	0	0	5,754		
Capital Projects	194,276	0	194,276	0	1,073,535	0	1,267,811		
Total Expenditures	\$ 830,241	\$ 20,126	\$ 850,367	\$ 567,852	\$ 1,073,535	\$ 2,491,754			

Excess (Deficiency) of Revenues Over Expenditures

	\$ (23,227)	\$ 12,285	\$ (10,942)	\$ 13,117	\$ (607,124)	\$ (604,949)
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Other Financing Sources (Uses)

Notes Issued	\$ 200,000	\$ 0	\$ 200,000	\$ 0	\$ 0	\$ 200,000
Transfers In	0	0	0	0	500,000	500,000
Total Other Financing Sources (Uses)	\$ 200,000	\$ 0	\$ 200,000	\$ 0	\$ 500,000	\$ 700,000

Net Change in Fund Balances Fund Balance, July 1, 2008

	\$ 176,773	\$ 12,285	\$ 189,058	\$ 13,117	\$ (107,124)	\$ 95,051
	294,804	45,457	340,261	106,153	200,000	646,414

Fund Balance, June 30, 2009

	\$ 471,577	\$ 57,742	\$ 529,319	\$ 119,270	\$ 92,876	\$ 741,465
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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, 2009

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 131,573	\$ 118,800	\$ 138,121	\$ (6,548)
Charges for Current Services	86,845	85,000	85,000	1,845
Other Local Revenues	536,542	415,000	416,490	120,052
State of Tennessee	52,054	21,000	52,783	(729)
Total Revenues	<u>\$ 807,014</u>	<u>\$ 639,800</u>	<u>\$ 692,394</u>	<u>\$ 114,620</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Convenience Centers	\$ 313,598	\$ 348,508	\$ 348,508	\$ 34,910
Recycling Center	65,805	8,500	71,336	5,531
Other Waste Disposal	225,396	300,984	298,384	72,988
Postclosure Care Costs	7,581	5,000	7,600	19
<u>Other Operations</u>				
Other Charges	2,458	16,000	16,000	13,542
Miscellaneous	6,937	10,000	10,000	3,063
<u>Principal on Debt</u>				
General Government	8,926	0	8,930	4
<u>Interest on Debt</u>				
General Government	5,264	0	5,270	6
<u>Capital Projects</u>				
General Administration Projects	194,276	0	200,000	5,724
Total Expenditures	<u>\$ 830,241</u>	<u>\$ 688,992</u>	<u>\$ 966,028</u>	<u>\$ 135,787</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (23,227)</u>	<u>\$ (49,192)</u>	<u>\$ (273,634)</u>	<u>\$ 250,407</u>
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 200,000	\$ 0	\$ 200,000	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 200,000</u>	<u>\$ 0</u>	<u>\$ 200,000</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 176,773	\$ (49,192)	\$ (73,634)	\$ 250,407
Fund Balance, July 1, 2008	<u>294,804</u>	<u>251,347</u>	<u>251,347</u>	<u>43,457</u>
Fund Balance, June 30, 2009	<u>\$ 471,577</u>	<u>\$ 202,155</u>	<u>\$ 177,713</u>	<u>\$ 293,864</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, 2009

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 29,961	\$ 11,500	\$ 11,500	\$ 18,461
Other Local Revenues	2,450	0	0	2,450
Total Revenues	<u>\$ 32,411</u>	<u>\$ 11,500</u>	<u>\$ 11,500</u>	<u>\$ 20,911</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 19,989	\$ 17,700	\$ 20,488	\$ 499
<u>Other Operations</u>				
Miscellaneous	137	125	137	0
Total Expenditures	<u>\$ 20,126</u>	<u>\$ 17,825</u>	<u>\$ 20,625</u>	<u>\$ 499</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 12,285</u>	<u>\$ (6,325)</u>	<u>\$ (9,125)</u>	<u>\$ 21,410</u>
Net Change in Fund Balance	\$ 12,285	\$ (6,325)	\$ (9,125)	\$ 21,410
Fund Balance, July 1, 2008	<u>45,457</u>	<u>39,183</u>	<u>39,183</u>	<u>6,274</u>
Fund Balance, June 30, 2009	<u>\$ 57,742</u>	<u>\$ 32,858</u>	<u>\$ 30,058</u>	<u>\$ 27,684</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, 2009

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 579,390	\$ 33,220	\$ 507,220	\$ 72,170
Other Local Revenues	0	25,000	25,000	(25,000)
State of Tennessee	1,579	1,050	1,050	529
Total Revenues	<u>\$ 580,969</u>	<u>\$ 59,270</u>	<u>\$ 533,270</u>	<u>\$ 47,699</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 159,333	\$ 59,334	\$ 159,334	\$ 1
<u>Interest on Debt</u>				
General Government	402,765	29,380	402,880	115
<u>Other Debt Service</u>				
General Government	5,754	1,000	5,756	2
Total Expenditures	<u>\$ 567,852</u>	<u>\$ 89,714</u>	<u>\$ 567,970</u>	<u>\$ 118</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 13,117</u>	<u>\$ (30,444)</u>	<u>\$ (34,700)</u>	<u>\$ 47,817</u>
Net Change in Fund Balance	\$ 13,117	\$ (30,444)	\$ (34,700)	\$ 47,817
Fund Balance, July 1, 2008	106,153	125,113	125,113	(18,960)
Fund Balance, June 30, 2009	<u>\$ 119,270</u>	<u>\$ 94,669</u>	<u>\$ 90,413</u>	<u>\$ 28,857</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, 2009

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 687,960	\$ 650,000	\$ 651,998	\$ 35,962
Other Governments and Citizens Groups	50,000	50,000	50,000	0
Total Revenues	<u>\$ 737,960</u>	<u>\$ 700,000</u>	<u>\$ 701,998</u>	<u>\$ 35,962</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
Education	\$ 530,000	\$ 505,000	\$ 530,000	\$ 0
<u>Interest on Debt</u>				
Education	156,835	173,776	173,776	16,941
<u>Other Debt Service</u>				
Education	1,836,334	9,000	1,837,622	1,288
Total Expenditures	<u>\$ 2,523,169</u>	<u>\$ 687,776</u>	<u>\$ 2,541,398</u>	<u>\$ 18,229</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (1,785,209)</u>	<u>\$ (37,776)</u>	<u>\$ (1,839,400)</u>	<u>\$ 54,191</u>
<u>Other Financing Sources (Uses)</u>				
Refunding Debt Issued	\$ 3,695,000	\$ 0	\$ 3,695,000	\$ 0
Payments to Refunded Debt Escrow Agent	(3,659,171)	0	(3,659,171)	0
Total Other Financing Sources (Uses)	<u>\$ 35,829</u>	<u>\$ 0</u>	<u>\$ 35,829</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (1,749,380)	\$ 12,224	\$ (1,803,571)	\$ 54,191
Fund Balance, July 1, 2008	<u>2,029,180</u>	<u>2,015,576</u>	<u>2,015,576</u>	<u>13,604</u>
Fund Balance, June 30, 2009	<u>\$ 279,800</u>	<u>\$ 2,027,800</u>	<u>\$ 212,005</u>	<u>\$ 67,795</u>

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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, 2009

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 370,979	\$ 370,979
Due from Other Governments	121,150	0	121,150
Total Assets	<u>\$ 121,150</u>	<u>\$ 370,979</u>	<u>\$ 492,129</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 121,150	\$ 0	\$ 121,150
Due to Litigants, Heirs, and Others	0	370,979	370,979
Total Liabilities	<u>\$ 121,150</u>	<u>\$ 370,979</u>	<u>\$ 492,129</u>

Exhibit H-2

Chester County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2009

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 792,319	\$ 792,319	\$ 0
Due from Other Governments	147,873	121,150	147,873	121,150
Total Assets	\$ 147,873	\$ 913,469	\$ 940,192	\$ 121,150
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 147,873	\$ 913,469	\$ 940,192	\$ 121,150
Total Liabilities	\$ 147,873	\$ 913,469	\$ 940,192	\$ 121,150
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 1,168,905	\$ 2,876,190	\$ 3,674,116	\$ 370,979
Total Assets	\$ 1,168,905	\$ 2,876,190	\$ 3,674,116	\$ 370,979
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 1,168,905	\$ 2,876,190	\$ 3,674,116	\$ 370,979
Total Liabilities	\$ 1,168,905	\$ 2,876,190	\$ 3,674,116	\$ 370,979
<u>Total - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 1,168,905	\$ 2,876,190	\$ 3,674,116	\$ 370,979
Equity in Pooled Cash and Investments	0	792,319	792,319	0
Due from Other Governments	147,873	121,150	147,873	121,150
Total Assets	\$ 1,316,778	\$ 3,789,659	\$ 4,614,308	\$ 492,129
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 147,873	\$ 913,469	\$ 940,192	\$ 121,150
Due to Litigants, Heirs, and Others	1,168,905	2,876,190	3,674,116	370,979
Total Liabilities	\$ 1,316,778	\$ 3,789,659	\$ 4,614,308	\$ 492,129

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, a Capital Projects Fund, 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.

Education Capital Projects Fund – The Education Capital Projects Fund is used to account for various capital projects within the School Department.

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, 2009

Functions/Programs	Program Revenues			Expenses	Net (Expense) Revenue and Changes in Net Assets	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Total	Governmental Activities
Governmental Activities:						
Instruction	\$ 10,887,193	\$ 12,410	\$ 1,151,555	\$ 1,792,778	\$	\$ (7,930,450)
Support Services	5,445,034	36,972	127,772	0		(5,280,290)
Operation of Non-Instructional Services	1,750,491	472,969	944,761	0		(332,761)
Other Debt Service	50,000	0	0	0		(50,000)
Total Governmental Activities	\$ 18,132,718	\$ 522,351	\$ 2,224,088	\$ 1,792,778	\$	\$ (13,593,501)
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes					\$	1,588,953
Local Option Sales Tax						734,648
Other Local Taxes						1,707
Grants and Contributions Not Restricted to Specific Programs						13,317,448
Unrestricted Investment Earnings						51,561
Miscellaneous						97,799
Total General Revenues					\$	\$ 15,792,116
Change in Net Assets					\$	2,198,615
Net Assets, July 1, 2008						13,315,018
Net Assets, June 30, 2009					\$	\$ 15,513,633

Exhibit I-2

Chester County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Chester County School Department
June 30, 2009

	Major Funds		Nonmajor Funds	Total Governmental Funds
	General Purpose School	Education Capital Projects	Other Governmental Funds	
<u>ASSETS</u>				
Equity in Pooled Cash and Investments	\$ 2,293,410	\$ 1,390,549	\$ 281,168	\$ 3,965,127
Accounts Receivable	293	0	0	293
Due from Other Governments	340,237	0	47,749	387,986
Due from Other Funds	1,085	0	0	1,085
Property Taxes Receivable	2,269,373	0	0	2,269,373
Allowance for Uncollectible Property Taxes	(94,259)	0	0	(94,259)
Accrued Interest Receivable	912	0	0	912
Total Assets	<u>\$ 4,811,051</u>	<u>\$ 1,390,549</u>	<u>\$ 328,917</u>	<u>\$ 6,530,517</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 70,098	\$ 0	\$ 0	\$ 70,098
Payroll Deductions Payable	3,620	0	400	4,020
Deferred Revenue - Current Property Taxes	2,068,625	0	0	2,068,625
Deferred Revenue - Delinquent Property Taxes	93,589	0	0	93,589
Other Deferred Revenues	235,590	0	0	235,590
Total Liabilities	<u>\$ 2,471,522</u>	<u>\$ 0</u>	<u>\$ 400</u>	<u>\$ 2,471,922</u>
<u>Fund Balances</u>				
Reserved for Encumbrances	\$ 10,777	\$ 395,536	\$ 0	\$ 406,313
Reserved for Career Ladder Program	4,812	0	0	4,812
Reserved for Title I Grants to Local Education Agencies	0	0	49,438	49,438
Reserved for Special Education - Grants to States	0	0	44,822	44,822
Unreserved, Reported In:				
General Fund	2,323,940	0	0	2,323,940
Special Revenue Funds	0	0	234,257	234,257
Capital Projects Funds	0	995,013	0	995,013
Total Fund Balances	<u>\$ 2,339,529</u>	<u>\$ 1,390,549</u>	<u>\$ 328,517</u>	<u>\$ 4,058,595</u>
Total Liabilities and Fund Balances	<u>\$ 4,811,051</u>	<u>\$ 1,390,549</u>	<u>\$ 328,917</u>	<u>\$ 6,530,517</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, 2009

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)		\$ 4,058,595
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 414,252	
Add: construction in progress	402,229	
Add: buildings and improvements net of accumulated depreciation	8,914,163	
Add: other capital assets net of accumulated depreciation	<u>1,544,064</u>	11,274,708
(2) Long-term liabilities are not due in the current period and therefore are not reported in the governmental funds.		
Less: other postemployment benefits liability		(148,849)
(3) Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the governmental funds.		<u>329,179</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 15,513,633</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, 2009

	<u>Major Funds</u>		<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>Education</u>	<u>Funds</u>	
			<u>Other</u>	
	<u>Purpose</u>	<u>Capital</u>	<u>Govern-</u>	<u>Governmental</u>
	<u>School</u>	<u>Projects</u>	<u>mental</u>	<u>Funds</u>
			<u>Funds</u>	<u>Funds</u>
<u>Revenues</u>				
Local Taxes	\$ 2,331,772	\$ 0	\$ 0	\$ 2,331,772
Licenses and Permits	960	0	0	960
Charges for Current Services	42,587	0	458,767	501,354
Other Local Revenues	128,074	0	54,163	182,237
State of Tennessee	13,063,674	0	14,546	13,078,220
Federal Government	152,182	0	1,988,192	2,140,374
Other Governments and Citizens Groups	0	1,792,778	0	1,792,778
Total Revenues	\$ 15,719,249	\$ 1,792,778	\$ 2,515,668	\$ 20,027,695
<u>Expenditures</u>				
Current:				
Instruction	\$ 9,274,221	\$ 0	\$ 886,275	\$ 10,160,496
Support Services	5,450,095	0	229,761	5,679,856
Operation of Non-Instructional Services	187,449	0	1,311,654	1,499,103
Capital Outlay	453,724	402,229	0	855,953
Debt Service:				
Other Debt Service	50,000	0	0	50,000
Total Expenditures	\$ 15,415,489	\$ 402,229	\$ 2,427,690	\$ 18,245,408
Excess (Deficiency) of Revenues	\$ 303,760	\$ 1,390,549	\$ 87,978	\$ 1,782,287
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 13,324	\$ 0	\$ 0	\$ 13,324
Transfers In	2,184	0	0	2,184
Transfers Out	0	0	(2,184)	(2,184)
Total Other Financing Sources (Uses)	\$ 15,508	\$ 0	\$ (2,184)	\$ 13,324
Net Change in Fund Balances	\$ 319,268	\$ 1,390,549	\$ 85,794	\$ 1,795,611
Fund Balance, July 1, 2008	2,020,261	0	242,723	2,262,984
Fund Balance, June 30, 2009	\$ 2,339,529	\$ 1,390,549	\$ 328,517	\$ 4,058,595

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, 2009

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)		\$ 1,795,611
<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	\$ 874,152	
Less: current year depreciation expense	<u>(581,675)</u>	292,477
<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, 2009	\$ 329,179	
Less: deferred delinquent property taxes and other deferred June 30, 2008	<u>(140,252)</u>	188,927
<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>		
Change in other postemployment benefits liability		<u>(78,400)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 2,198,615</u>

Exhibit I-6

Chester County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Chester County School Department
June 30, 2009

	<u>Special Revenue Funds</u>		Total
	School Federal Projects	Central Cafeteria	Nonmajor Governmental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 86,315	\$ 194,853	\$ 281,168
Due from Other Governments	2,256	45,493	47,749
Total Assets	<u>\$ 88,571</u>	<u>\$ 240,346</u>	<u>\$ 328,917</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Payroll Deductions Payable	\$ 400	\$ 0	\$ 400
Total Liabilities	<u>\$ 400</u>	<u>\$ 0</u>	<u>\$ 400</u>
<u>Fund Balances</u>			
Reserved for Title I Grants to Local Education Agencies	\$ 49,438	\$ 0	\$ 49,438
Reserved for Special Education - Grants to States	44,822	0	44,822
Unreserved (Deficit)	(6,089)	240,346	234,257
Total Fund Balances	<u>\$ 88,171</u>	<u>\$ 240,346</u>	<u>\$ 328,517</u>
Total Liabilities and Fund Balances	<u>\$ 88,571</u>	<u>\$ 240,346</u>	<u>\$ 328,917</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, 2009

	<u>Special Revenue Funds</u>		Total
	School Federal Projects	Central Cafeteria	Nonmajor Governmental Funds
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 458,767	\$ 458,767
Other Local Revenues	0	54,163	54,163
State of Tennessee	0	14,546	14,546
Federal Government	1,175,480	812,712	1,988,192
Total Revenues	<u>\$ 1,175,480</u>	<u>\$ 1,340,188</u>	<u>\$ 2,515,668</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 886,275	\$ 0	\$ 886,275
Support Services	229,761	0	229,761
Operation of Non-Instructional Services	0	1,311,654	1,311,654
Total Expenditures	<u>\$ 1,116,036</u>	<u>\$ 1,311,654</u>	<u>\$ 2,427,690</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 59,444</u>	<u>\$ 28,534</u>	<u>\$ 87,978</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	\$ (2,184)	\$ 0	\$ (2,184)
Total Other Financing Sources (Uses)	<u>\$ (2,184)</u>	<u>\$ 0</u>	<u>\$ (2,184)</u>
Net Change in Fund Balances	\$ 57,260	\$ 28,534	\$ 85,794
Fund Balance, July 1, 2008	30,911	211,812	242,723
Fund Balance, June 30, 2009	<u>\$ 88,171</u>	<u>\$ 240,346</u>	<u>\$ 328,517</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, 2009

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2008	Add: Encumbrances 6/30/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 2,331,772	\$ 0	\$ 0	\$ 2,331,772	\$ 2,296,800	\$ 2,239,200	\$ 92,572
Licenses and Permits	960	0	0	960	1,000	1,000	(40)
Charges for Current Services	42,587	0	0	42,587	36,500	36,500	6,087
Other Local Revenues	128,074	0	0	128,074	124,000	104,338	23,736
State of Tennessee	13,063,674	0	0	13,063,674	13,047,685	13,115,884	(53,207)
Federal Government	152,182	0	0	152,182	118,700	120,294	31,888
Total Revenues	\$ 15,719,249	\$ 0	\$ 0	\$ 15,719,249	\$ 15,624,685	\$ 15,617,216	\$ 100,516
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 7,595,576	\$ (39,015)	\$ 0	\$ 7,556,561	\$ 7,805,350	\$ 7,827,564	\$ 271,003
Special Education Program	1,018,777	0	0	1,018,777	1,038,600	1,058,600	39,823
Vocational Education Program	542,351	0	0	542,351	555,300	555,300	12,949
Student Body Education Program	47,000	0	0	47,000	47,000	47,000	0
Adult Education Program	70,517	0	0	70,517	79,820	81,945	11,428
<u>Support Services</u>							
Attendance	59,647	0	0	59,647	62,000	62,000	2,353
Health Services	146,776	0	0	146,776	149,149	152,487	5,711
Other Student Support	334,477	0	0	334,477	353,180	353,180	18,703
Regular Instruction Program	553,899	0	0	553,899	585,790	585,790	31,891
Special Education Program	118,194	0	0	118,194	122,760	122,760	4,566
Vocational Education Program	602	0	0	602	4,000	4,000	3,398
Adult Programs	105,695	0	0	105,695	108,900	108,900	3,205
Other Programs	37,685	0	0	37,685	0	37,685	0

(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 7/1/2008	Add: Encumbrances 6/30/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Board of Education	\$ 295,461	\$ 0	484	\$ 295,945	\$ 308,130	\$ 323,130	\$ 27,185
Director of Schools	153,578	0	0	153,578	165,110	165,110	11,532
Office of the Principal	935,047	0	0	935,047	988,410	988,410	53,363
Fiscal Services	91,229	0	0	91,229	94,010	94,010	2,781
Operation of Plant	1,242,892	0	2,000	1,244,892	1,277,730	1,287,730	42,838
Maintenance of Plant	365,128	0	0	365,128	389,180	409,180	44,052
Transportation	1,009,785	(153,208)	0	856,577	982,200	991,486	134,909
<u>Operation of Non-Instructional Services</u>							
Community Services	8,475	0	0	8,475	12,910	12,910	4,435
Early Childhood Education	178,974	0	8,293	187,267	196,285	196,285	9,018
<u>Capital Outlay</u>							
Regular Capital Outlay	453,724	(47,613)	0	406,111	200,000	413,500	7,389
<u>Principal on Debt</u>							
Education	0	0	0	0	37,200	0	0
Interest on Debt	0	0	0	0	12,800	0	0
Education	0	0	0	0	12,800	0	0
<u>Other Debt Service</u>							
Education	50,000	0	0	50,000	0	50,000	0
<u>Total Expenditures</u>	<u>\$ 15,415,489</u>	<u>\$ (239,836)</u>	<u>\$ 10,777</u>	<u>\$ 15,186,430</u>	<u>\$ 15,575,814</u>	<u>\$ 15,927,445</u>	<u>\$ 742,532</u>
<u>Excess (Deficiency) of Revenues</u>							
<u>Over Expenditures</u>	\$ 303,760	\$ 239,836	(10,777)	\$ 532,819	\$ 48,871	(310,229)	\$ 843,048

(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 7/1/2008	Add: Encumbrances 6/30/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 13,324	0	0	13,324	0	0	13,324
Transfers In	2,184	0	0	2,184	0	0	2,184
Total Other Financing Sources (Uses)	\$ 15,508	0	0	15,508	0	0	15,508
Net Change in Fund Balance Fund Balance, July 1, 2008	\$ 319,268	239,836	(10,777)	548,327	48,871	(310,229)	858,556
	2,020,261	(239,836)	0	1,780,425	1,956,715	1,956,715	(176,290)
Fund Balance, June 30, 2009	\$ 2,339,529	0	(10,777)	2,328,752	2,005,586	1,646,486	682,266

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, 2009

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Federal Government	\$ 1,175,480 \$	0 \$	1,175,480 \$	1,353,784 \$	1,336,785 \$	(161,305)
Total Revenues	\$ 1,175,480 \$	0 \$	1,175,480 \$	1,353,784 \$	1,336,785 \$	(161,305)
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 496,037 \$	(18,501) \$	477,536 \$	572,795 \$	601,615 \$	124,079
Special Education Program	361,935	0	361,935	419,359	430,760	68,825
Vocational Education Program	28,303	0	28,303	26,731	28,303	0
<u>Support Services</u>						
Health Services	23,787	0	23,787	31,658	30,879	7,092
Other Student Support	19,428	0	19,428	21,000	19,428	0
Regular Instruction Program	122,305	0	122,305	204,927	159,018	36,713
Special Education Program	28,367	0	28,367	41,686	33,864	5,497
Vocational Education Program	2,250	0	2,250	2,250	2,250	0
Transportation	33,624	0	33,624	38,895	37,861	4,237
Total Expenditures	\$ 1,116,036 \$	(18,501) \$	1,097,535 \$	1,359,301 \$	1,343,978 \$	246,443
Excess (Deficiency) of Revenues Over Expenditures	\$ 59,444 \$	18,501 \$	77,945 \$	(5,517) \$	(7,193) \$	85,138
<u>Other Financing Sources (Uses)</u>						
Transfers Out	(2,184) \$	0 \$	(2,184) \$	(6,892) \$	(5,219) \$	3,035
Total Other Financing Sources (Uses)	(2,184) \$	0 \$	(2,184) \$	(6,892) \$	(5,219) \$	3,035
Net Change in Fund Balance Fund Balance, July 1, 2008	\$ 57,260 \$	18,501 \$	75,761 \$	(12,409) \$	(12,412) \$	88,173
	30,911	(18,501)	12,410	12,409	12,412	2
Fund Balance, June 30, 2009	\$ 88,171 \$	0 \$	88,171 \$	0 \$	0 \$	88,171

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, 2009

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 458,767	\$ 409,500	\$ 480,000	\$ (21,233)
Other Local Revenues	54,163	35,000	39,500	14,663
State of Tennessee	14,546	14,500	14,500	46
Federal Government	812,712	643,940	643,940	168,772
Total Revenues	<u>\$ 1,340,188</u>	<u>\$ 1,102,940</u>	<u>\$ 1,177,940</u>	<u>\$ 162,248</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 1,311,654	\$ 1,258,009	\$ 1,345,159	\$ 33,505
Total Expenditures	<u>\$ 1,311,654</u>	<u>\$ 1,258,009</u>	<u>\$ 1,345,159</u>	<u>\$ 33,505</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 28,534</u>	<u>\$ (155,069)</u>	<u>\$ (167,219)</u>	<u>\$ 195,753</u>
Net Change in Fund Balance	\$ 28,534	\$ (155,069)	\$ (167,219)	\$ 195,753
Fund Balance, July 1, 2008	<u>211,812</u>	<u>205,428</u>	<u>205,428</u>	<u>6,384</u>
Fund Balance, June 30, 2009	<u>\$ 240,346</u>	<u>\$ 50,359</u>	<u>\$ 38,209</u>	<u>\$ 202,137</u>

Exhibit I-11

Chester County, Tennessee
Statement of Fiduciary Net Assets
Fiduciary Fund
Discretely Presented Chester County School Department
June 30, 2009

	<u>Other Trust Fund</u> <u>Private Purpose Trust Fund</u>
<u>ASSETS</u>	
Equity in Pooled Cash and Investments	\$ 101,400
Total Assets	<u>\$ 101,400</u>
<u>NET ASSETS</u>	
Funds Held in Trust for College Scholarships for Chester County Students	<u>\$ 101,400</u>
Total Net Assets	<u><u>\$ 101,400</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, 2009

	<u>Other Trust Fund Private Purpose Trust Fund</u>
<u>ADDITIONS</u>	
<u>Other Local Revenues</u>	
Investment Income	\$ 2,012
Total Additions	<u>\$ 2,012</u>
<u>DEDUCTIONS</u>	
<u>Miscellaneous</u>	
Other Charges	\$ 4,000
Total Deductions	<u>\$ 4,000</u>
Change in Net Assets	\$ (1,988)
Net Assets, July 1, 2008	<u>103,388</u>
Net Assets, June 30, 2009	<u><u>\$ 101,400</u></u>

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, 2009

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-08	Issued During Period	Paid and/or Matured During Period	Bonds Refunded	Outstanding 6-30-09
NOTES PAYABLE									
<u>Payable through General Debt Service Fund</u>									
Library Construction	\$ 150,000	4.6 to 5.75%	6-9-1997	6-1-09	\$ 16,000	0 \$	16,000 \$	0 \$	0
Nursing Home Improvement	100,000	5.0379	2-11-1999	2-11-10	16,667	0	8,333	0	8,334
Total Payable through General Debt Service Fund					\$ 32,667	0 \$	24,333 \$	0 \$	8,334
<u>Payable through Solid Waste/Sanitation Fund</u>									
Recycling Building	200,000	3.54	12-23-08	12-1-15	0	200,000	0	0	200,000
Total Payable through Solid Waste/Sanitation Fund					0	200,000	0	0	200,000
Total Notes Payable					\$ 32,667	200,000 \$	24,333 \$	0 \$	208,334
CAPITAL LEASES PAYABLE									
<u>Payable through Solid Waste/Sanitation Fund</u>									
Backhoe	48,353	5.5	11-27-07	11-27-12	43,398	0	8,926	0	34,472
Total Capital Leases Payable					\$ 43,398	0 \$	8,926 \$	0 \$	34,472
BONDS PAYABLE									
<u>Payable through General Debt Service Fund</u>									
Courthouse Renovations	840,000	1.25 to 4.5	3-1-03	5-1-23	680,000	0	35,000	0	645,000
Jail and Vo-Tech School	9,300,000	3 to 5.5	6-30-08	6-1-40	9,300,000	0	100,000	0	9,200,000
Total Payable through General Debt Service Fund					\$ 9,980,000	0 \$	135,000 \$	0 \$	9,845,000
<u>Payable through Education Debt Service Fund</u>									
School Refunding	7,230,000	4 to 6	11-1-1998	5-1-09	3,675,000	0	15,000	3,660,000	0
School Refunding	760,000	1.25 to 4	3-1-03	5-1-16	550,000	0	45,000	0	505,000
School Refunding Bond, Series 2008	3,695,000	3.23	9-30-08	4-1-15	0	3,695,000	470,000	0	3,225,000
Total Payable through Education Debt Service Fund					\$ 4,225,000	3,695,000 \$	530,000 \$	3,660,000 \$	3,730,000
Total Bonds Payable					\$ 14,205,000	3,695,000 \$	665,000 \$	3,660,000 \$	13,575,000

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
2010	\$ 34,334	\$ 7,460	\$ 41,794
2011	27,000	5,682	32,682
2012	27,000	4,725	31,725
2013	28,000	3,752	31,752
2014	29,000	2,744	31,744
2015	31,000	1,682	32,682
2016	32,000	566	32,566
Total	\$ 208,334	\$ 26,611	\$ 234,945

Year Ending June 30	Lease Principal	Lease Interest	Total Capital Lease Requirements
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	\$ 34,472	\$ 3,396	\$ 37,868

Year Ending June 30	Bond Principal	Bond Interest	Total Bond Requirements
2010	\$ 675,000	\$ 552,518	\$ 1,227,518
2011	695,000	531,267	1,226,267
2012	740,000	508,397	1,248,397
2013	785,000	483,800	1,268,800
2014	835,000	457,605	1,292,605
2015	870,000	429,169	1,299,169
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 (Cont.)	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	\$ 13,575,000	\$ 8,882,034	\$ 22,457,034

Exhibit J-3

Chester County, Tennessee
Schedule of Investments
June 30, 2009

<u>Fund and Type</u>	<u>Amount</u>
<u>General Capital Projects Fund</u>	
Sevier County Tennessee Public Building Authority	\$ 4,609,812
Blount County Tennessee Public Building Authority	<u>1,001,722</u>
Total Investments	<u>\$ 5,611,534</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, 2009

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
General Capital Projects	Other Capital Projects	Technology Center	\$ 500,000
Total Transfers Primary Government			\$ 500,000
<u>DISCRETELY PRESENTED</u> <u>CHESTER COUNTY SCHOOL DEPARTMENT</u>			
School Federal Projects	General Purpose School	Indirect costs	\$ 2,184
Total Transfers Discretely Presented Chester County School Department			\$ 2,184

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, 2009

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 73,511 (1)	\$ 50,000	State Automobile Mutual Insurance Company
Road Supervisor	Section 8-24-102, <u>TCA</u>	65,874	100,000 "	
Director of Schools	State Board of Education and Chester County Board of Education	80,946 (2)	150,000	Tennessee Risk Management Trust
Trustee	Section 8-24-102, <u>TCA</u>	60,751 (1)	525,000	State Automobile Mutual Insurance Company
Assessor of Property	Section 8-24-102, <u>TCA</u>	60,751 (1)	10,000 "	
County Clerk	Section 8-24-102, <u>TCA</u>	57,751	50,000 "	
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	60,751 (1)	50,000 "	
Clerk and Master	Section 8-24-102, <u>TCA</u>	57,751	65,000 "	
Register	Section 8-24-102, <u>TCA</u>	60,751 (1)	25,000 "	
Sheriff:				
Mark Davidson (7-1-08 through 6-25-09)	Section 8-24-102, <u>TCA</u>	62,645 (3)	25,000 "	
Vacant (6-26-09 through 6-30-09)				
Employee Blanket Bonds:				
Public Employee Dishonesty - County Departments			150,000	Tennessee Risk Management Trust
Public Employee Dishonesty - School Departments			150,000 "	

- (1) Includes a certified public administrator supplement of \$3,000 as provided by Section 5-1-310, TCA.
- (2) Includes a chief executive officer training supplement of \$1,000 and a one time state bonus of \$400.
- (3) Does not include a law enforcement training supplement of \$600 and a clothing allowance of \$500.

Exhibit J-6

Chester County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2009

	Special Revenue Funds					Debt Service Funds			Capital Projects Funds			Total
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	General Debt Service	Education Debt Service	General Capital Projects	Other Capital Projects				
Local Taxes												
<u>County Property Taxes</u>												
Current Property Tax	\$ 2,138,742	\$ 0	\$ 0	\$ 34,288	\$ 17,144	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,190,174
Discount on Property Taxes	(18,226)	0	0	(303)	(144)	0	0	0	0	0	0	(18,673)
Trustee's Collections - Prior Year	84,782	13,962	0	1,800	900	0	0	0	0	0	0	101,444
Trustee's Collections - Bankruptcy	47	7	0	1	0	0	0	0	0	0	0	55
Circuit/Clerk & Master Collections - Prior Years	36,551	3,615	0	475	600	0	0	0	0	0	0	41,241
Interest and Penalty	16,274	2,077	0	290	154	0	0	0	0	0	0	18,795
<u>County Local Option Taxes</u>												
Local Option Sales Tax	68,998	74,065	0	0	0	687,960	0	0	0	0	0	831,023
Hotel/Motel Tax	12,652	0	0	0	0	0	0	0	0	0	0	12,652
Wheel Tax	198,076	0	0	0	543,622	0	0	0	0	0	0	741,698
Litigation Tax - General	46,113	0	0	0	0	0	0	0	0	0	0	46,113
Litigation Tax - Special Purpose	3,609	0	0	0	0	0	0	0	0	0	0	3,609
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	16,898	0	0	0	0	0	0	16,898
Business Tax	76,638	0	0	0	0	0	0	0	0	0	0	76,638
<u>Statutory Local Taxes</u>												
Bank Excise Tax	26,723	0	0	431	216	0	0	0	0	0	0	27,370
Wholesale Beer Tax	17,404	37,847	0	0	0	0	0	0	0	0	0	55,251
Interstate Telecommunications Tax	1,059	0	0	0	0	0	0	0	0	0	0	1,059
Total Local Taxes	\$ 2,709,442	\$ 131,573	\$ 0	\$ 36,982	\$ 579,390	\$ 687,960	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,145,347
<u>Fines, Forfeitures, and Penalties</u>												
<u>Circuit Court</u>												
Fines	\$ 4,344	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,344
Officers Costs	1,605	0	0	0	0	0	0	0	0	0	0	1,605
Drug Control Fines	0	0	71	0	0	0	0	0	0	0	0	71
Drug Court Fees	130	0	66	0	0	0	0	0	0	0	0	196
Jail Fees	723	0	0	0	0	0	0	0	0	0	0	723
DUI Treatment Fines	95	0	0	0	0	0	0	0	0	0	0	95
Data Entry Fee - Circuit Court	294	0	0	0	0	0	0	0	0	0	0	294
Victims Assistance Assessments	694	0	0	0	0	0	0	0	0	0	0	694

(Continued)

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

	Special Revenue Funds				Debt Service Funds			Capital Projects Funds			Total
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	General Debt Service	Education Debt Service	General Capital Projects	Other Capital Projects			
<u>Fines, Forfeitures, and Penalties (Cont.)</u>											
<u>General Sessions Court</u>											
Fines	\$ 26,640	\$ 0	\$ 1,493	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 28,133
Officers Costs	19,827	0	0	0	0	0	0	0	0	0	19,827
Game and Fish Fines	484	0	256	0	0	0	0	0	0	0	740
Drug Control Fines	0	0	8,774	0	0	0	0	0	0	0	8,774
Drug Court Fees	2,616	0	1,605	0	0	0	0	0	0	0	4,221
Jail Fees	7,800	0	0	0	0	0	0	0	0	0	7,800
DUI Treatment Fines	2,318	0	0	0	0	0	0	0	0	0	2,318
Data Entry Fee - General Sessions Court	3,195	0	0	0	0	0	0	0	0	0	3,195
Courtroom Security Fee	1,643	0	0	0	0	0	0	0	0	0	1,643
Victims Assistance Assessments	10,751	0	0	0	0	0	0	0	0	0	10,751
<u>Juvenile Court</u>											
Fines	294	0	0	0	0	0	0	0	0	0	294
Officers Costs	1,929	0	0	0	0	0	0	0	0	0	1,929
Data Entry Fee - Juvenile Court	214	0	0	0	0	0	0	0	0	0	214
<u>Chancery Court</u>											
Officers Costs	420	0	0	0	0	0	0	0	0	0	420
Data Entry Fee - Chancery Court	896	0	0	0	0	0	0	0	0	0	896
<u>Judicial District Drug Program</u>											
Drug Task Force Forfeitures and Seizures	0	0	14,124	0	0	0	0	0	0	0	14,124
Courtroom Security Fee	8	0	0	0	0	0	0	0	0	0	8
<u>Other Fines, Forfeitures, and Penalties</u>											
Proceeds from Confiscated Property	0	0	3,572	0	0	0	0	0	0	0	3,572
Total Fines, Forfeitures, and Penalties	\$ 86,920	\$ 0	\$ 29,961	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 116,881
<u>Charges for Current Services</u>											
<u>General Service Charges</u>											
Convenience Waste Centers Collection Charge	\$ 0	\$ 85,919	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 85,919
Solid Waste Disposal Fees	10	926	0	0	0	0	0	0	0	0	936
<u>Fees</u>											
Copy Fees	44	0	0	0	0	0	0	0	0	0	44

(Continued)

Exhibit J-6

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

	Special Revenue Funds					Debt Service Funds			Capital Projects Funds			Total
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	General Debt Service	Education Debt Service	General Capital Projects	Other Capital Projects				
									General	Capital Projects		
<u>Charges for Current Services (Cont.)</u>												
<u>Fees (Cont.)</u>												
Telephone Commissions	\$ 4,675	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,675
Vending Machine Collections	1,594	0	0	0	0	0	0	0	0	0	0	1,594
Data Processing Fee - Register	5,778	0	0	0	0	0	0	0	0	0	0	5,778
Data Processing Fee - Sheriff	2,213	0	0	0	0	0	0	0	0	0	0	2,213
Sexual Offender Registration Fees - Sheriff	1,372	0	0	0	0	0	0	0	0	0	0	1,372
Total Charges for Current Services	\$ 15,686	\$ 86,845	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 102,531
<u>Other Local Revenues</u>												
<u>Recurring Items</u>												
Investment Income	\$ 12,263	\$ 36,207	\$ 0	\$ 18,351	\$ 0	\$ 0	\$ 262,510	\$ 0	\$ 0	\$ 0	\$ 0	\$ 329,331
Lease/Rentals	182,032	434,077	0	0	0	0	0	0	0	0	0	616,109
Sale of Gasoline	0	0	0	3,190	0	0	0	0	0	0	0	3,190
Sale of Maps	1,098	0	0	0	0	0	0	0	0	0	0	1,098
Sale of Recycled Materials	0	64,627	0	0	0	0	0	0	0	0	0	64,627
Miscellaneous Refunds	24,914	1,631	2,000	47,509	0	0	0	0	0	0	0	76,054
<u>Nonrecurring Items</u>												
Contributions and Gifts	47,451	0	0	0	0	0	0	0	0	0	0	47,451
<u>Other Local Revenues</u>												
Other Local Revenues	0	0	450	17,086	0	0	0	0	0	0	0	17,536
Total Other Local Revenues	\$ 267,758	\$ 536,542	\$ 2,450	\$ 86,136	\$ 0	\$ 0	\$ 262,510	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,155,396
<u>Fees Received from County Officials</u>												
<u>Fees in-Lieu-of Salary</u>												
County Clerk	\$ 146,281	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 146,281
Circuit Court Clerk	32,775	0	0	0	0	0	0	0	0	0	0	32,775
General Sessions Court Clerk	102,560	0	0	0	0	0	0	0	0	0	0	102,560
Clerk and Master	56,561	0	0	0	0	0	0	0	0	0	0	56,561
Juvenile Court Clerk	13,016	0	0	0	0	0	0	0	0	0	0	13,016
Register	63,119	0	0	0	0	0	0	0	0	0	0	63,119
Sheriff	10,727	0	0	0	0	0	0	0	0	0	0	10,727

(Continued)

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

	Special Revenue Funds					Debt Service Funds			Capital Projects Funds			Total
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	General Debt Service	Education Debt Service	General Capital Projects	Other Capital Projects	Total			
									General	Other		
<u>Fees Received from County Officials (Cont.)</u>												
Fees in-Lieu-of Salary (Cont.)												
Trustee	\$ 165,286	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 165,286
Total Fees Received from County Officials	\$ 590,325	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 590,325
<u>State of Tennessee</u>												
<u>General Government Grants</u>												
Juvenile Services Program	\$ 11,550	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,550
State Reappraisal Grant	5,685	0	0	0	0	0	0	0	0	0	0	5,685
<u>Public Safety Grants</u>												
Law Enforcement Training Programs	7,200	0	0	0	0	0	0	0	0	0	0	7,200
<u>Public Works Grants</u>												
Bridge Program	0	0	0	210,732	0	0	0	0	0	0	0	210,732
State Aid Program	0	0	0	211,064	0	0	0	0	0	0	0	211,064
Litter Program	25,802	0	0	0	0	0	0	0	0	0	0	25,802
<u>Other State Revenues</u>												
Income Tax	8,256	1,179	0	152	76	0	0	0	0	0	0	9,663
Beer Tax	18,701	0	0	0	0	0	0	0	0	0	0	18,701
Alcoholic Beverage Tax	27,964	0	0	0	0	0	0	0	0	0	0	27,964
Mixed Drink Tax	982	0	0	0	0	0	0	0	0	0	0	982
State Revenue Sharing - T.V.A.	166,392	20,000	0	3,006	1,503	0	0	0	0	0	0	190,901
Contracted Prisoner Boarding	64,500	0	0	0	0	0	0	0	0	0	0	64,500
Gasoline and Motor Fuel Tax	0	0	0	1,366,862	0	0	0	0	0	0	0	1,366,862
Petroleum Special Tax	0	0	0	12,480	0	0	0	0	0	0	0	12,480
Registrar's Salary Supplement	14,912	0	0	0	0	0	0	0	0	0	0	14,912
Other State Grants	0	30,875	0	0	0	0	0	0	0	0	0	30,875
Other State Revenues	2,613	0	0	0	0	0	0	0	0	0	0	2,613
Total State of Tennessee	\$ 354,557	\$ 52,054	\$ 0	\$ 1,804,296	\$ 1,579	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,212,486
<u>Federal Government</u>												
<u>Federal Through State</u>												
Community Development	\$ 1,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,000

(Continued)

Exhibit J-6

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

	Special Revenue Funds				Debt Service Funds			Capital Projects Funds			Total
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	General Debt Service	Education Debt Service	General Capital Projects	Other Capital Projects			
<u>Federal Government (Cont.)</u>											
Federal Through State (Cont.)											
Civil Defense Reimbursement	\$ 34,745	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 34,745
Homeland Security Grants	15,332	0	0	0	0	0	0	0	0	0	15,332
<u>Direct Federal Revenue</u>	6,254	0	0	0	0	0	0	0	0	0	6,254
Other Direct Federal Revenue											
Total Federal Government	\$ 57,331	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 57,331
<u>Other Governments and Citizens Groups</u>											
Other Governments											
Contributions	\$ 166,605	\$ 0	\$ 0	\$ 0	\$ 0	\$ 50,000	\$ 0	\$ 466,411	\$ 0	\$ 0	\$ 683,016
Total Other Governments and Citizens Groups	\$ 166,605	\$ 0	\$ 0	\$ 0	\$ 0	\$ 50,000	\$ 0	\$ 466,411	\$ 0	\$ 0	\$ 683,016
Total	\$ 4,248,624	\$ 807,014	\$ 32,411	\$ 1,927,414	\$ 580,969	\$ 737,960	\$ 262,510	\$ 466,411	\$ 0	\$ 0	\$ 9,063,313

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, 2009

	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Total
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 1,444,738	\$ 0	\$ 0	\$ 0	\$ 1,444,738
Trustee's Collections - Prior Year	78,425	0	0	0	78,425
Trustee's Collections - Bankruptcy	37	0	0	0	37
Circuit/Clerk & Master Collections - Prior Years	29,850	0	0	0	29,850
Interest and Penalty	12,416	0	0	0	12,416
<u>County Local Option Taxes</u>					
Local Option Sales Tax	746,281	0	0	0	746,281
<u>Statutory Local Taxes</u>					
Bank Excise Tax	18,318	0	0	0	18,318
Interstate Telecommunications Tax	1,707	0	0	0	1,707
Total Local Taxes	\$ 2,331,772	\$ 0	\$ 0	\$ 0	\$ 2,331,772
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 960	\$ 0	\$ 0	\$ 0	\$ 960
Total Licenses and Permits	\$ 960	\$ 0	\$ 0	\$ 0	\$ 960
<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Tuition - Regular Day Students	\$ 9,500	\$ 0	\$ 0	\$ 0	\$ 9,500
Tuition - Summer School	2,910	0	0	0	2,910
Lunch Payments - Children	0	0	254,384	0	254,384
Lunch Payments - Adults	0	0	37,693	0	37,693
Income from Breakfast	0	0	21,737	0	21,737
Special Milk Sales	0	0	623	0	623
A la carte Sales	0	0	144,330	0	144,330
Receipts from Individual Schools	22,303	0	0	0	22,303
<u>Other Charges for Services</u>					
Other Charges for Services	7,874	0	0	0	7,874
Total Charges for Current Services	\$ 42,587	\$ 0	\$ 458,767	\$ 0	\$ 501,354
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 51,561	\$ 0	\$ 2,792	\$ 0	\$ 54,353
Lease/Rentals	6,795	0	0	0	6,795
Miscellaneous Refunds	49,860	0	46,871	0	96,731
<u>Nonrecurring Items</u>					
Sale of Equipment	910	0	0	0	910
Damages Recovered from Individuals	158	0	0	0	158
Contributions and Gifts	4,588	0	4,500	0	9,088
<u>Other Local Revenues</u>					
Other Local Revenues	14,202	0	0	0	14,202
Total Other Local Revenues	\$ 128,074	\$ 0	\$ 54,163	\$ 0	\$ 182,237
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
On-Behalf Contributions for OPEB	\$ 37,685	\$ 0	\$ 0	\$ 0	\$ 37,685

(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	Education Capital Projects	Total
<u>State of Tennessee (Cont.)</u>					
<u>State Education Funds</u>					
Basic Education Program	\$ 12,239,100	\$ 0	\$ 0	\$ 0	\$ 12,239,100
Basic Education Program - ARRA	137,900	0	0	0	137,900
Early Childhood Education	97,052	0	0	0	97,052
School Food Service	0	0	14,546	0	14,546
Driver Education	9,205	0	0	0	9,205
Other State Education Funds	236,127	0	0	0	236,127
Career Ladder Program	120,368	0	0	0	120,368
Career Ladder - Extended Contract	52,000	0	0	0	52,000
<u>Other State Revenues</u>					
Income Tax	6,468	0	0	0	6,468
State Revenue Sharing - T.V.A.	127,769	0	0	0	127,769
Total State of Tennessee	\$ 13,063,674	\$ 0	\$ 14,546	\$ 0	\$ 13,078,220
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	\$ 0	\$ 0	\$ 520,201	\$ 0	\$ 520,201
Breakfast	0	0	168,273	0	168,273
USDA - Other	0	0	124,238	0	124,238
Adult Education State Grant Program	54,365	0	0	0	54,365
Vocational Education - Basic Grants to States	0	44,980	0	0	44,980
Title I Grants to Local Education Agencies	0	503,720	0	0	503,720
Special Education - Grants to States	44,831	474,800	0	0	519,631
Special Education Preschool Grants	0	12,574	0	0	12,574
Safe and Drug-Free Schools - State Grants	0	9,150	0	0	9,150
Eisenhower Professional Development State Grants	0	130,256	0	0	130,256
Job Training Partnership Act	52,986	0	0	0	52,986
Total Federal Government	\$ 152,182	\$ 1,175,480	\$ 812,712	\$ 0	\$ 2,140,374
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 0	\$ 0	\$ 0	\$ 1,792,778	\$ 1,792,778
Total Other Governments and Citizens Groups	\$ 0	\$ 0	\$ 0	\$ 1,792,778	\$ 1,792,778
Total	\$ 15,719,249	\$ 1,175,480	\$ 1,340,188	\$ 1,792,778	\$ 20,027,695

Exhibit J-8

Chester County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2009

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	19,550	
Social Security		1,496	
Dues and Memberships		1,300	
Travel		246	
Total County Commission			\$ 22,592

Board of Equalization

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

County Mayor/Executive

County Official/Administrative Officer	\$	70,511	
Assistant(s)		24,203	
Secretary(ies)		23,008	
Clerical Personnel		24,203	
Educational Incentive - Official/Admin Officer		3,000	
Educational Incentive - Other County Employees		9,000	
Longevity Pay		1,200	
Social Security		11,867	
State Retirement		11,006	
Medical Insurance		16,299	
Unemployment Compensation		256	
Communication		2,993	
Data Processing Services		9,702	
Dues and Memberships		1,455	
Travel		4,308	
Office Supplies		2,950	
Total County Mayor/Executive			215,961

County Attorney

Legal Services	\$	7,622	
Total County Attorney			7,622

Election Commission

County Official/Administrative Officer	\$	49,522	
Clerical Personnel		24,203	
Longevity Pay		350	
Election Commission		1,050	
Election Workers		25,038	
Social Security		5,686	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

State Retirement	\$	5,485	
Medical Insurance		9,270	
Unemployment Compensation		210	
Communication		1,390	
Data Processing Services		11,395	
Dues and Memberships		1,350	
Legal Notices, Recording, and Court Costs		1,330	
Printing, Stationery, and Forms		6,544	
Travel		1,605	
Office Supplies		2,116	
Total Election Commission			\$ 146,544

Register of Deeds

County Official/Administrative Officer	\$	57,751	
Clerical Personnel		24,203	
Educational Incentive - Official/Admin Officer		3,000	
Longevity Pay		1,550	
Social Security		6,618	
State Retirement		6,321	
Medical Insurance		11,157	
Unemployment Compensation		98	
Communication		1,068	
Data Processing Services		6,920	
Dues and Memberships		573	
Legal Notices, Recording, and Court Costs		41	
Travel		648	
Data Processing Supplies		5,308	
Office Supplies		711	
Total Register of Deeds			125,967

County Buildings

Salary Supplements	\$	3,000	
Custodial Personnel		10,616	
Maintenance Personnel		50,795	
Longevity Pay		525	
Overtime Pay		268	
Social Security		4,988	
State Retirement		3,779	
Medical Insurance		5,579	
Unemployment Compensation		198	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Communication	\$	2,869	
Contracts with Private Agencies		1,430	
Maintenance and Repair Services - Buildings		24,487	
Maintenance and Repair Services - Equipment		3,424	
Maintenance and Repair Services - Office Equipment		3,500	
Pest Control		3,578	
Rentals		8,770	
Travel		2,673	
Custodial Supplies		8,595	
Electricity		72,675	
Gasoline		54	
Natural Gas		16,887	
Office Supplies		151	
Water and Sewer		12,560	
Boiler Insurance		1,618	
Building and Contents Insurance		35,904	
Total County Buildings			\$ 278,923

Other General Administration

Contributions	\$	1,150	
Dues and Memberships		933	
Legal Services		327	
Legal Notices, Recording, and Court Costs		2,757	
Maintenance and Repair Services - Office Equipment		920	
Postal Charges		14,524	
Printing, Stationery, and Forms		332	
Periodicals		124	
Premiums on Corporate Surety Bonds		3,576	
Office Equipment		870	
Total Other General Administration			25,513

Finance

Accounting and Budgeting

Contracts with Other Public Agencies	\$	4,662	
Total Accounting and Budgeting			4,662

Property Assessor's Office

County Official/Administrative Officer	\$	57,751	
Clerical Personnel		45,476	
Educational Incentive - Official/Admin Officer		3,000	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Longevity Pay	\$	50	
Social Security		8,130	
State Retirement		7,903	
Medical Insurance		10,939	
Unemployment Compensation		219	
Audit Services		4,572	
Communication		770	
Data Processing Services		9,883	
Dues and Memberships		1,287	
Travel		1,001	
Office Supplies		1,109	
Total Property Assessor's Office			\$ 152,090

Reappraisal Program

Clerical Personnel	\$	11,440	
Social Security		875	
Unemployment Compensation		160	
Travel		2,899	
Total Reappraisal Program			15,374

County Trustee's Office

County Official/Administrative Officer	\$	57,751	
Clerical Personnel		40,338	
Educational Incentive - Official/Admin Officer		3,000	
Educational Incentive - Other County Employees		6,000	
Longevity Pay		1,800	
Social Security		8,330	
State Retirement		7,644	
Medical Insurance		10,939	
Unemployment Compensation		196	
Communication		2,036	
Data Processing Services		6,735	
Dues and Memberships		718	
Legal Notices, Recording, and Court Costs		69	
Travel		2,808	
Office Supplies		2,849	
Total County Trustee's Office			151,213

County Clerk's Office

County Official/Administrative Officer	\$	57,751	
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(Continued)

Exhibit J-8

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

Clerical Personnel	\$	83,095	
Part-time Personnel		2,653	
Educational Incentive - Other County Employees		3,000	
Longevity Pay		550	
Social Security		11,249	
State Retirement		9,878	
Medical Insurance		16,081	
Unemployment Compensation		424	
Communication		1,741	
Data Processing Services		587	
Dues and Memberships		483	
Maintenance and Repair Services - Office Equipment		2,166	
Travel		300	
Office Supplies		2,924	
Total County Clerk's Office			\$ 192,882

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	57,751	
Clerical Personnel		72,609	
Part-time Personnel		28,765	
Educational Incentive - Official/Admin Officer		3,000	
Educational Incentive - Other County Employees		10,500	
Longevity Pay		1,450	
Jury and Witness Fees		9,938	
Social Security		13,317	
State Retirement		10,145	
Medical Insurance		16,081	
Unemployment Compensation		500	
Communication		2,062	
Data Processing Services		9,132	
Dues and Memberships		798	
Maintenance and Repair Services - Office Equipment		390	
Travel		872	
Food Supplies		171	
Office Supplies		4,145	
Other Charges		80	
Office Equipment		523	
Total Circuit Court			242,229

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Court

Judge(s)	\$	79,010	
Assistant(s)		2,400	
Social Security		6,228	
State Retirement		5,878	
Medical Insurance		5,579	
Communication		1,848	
Dues and Memberships		325	
Travel		573	
Office Supplies		164	
Total General Sessions Court			\$ 102,005

Chancery Court

County Official/Administrative Officer	\$	57,751	
Clerical Personnel		74,539	
Longevity Pay		1,800	
Social Security		10,258	
State Retirement		9,842	
Medical Insurance		16,081	
Unemployment Compensation		308	
Communication		1,343	
Data Processing Services		7,120	
Dues and Memberships		513	
Office Supplies		3,462	
Total Chancery Court			183,017

Juvenile Court

Clerical Personnel	\$	17,024	
Part-time Personnel		4,049	
Longevity Pay		250	
Social Security		1,631	
State Retirement		1,267	
Medical Insurance		5,360	
Unemployment Compensation		140	
Total Juvenile Court			29,721

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	62,645	
Assistant(s)		30,482	
Supervisor/Director		43,792	

(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Deputy(ies)	\$	333,025
Investigator(s)		83,330
Salary Supplements		7,200
Dispatchers/Radio Operators		176,724
Guards		264,212
Secretary(ies)		27,587
Part-time Personnel		2,891
Longevity Pay		6,550
Overtime Pay		46,125
Other Salaries and Wages		9,452
In-Service Training		6,728
Social Security		83,880
State Retirement		79,870
Medical Insurance		144,365
Unemployment Compensation		3,500
Communication		13,251
Contracts with Government Agencies		529
Contributions		500
Data Processing Services		323
Dues and Memberships		2,650
Maintenance and Repair Services - Equipment		3,461
Maintenance and Repair Services - Vehicles		9,247
Medical and Dental Services		35,516
Tow-in Services		1,230
Travel		13,369
Other Contracted Services		3,020
Custodial Supplies		5,757
Food Supplies		40,343
Gasoline		27,796
Law Enforcement Supplies		2,446
Office Supplies		5,062
Prisoners Clothing		948
Tires and Tubes		1,260
Uniforms		12,500
Other Supplies and Materials		2,164
Workers' Compensation Insurance		19,521
Other Charges		555
Law Enforcement Equipment		3,003
Motor Vehicles		46,721
Office Equipment		2,114

(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.)

Other Equipment	\$ 360	
Total Sheriff's Department		\$ 1,666,004

Juvenile Services

Youth Service Officer(s)	\$ 44,258	
Longevity Pay	1,150	
Social Security	3,474	
State Retirement	3,293	
Medical Insurance	5,360	
Unemployment Compensation	98	
Communication	1,693	
Contracts with Other Public Agencies	600	
Dues and Memberships	210	
Travel	769	
Office Supplies	1,330	
Total Juvenile Services		62,235

Fire Prevention and Control

Supervisor/Director	\$ 29,212
Longevity Pay	350
In-Service Training	850
Social Security	2,262
State Retirement	2,173
Medical Insurance	5,360
Unemployment Compensation	98
Communication	2,606
Contributions	3,000
Maintenance and Repair Services - Buildings	1,814
Maintenance and Repair Services - Equipment	10,099
Maintenance and Repair Services - Office Equipment	1,996
Maintenance and Repair Services - Vehicles	6,858
Pest Control	1,315
Travel	305
Equipment Parts - Light	1,375
Equipment and Machinery Parts	269
Gasoline	5,930
Office Supplies	644
Tires and Tubes	588
Uniforms	1,842
Vehicle Parts	540

(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.)

Vehicle and Equipment Insurance	\$	19,709	
Workers' Compensation Insurance		7,063	
Other Charges		2,911	
Total Fire Prevention and Control			\$ 109,169

Civil Defense

Supervisor/Director	\$	32,889	
Longevity Pay		1,650	
Social Security		2,642	
State Retirement		2,447	
Medical Insurance		5,579	
Unemployment Compensation		98	
Communication		4,951	
Dues and Memberships		216	
Maintenance and Repair Services - Vehicles		393	
Gasoline		1,482	
Office Supplies		155	
Other Charges		19	
Office Equipment		1,180	
Other Equipment		4,445	
Total Civil Defense			58,146

Rescue Squad

Contributions	\$	2,500	
Vehicle and Equipment Insurance		4,105	
Total Rescue Squad			6,605

Other Emergency Management

Supervisor/Director	\$	25,140	
Social Security		1,923	
State Retirement		1,870	
Unemployment Compensation		128	
Communication		94	
Other Equipment		6,834	
Total Other Emergency Management			35,989

County Coroner/Medical Examiner

Other Per Diem and Fees	\$	7,088	
Total County Coroner/Medical Examiner			7,088

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Public Health and Welfare

Local Health Center

Clerical Personnel	\$	2,585	
Social Security		263	
State Retirement		256	
Unemployment Compensation		48	
Communication		2,499	
Contracts with Government Agencies		11,600	
Dues and Memberships		150	
Maintenance and Repair Services - Buildings		7,270	
Travel		217	
Other Contracted Services		688	
Drugs and Medical Supplies		666	
Office Supplies		1,295	
Total Local Health Center			\$ 27,537

Ambulance/Emergency Medical Services

Ambulance Services	\$	165,113	
Total Ambulance/Emergency Medical Services			165,113

Nursing Home

Maintenance Personnel	\$	20,714	
Overtime Pay		4,923	
Social Security		1,961	
State Retirement		1,907	
Unemployment Compensation		163	
Maintenance and Repair Services - Buildings		7,134	
Maintenance and Repair Services - Equipment		16,417	
Pest Control		1,410	
Travel		1,248	
Total Nursing Home			55,877

Crippled Children Services

Contributions	\$	8,668	
Total Crippled Children Services			8,668

Regional Mental Health Center

Contributions	\$	15,000	
Total Regional Mental Health Center			15,000

Sanitation Education/Information

Guards	\$	12,176	
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(Continued)

Exhibit J-8

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Sanitation Education/Information (Cont.)

Social Security	\$	973	
State Retirement		906	
Unemployment Compensation		49	
Maintenance and Repair Services - Vehicles		198	
Gasoline		1,522	
Tires and Tubes		15	
Other Charges		120	
Communication Equipment		749	
Plant Operation Equipment		1,952	
Other Equipment		2,451	
Total Sanitation Education/Information			\$ 21,111

Social, Cultural, and Recreational Services

Libraries

County Official/Administrative Officer	\$	24,203	
Part-time Personnel		23,521	
Longevity Pay		825	
Social Security		3,714	
State Retirement		1,801	
Medical Insurance		58	
Unemployment Compensation		427	
Contributions		50	
Total Libraries			54,599

Other Social, Cultural, and Recreational

Contributions	\$	20,072	
Total Other Social, Cultural, and Recreational			20,072

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$	29,725	
Extension Service Medicare		6,601	
Communication		1,476	
Maintenance and Repair Services - Office Equipment		329	
Office Supplies		56	
Office Equipment		841	
Total Agriculture Extension Service			39,028

Soil Conservation

Assistant(s)	\$	16,672	
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(Continued)

Exhibit J-8

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

General Fund (Cont.)

Agriculture and Natural Resources (Cont.)

Soil Conservation (Cont.)

Secretary(ies)	\$	11,464	
Longevity Pay		100	
Social Security		2,160	
State Retirement		1,240	
Medical Insurance		3,609	
Unemployment Compensation		272	
Communication		958	
Total Soil Conservation			\$ 36,475

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	\$	15,385	
Social Security		1,177	
Unemployment Compensation		104	
Communication		1,177	
Travel		524	
Office Supplies		1,438	
Office Equipment		945	
Total Veterans' Services			20,750

Miscellaneous

Trustee's Commission	\$	55,794	
Other Charges		7,084	
Total Miscellaneous			62,878

Total General Fund \$ 4,391,659

Solid Waste/Sanitation Fund

Public Health and Welfare

Convenience Centers

Supervisor/Director	\$	47,280	
Accountants/Bookkeepers		16,100	

(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.)

Foremen	\$	29,608	
Mechanic(s)		29,749	
Laborers		108,714	
Educational Incentive - Other County Employees		3,000	
Longevity Pay		2,825	
Overtime Pay		2,873	
Social Security		18,302	
State Retirement		9,357	
Medical Insurance		8,443	
Unemployment Compensation		1,781	
Communication		4,973	
Dues and Memberships		2,310	
Maintenance and Repair Services - Buildings		3,436	
Maintenance and Repair Services - Equipment		2,011	
Maintenance and Repair Services - Vehicles		4,163	
Postal Charges		50	
Travel		1,153	
Custodial Supplies		1,342	
Electricity		6,776	
Food Supplies		215	
Natural Gas		420	
Office Supplies		2,087	
Propane Gas		93	
Uniforms		662	
Water and Sewer		1,045	
Gravel and Chert		225	
Chemicals		96	
Other Charges		1,621	
Motor Vehicles		2,518	
Site Development		370	
Total Convenience Centers			\$ 313,598

Recycling Center

Truck Drivers	\$	156
Laborers		11,043
Social Security		857
State Retirement		71
Unemployment Compensation		155
Contributions		2,000
Maintenance and Repair Services - Buildings		2,223

(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.)

Recycling Center (Cont.)

Maintenance and Repair Services - Equipment	\$	765	
Electricity		337	
Food Preparation Supplies		4,394	
Sand		440	
Small Tools		37	
Wire		3,846	
Chemicals		604	
Other Charges		334	
Solid Waste Equipment		37,790	
Other Equipment		753	
Total Recycling Center			\$ 65,805

Other Waste Disposal

Truck Drivers	\$	25,874	
Longevity Pay		525	
Social Security		2,089	
Unemployment Compensation		241	
Contracts with Government Agencies		159,961	
Maintenance and Repair Services - Equipment		230	
Maintenance and Repair Services - Vehicles		4,294	
Diesel Fuel		20,045	
Gasoline		6,544	
Propane Gas		953	
Tires and Tubes		4,640	
Total Other Waste Disposal			225,396

Postclosure Care Costs

Contracts with Government Agencies	\$	7,581	
Total Postclosure Care Costs			7,581

Other Operations

Other Charges

Workers' Compensation Insurance	\$	2,458	
Total Other Charges			2,458

Miscellaneous

Trustee's Commission	\$	6,578	
Other Charges		359	
Total Miscellaneous			6,937

(Continued)

Exhibit J-8

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

Solid Waste/Sanitation Fund (Cont.)

Principal on Debt

General Government

Principal on Capital Leases	\$ 8,926	
Total General Government		\$ 8,926

Interest on Debt

General Government

Interest on Notes	\$ 3,107	
Interest on Capital Leases	2,157	
Total General Government		5,264

Capital Projects

General Administration Projects

Building Construction	\$ 140,731	
Motor Vehicles	1,795	
Site Development	51,750	
Total General Administration Projects		194,276

Total Solid Waste/Sanitation Fund		\$ 830,241
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Drug Control Fund

Public Safety

Drug Enforcement

Communication	\$ 234	
Contributions	1,000	
Confidential Drug Enforcement Payments	13,250	
Maintenance and Repair Services - Vehicles	627	
Instructional Supplies and Materials	887	
Law Enforcement Supplies	156	
Vehicle Parts	63	
Law Enforcement Equipment	3,772	
Total Drug Enforcement		\$ 19,989

Other Operations

Miscellaneous

Trustee's Commission	\$ 137	
Total Miscellaneous		137

Total Drug Control Fund		20,126
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(Continued)

Exhibit J-8

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

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	65,874	
Assistant(s)		34,213	
Accountants/Bookkeepers		25,774	
Longevity Pay		1,500	
Contracts with Other Public Agencies		3,000	
Dues and Memberships		7,405	
Legal Services		606	
Pest Control		300	
Postal Charges		400	
Travel		3,673	
Custodial Supplies		394	
Office Supplies		2,825	
Other Charges		5,467	
Total Administration			\$ 151,431

Highway and Bridge Maintenance

Accountants/Bookkeepers	\$	300	
Foremen		102,923	
Equipment Operators		180,469	
Truck Drivers		131,570	
Laborers		55,515	
Other Contracted Services		8,857	
Asphalt - Liquid		183,882	
Concrete		2,789	
Crushed Stone		59,682	
Fertilizer, Lime, and Seed		599	
Pipe		9,447	
Road Signs		2,358	
Small Tools		731	
Wood Products		17,685	
Gravel and Chert		27,816	
Other Supplies and Materials		5,857	
Total Highway and Bridge Maintenance			790,480

Operation and Maintenance of Equipment

Mechanic(s)	\$	66,531	
Maintenance and Repair Services - Equipment		5,176	
Diesel Fuel		84,696	
Equipment and Machinery Parts		54,702	
Garage Supplies		5,632	

(Continued)

Exhibit J-8

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment (Cont.)

Gasoline	\$	25,595	
Lubricants		4,736	
Propane Gas		288	
Tires and Tubes		22,856	
Total Operation and Maintenance of Equipment			\$ 270,212

Other Charges

Communication	\$	5,264	
Electricity		8,307	
Natural Gas		1,846	
Water and Sewer		1,155	
Trustee's Commission		14,858	
Vehicle and Equipment Insurance		35,494	
Total Other Charges			66,924

Employee Benefits

In-Service Training	\$	3,000	
Social Security		50,875	
State Retirement		44,061	
Employee and Dependent Insurance		120,482	
Unemployment Compensation		6,308	
Workers' Compensation Insurance		29,510	
Total Employee Benefits			254,236

Capital Outlay

Engineering Services	\$	14,660	
Bridge Construction		215,000	
Highway Equipment		153,772	
State Aid Projects		286,459	
Total Capital Outlay			669,891

Total Highway/Public Works Fund \$ 2,203,174

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	135,000	
Principal on Notes		24,333	
Total General Government			\$ 159,333

(Continued)

Exhibit J-8

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

General Debt Service Fund (Cont.)

Interest on Debt

General Government

Interest on Bonds	\$ 401,002	
Interest on Notes	1,763	
Total General Government	<u>402,765</u>	\$ 402,765

Other Debt Service

General Government

Bank Charges	\$ 608	
Trustee's Commission	5,146	
Total General Government	<u>5,754</u>	<u>5,754</u>

Total General Debt Service Fund \$ 567,852

Education Debt Service Fund

Principal on Debt

Education

Principal on Bonds	\$ 530,000	
Total Education	<u>530,000</u>	\$ 530,000

Interest on Debt

Education

Interest on Bonds	\$ 156,835	
Total Education	<u>156,835</u>	156,835

Other Debt Service

Education

Bank Charges	\$ 915	
Contributions	1,792,778	
Trustee's Commission	6,812	
Other Debt Issuance Charges	35,829	
Total Education	<u>1,836,334</u>	<u>1,836,334</u>

Total Education Debt Service Fund 2,523,169

General Capital Projects Fund

Other Operations

Miscellaneous

Bank Charges	\$ 15	
Total Miscellaneous	<u>15</u>	\$ 15

(Continued)

Exhibit J-8

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

<u>General Capital Projects Fund (Cont.)</u>		
<u>Capital Projects</u>		
<u>Administration of Justice Projects</u>		
Architects	\$ 277,973	
Other Contracted Services	699,963	
Building Construction	1,226,993	
Site Development	<u>408,200</u>	
Total Administration of Justice Projects		\$ <u>2,613,129</u>
Total General Capital Projects Fund		\$ 2,613,144
<u>Other Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>General Administration Projects</u>		
Architects	\$ 29,600	
Other Contracted Services	45,747	
Building Construction	203,000	
Site Development	<u>795,188</u>	
Total General Administration Projects		\$ <u>1,073,535</u>
Total Other Capital Projects Fund		<u>1,073,535</u>
Total Governmental Funds - Primary Government		<u>\$ 14,222,900</u>

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, 2009

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 5,291,144	
Career Ladder Program	60,513	
Career Ladder Extended Contracts	55,000	
Educational Assistants	215,103	
Non-certified Substitute Teachers	91,846	
Social Security	329,507	
State Retirement	360,170	
Life Insurance	2,673	
Medical Insurance	565,389	
Unemployment Compensation	4,279	
Employer Medicare	77,613	
Other Fringe Benefits	5,040	
Maintenance and Repair Services - Equipment	1,284	
Other Contracted Services	12,517	
Instructional Supplies and Materials	184,069	
Textbooks	199,880	
Other Supplies and Materials	490	
Other Charges	301	
Regular Instruction Equipment	138,758	
Total Regular Instruction Program		\$ 7,595,576

Special Education Program

Teachers	\$ 421,850	
Career Ladder Program	7,000	
Career Ladder Extended Contracts	1,000	
Educational Assistants	262,824	
Speech Pathologist	49,582	
Non-certified Substitute Teachers	25,936	
Social Security	45,415	
State Retirement	49,538	
Life Insurance	298	
Medical Insurance	55,236	
Unemployment Compensation	829	
Employer Medicare	10,629	
Contracts with Private Agencies	75,814	
Other Contracted Services	2,181	
Instructional Supplies and Materials	8,988	
Other Supplies and Materials	1,657	
Total Special Education Program		1,018,777

(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	\$	408,543	
Career Ladder Program		6,000	
Non-certified Substitute Teachers		7,110	
Social Security		23,600	
State Retirement		26,614	
Life Insurance		261	
Medical Insurance		55,958	
Unemployment Compensation		262	
Employer Medicare		5,519	
Other Contracted Services		771	
Instructional Supplies and Materials		7,713	
Total Vocational Education Program			\$ 542,351

Student Body Education Program

Other Charges	\$	47,000	
Total Student Body Education Program			47,000

Adult Education Program

Teachers	\$	55,821	
Social Security		3,432	
State Retirement		1,615	
Unemployment Compensation		61	
Employer Medicare		803	
Instructional Supplies and Materials		8,125	
Other Charges		660	
Total Adult Education Program			70,517

Support Services

Attendance

Supervisor/Director	\$	43,999	
Career Ladder Program		2,000	
Social Security		2,529	
State Retirement		2,961	
Life Insurance		20	
Medical Insurance		7,239	
Unemployment Compensation		20	
Employer Medicare		592	
Travel		287	
Total Attendance			59,647

(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	\$	33,201	
Other Salaries and Wages		53,172	
Social Security		5,201	
State Retirement		5,300	
Life Insurance		20	
Medical Insurance		4,037	
Unemployment Compensation		114	
Employer Medicare		1,216	
Communication		1,000	
Postal Charges		100	
Travel		4,508	
Other Contracted Services		6,000	
Drugs and Medical Supplies		8,000	
Other Supplies and Materials		21,586	
Other Charges		3,321	
Total Health Services			\$ 146,776

Other Student Support

Career Ladder Program	\$	6,767	
Guidance Personnel		210,627	
Career Ladder Extended Contracts		1,120	
Social Security		12,772	
State Retirement		14,029	
Life Insurance		105	
Medical Insurance		18,307	
Unemployment Compensation		119	
Employer Medicare		2,987	
Contracts with Government Agencies		47,451	
Evaluation and Testing		17,166	
Travel		1,127	
Other Contracted Services		1,900	
Total Other Student Support			334,477

Regular Instruction Program

Supervisor/Director	\$	124,768
Career Ladder Program		8,000
Librarians		170,393
Instructional Computer Personnel		83,784
Clerical Personnel		5,321

(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.)

Other Salaries and Wages	\$	2,662	
Social Security		23,219	
State Retirement		25,485	
Life Insurance		83	
Medical Insurance		30,384	
Unemployment Compensation		243	
Employer Medicare		5,587	
Consultants		1,000	
Travel		16,311	
Other Contracted Services		14,000	
Library Books/Media		38,651	
Other Supplies and Materials		1,419	
In Service/Staff Development		2,290	
Other Equipment		299	
Total Regular Instruction Program			\$ 553,899

Special Education Program

Supervisor/Director	\$	66,956	
Career Ladder Program		3,000	
Psychological Personnel		22,050	
Social Security		5,512	
State Retirement		6,132	
Medical Insurance		4,037	
Unemployment Compensation		26	
Employer Medicare		1,289	
Travel		7,043	
Other Supplies and Materials		252	
In Service/Staff Development		1,897	
Total Special Education Program			118,194

Vocational Education Program

Travel	\$	602	
Total Vocational Education Program			602

Adult Programs

Supervisor/Director	\$	75,979	
Career Ladder Program		1,000	
Social Security		4,429	
State Retirement		5,154	

(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.)

Medical Insurance	\$	200	
Unemployment Compensation		52	
Employer Medicare		1,036	
Travel		334	
Other Contracted Services		7,700	
Other Supplies and Materials		9,160	
In Service/Staff Development		651	
Total Adult Programs			\$ 105,695

Other Programs

On-Behalf Payments to OPEB	\$	37,685	
Total Other Programs			37,685

Board of Education

Other Salaries and Wages	\$	5,500	
Social Security		341	
Unemployment Compensation		20	
Employer Medicare		80	
Audit Services		4,750	
Dues and Memberships		6,783	
Legal Services		2,390	
Travel		2,687	
Other Contracted Services		46,794	
Liability Insurance		22,470	
Trustee's Commission		68,039	
Workers' Compensation Insurance		118,000	
Criminal Investigation of Applicants - TBI		2,160	
Other Charges		15,447	
Total Board of Education			295,461

Director of Schools

County Official/Administrative Officer	\$	80,946	
Career Ladder Program		1,000	
Clerical Personnel		27,298	
Social Security		6,697	
State Retirement		7,292	
Life Insurance		24	
Medical Insurance		3,829	
Unemployment Compensation		52	

(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.)

Employer Medicare	\$	1,566	
Other Fringe Benefits		1,782	
Communication		4,397	
Dues and Memberships		2,630	
Postal Charges		2,952	
Travel		6,382	
Other Contracted Services		1,300	
Office Supplies		3,821	
Other Charges		538	
Administration Equipment		1,072	
Total Director of Schools			\$ 153,578

Office of the Principal

Principals	\$	334,343	
Career Ladder Program		8,000	
Career Ladder Extended Contracts		1,600	
Assistant Principals		141,461	
Secretary(ies)		265,376	
Social Security		45,114	
State Retirement		50,907	
Life Insurance		201	
Medical Insurance		39,375	
Unemployment Compensation		589	
Employer Medicare		10,551	
Communication		12,751	
Travel		7,058	
In Service/Staff Development		386	
Other Charges		405	
Administration Equipment		16,930	
Total Office of the Principal			935,047

Fiscal Services

Accountants/Bookkeepers	\$	70,506
Social Security		3,743
State Retirement		5,246
Unemployment Compensation		52
Employer Medicare		875
Data Processing Services		664
Travel		208

(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.)

Other Contracted Services	\$	8,095	
Data Processing Supplies		1,205	
Office Supplies		635	
Total Fiscal Services			\$ 91,229

Operation of Plant

Supervisor/Director	\$	3,978	
Guards		24,346	
Custodial Personnel		329,482	
Social Security		21,497	
State Retirement		24,007	
Unemployment Compensation		492	
Employer Medicare		5,028	
Travel		6,698	
Disposal Fees		9,487	
Other Contracted Services		7,019	
Custodial Supplies		123,445	
Electricity		413,973	
Natural Gas		172,177	
Water and Sewer		24,350	
Other Supplies and Materials		2,814	
Boiler Insurance		3,400	
Building and Contents Insurance		68,000	
Plant Operation Equipment		2,699	
Total Operation of Plant			1,242,892

Maintenance of Plant

Maintenance Personnel	\$	125,356	
Other Salaries and Wages		12,310	
Social Security		7,951	
State Retirement		7,144	
Unemployment Compensation		182	
Employer Medicare		1,996	
Maintenance and Repair Services - Buildings		56,330	
Maintenance and Repair Services - Equipment		8,287	
Other Contracted Services		55,000	
Other Supplies and Materials		82,270	
Maintenance Equipment		8,302	
Total Maintenance of Plant			365,128

(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	\$	8,697	
Mechanic(s)		53,695	
Bus Drivers		324,246	
Other Salaries and Wages		90	
Social Security		22,978	
State Retirement		26,670	
Unemployment Compensation		673	
Employer Medicare		5,481	
Communication		821	
Maintenance and Repair Services - Vehicles		22,000	
Travel		699	
Other Contracted Services		17,995	
Gasoline		105,417	
Tires and Tubes		15,825	
Vehicle Parts		48,682	
Other Supplies and Materials		17,619	
Vehicle and Equipment Insurance		19,729	
Other Charges		730	
Transportation Equipment		317,738	
Total Transportation			\$ 1,009,785

Operation of Non-Instructional Services

Community Services

Other Salaries and Wages	\$	3,364	
Social Security		134	
Employer Medicare		31	
Other Charges		4,946	
Total Community Services			8,475

Early Childhood Education

Teachers	\$	65,287	
Educational Assistants		29,230	
Social Security		5,751	
State Retirement		6,366	
Medical Insurance		5,511	
Unemployment Compensation		130	
Employer Medicare		1,345	
Travel		3,915	
Other Contracted Services		9,198	

(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.)

Instructional Supplies and Materials	\$	20,315	
Other Equipment		<u>31,926</u>	
Total Early Childhood Education			\$ 178,974

Capital Outlay

Regular Capital Outlay

Architects	\$	4,411	
Engineering Services		64,900	
Building Construction		47,613	
Building Improvements		<u>336,800</u>	
Total Regular Capital Outlay			453,724

Other Debt Service

Education

Contributions	\$	<u>50,000</u>	
Total Education			<u>50,000</u>

Total General Purpose School Fund \$ 15,415,489

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	263,989	
Educational Assistants		112,666	
Social Security		22,629	
State Retirement		23,230	
Medical Insurance		23,291	
Unemployment Compensation		440	
Employer Medicare		5,292	
Other Contracted Services		13,079	
Instructional Supplies and Materials		22,583	
Other Supplies and Materials		3,838	
Other Charges		<u>5,000</u>	
Total Regular Instruction Program			\$ 496,037

Special Education Program

Teachers	\$	52,103
Educational Assistants		204,997
Speech Pathologist		42,617

(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.)

Social Security	\$	16,281	
State Retirement		20,026	
Medical Insurance		11,068	
Unemployment Compensation		504	
Employer Medicare		4,103	
Instructional Supplies and Materials		7,981	
Other Supplies and Materials		2,255	
Total Special Education Program			\$ 361,935

Vocational Education Program

Other Contracted Services	\$	9,372	
Other Supplies and Materials		18,931	
Total Vocational Education Program			28,303

Support Services

Health Services

Medical Personnel	\$	20,646	
Social Security		1,280	
State Retirement		1,536	
Unemployment Compensation		26	
Employer Medicare		299	
Total Health Services			23,787

Other Student Support

Travel	\$	7,500	
Other Contracted Services		5,000	
In Service/Staff Development		6,928	
Total Other Student Support			19,428

Regular Instruction Program

Supervisor/Director	\$	56,700	
Secretary(ies)		12,865	
Social Security		4,427	
State Retirement		4,597	
Medical Insurance		3,829	
Unemployment Compensation		47	
Employer Medicare		1,035	
Consultants		500	
Travel		12,801	

(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.)

Other Contracted Services	\$	3,182	
In Service/Staff Development		22,064	
Other Charges		258	
Total Regular Instruction Program			\$ 122,305

Special Education Program

Psychological Personnel	\$	22,000	
Social Security		1,326	
State Retirement		1,637	
Medical Insurance		1,596	
Unemployment Compensation		26	
Employer Medicare		310	
In Service/Staff Development		1,472	
Total Special Education Program			28,367

Vocational Education Program

Supervisor/Director	\$	1,971	
Social Security		122	
State Retirement		127	
Unemployment Compensation		1	
Employer Medicare		29	
Total Vocational Education Program			2,250

Transportation

Bus Drivers	\$	29,170	
Social Security		1,809	
State Retirement		2,170	
Unemployment Compensation		52	
Employer Medicare		423	
Total Transportation			33,624

Total School Federal Projects Fund \$ 1,116,036

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	27,505
Accountants/Bookkeepers		18,543
Clerical Personnel		10,173

(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 (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Cafeteria Personnel	\$	389,430	
Other Salaries and Wages		68,916	
Social Security		28,861	
State Retirement		31,568	
Unemployment Compensation		252	
Employer Medicare		7,174	
Communication		1,877	
Maintenance and Repair Services - Equipment		7,433	
Transportation - Other than Students		11,648	
Travel		1,854	
Other Contracted Services		17,444	
Food Supplies		596,624	
Office Supplies		3,497	
Uniforms		6,894	
Utilities		9,167	
Other Supplies and Materials		40,413	
In Service/Staff Development		2,105	
Other Charges		4,942	
Food Service Equipment		25,334	
Total Food Service			\$ 1,311,654
Total Central Cafeteria Fund			\$ 1,311,654

Education Capital Projects Fund

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	402,229	
Total Regular Capital Outlay			\$ 402,229
Total Education Capital Projects Fund			402,229

Total Governmental Funds - Chester County School Department \$ 18,245,408

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, 2009

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 792,319
Total Cash Receipts	<u>\$ 792,319</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 784,396
Trustee's Commission	7,923
Total Cash Disbursements	<u>\$ 792,319</u>
 Excess of Cash Receipts Over (Under) Cash Disbursements	 \$ 0
Cash Balance, July 1, 2008	<u>0</u>
 Cash Balance, June 30, 2009	 <u>\$ 0</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 37243-1402
PHONE (615) 401-7841

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

October 6, 2009

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, 2009, which collectively comprise Chester County's basic financial statements and have issued our report thereon dated October 6, 2009. 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, 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: 09.01, 09.03, 09.04, 09.05, 09.06, and 09.07.

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 item 09.01 to be a material weakness.

Compliance and Other Matters

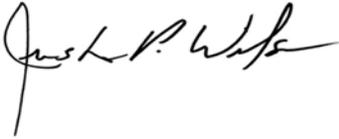
As part of obtaining reasonable assurance about whether Chester County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under Government Auditing Standards and is described in the accompanying Schedule of Findings and Questioned Costs as item 09.02.

We consider item 09.08 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 response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Chester County's response and, accordingly, we express no opinion on it.

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, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a prominent vertical stroke at the beginning.

Justin P. Wilson
Comptroller of the Treasury

JPW/yu

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

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

October 6, 2009

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, 2009. 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, 2009.

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

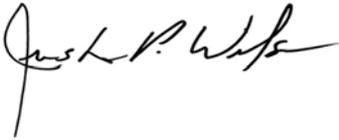
We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Chester County as of and for the year ended June 30, 2009, and have issued our report thereon dated October 6, 2009. 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, 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 response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Chester County's response and, accordingly, we express no opinion on it.

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, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a long vertical stroke at the end.

Justin P. Wilson
Comptroller of the Treasury

JPW/yu

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Chester County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2009

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Direct Federal Revenue:			
Conservation Reserve Program	10.069	(2)	\$ 6,254
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	114,711 (3)
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	168,273
National School Lunch Program	10.555	N/A	520,201 (3)
Summer Food Service Program for Children	10.559	N/A	124,238
Total U.S. Department of Agriculture			<u>\$ 933,677</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	\$ 1,000
Total U.S. Department of Housing and Urban Development			<u>\$ 1,000</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	\$ 11,550
Total U.S. Department of Justice			<u>\$ 11,550</u>
U.S. Department of Labor:			
Passed-through Southwest Tennessee Human Resource Agency:			
WIA Youth Activities	17.259	(2)	\$ 52,986
Total U.S. Department of Labor			<u>\$ 52,986</u>
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	Z0802076800	\$ 73,281
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	476,182
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	479,969
Special Education - Preschool Grants	84.173	N/A	12,574
Vocational Education - Basic Grants to States	84.048	N/A	44,980
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	11,079
Education Technology State Grants	84.318	(2)	5,006
Improving Teacher Quality State Grants	84.367	N/A	133,261
State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	N/A	137,900
Total U.S. Department of Education			<u>\$ 1,374,232</u>
U.S. Department of Homeland Security:			
Passed-through State Department of the Military:			
Emergency Management Performance Grant	97.042	(2)	\$ 34,745
Homeland Security Grant Program	97.067	GG341.0848408	15,332
Total U.S. Department of Homeland Security			<u>\$ 50,077</u>
Total Expenditures of Federal Awards			<u>\$ 2,423,522</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)	\$ 5,685
Litter Program - State Department of Transportation	N/A	Z0802097700	25,802
Law Enforcement Training Grant - Tennessee Secretary of State	N/A	(2)	7,200
Optional Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	6,242
Recycling Equipment Grant - State Department of Environment and Conservation	N/A	(2)	24,633
Safe Schools Act 2003 - State Department of Education	N/A	(2)	15,400
Family Resource Center - State Department of Education	N/A	(2)	34,629
Early Childhood Education - State Department of Education	N/A	(2)	97,052
LEAP Program - State Department of Education	N/A	(2)	27,375
Coordinated School Health - State Department of Education	N/A	(2)	73,490
ACT - Explore/Plan - State Department of Education	N/A	(2)	2,907
Total State Grants			\$ 320,415

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

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Information not available.
- (3) Total for CFDA No. 10.555 is \$634,912.

Chester County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2009

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, 2008, which have not been corrected.

CHESTER COUNTY AND CHESTER COUNTY SCHOOL DEPARTMENT

Finding Number	Page Number	Subject
08.01	170	Chester County and the Chester County School Department do not have the resources to produce financial statements and notes to the financial statements

OFFICE OF ROAD SUPERVISOR

Finding Number	Page Number	Subject
08.02	171	Duties were not segregated adequately in the Office of Road Supervisor

OTHER FINDING

Finding Number	Page Number	Subject
08.06	173	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, 2009

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. One of these deficiencies was considered to be a material weakness.
3. The audit disclosed one instance of noncompliance that was 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, National School Lunch Program, and Summer Food Service Program for Children (CFDA Nos. 10.553, 10.555, and 10.559), and Title I Grants to Local Educational Agencies (CFDA No. 84.010) 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 response of the county mayor is paraphrased in this report.

CHESTER COUNTY AND CHESTER COUNTY SCHOOL DEPARTMENT

FINDING 09.01 **CHESTER COUNTY AND THE CHESTER COUNTY SCHOOL DEPARTMENT DO NOT HAVE THE RESOURCES TO PRODUCE FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS**

(Internal Control – Material Weakness Under Government Auditing Standards)

Generally accepted auditing standards require that 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 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 the 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. This deficiency is the result of management's failure to correct the finding noted in the prior-year audit report. 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 generally accepted accounting principles. 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 the 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 – COUNTY MAYOR

County management concurs with this finding to the extent that we do not have a person on staff or contract that is capable of producing external financial statements in compliance with generally accepted accounting principles as defined by the Governmental Accounting Standards Board. County management believes that it should be noted by the users of this financial report that the Government Finance Officers Association's (GFOA) Executive Board, on October 19, 2007, released a recommended practice for "Mitigating the Negative Effects of Statement on Auditing Standards No. 112." In this publication, the GFOA recommended against governments engaging the services of a second accounting firm to assist in preparing its financial statements solely to avoid having a significant deficiency or material weakness reported. County management also believes it should be noted by the users of this financial report that at least one employee on the accounting staff has education in the specified field of accounting and previous experience preparing business financial statements.

OFFICE OF COUNTY MAYOR

FINDING 09.02 **SOME COUNTY FUNDS WERE NOT INVESTED IN ACCORDANCE WITH STATE STATUTE** (Material Noncompliance Under Government Auditing Standards)

On July 3, 2008, the county invested \$8,525,000 in Sevier and Blount County Public Building Authority (PBA) bonds. These investments are not an investment type permitted by Section 5-8-301, Tennessee Code Annotated (TCA). This statute provides that county funds be invested in: (a) bonds, notes, or treasury bills of the United States or other obligations guaranteed as to principal and interest by the United States or any of its agencies; (b) certificates of deposit and other evidence of deposits at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations; (c) certain repurchase agreements; (d) the state investment pool; (e) certain bonds issued by states and political subdivisions; (f) nonconvertible debt securities of certain federal government sponsored enterprises; and (g) the county's own debt issued in accordance with Title 9, Chapter 21, TCA. As of June 30, 2009, the balance in Sevier County PBA bonds was \$4,609,812 and Blount County PBA bonds was \$1,001,722.

RECOMMENDATION

The county should ensure all funds are invested in accordance with state statute.

OFFICE OF ROAD SUPERVISOR

FINDING 09.03 **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. Employees responsible for maintaining accounting records were also involved in 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. Also, this deficiency is the result of management's failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

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

FINDING 09.04 **THE OFFICE HAD DEFICIENCIES IN COMPUTER SYSTEM BACKUP PROCEDURES**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The following weaknesses regarding computer system backup procedures in the office were identified during the audit period:

- A. System backups were not performed on a routine basis. Inadequate backup procedures could result in the loss of data in the event of a hardware or software failure. Without current system backups, the cost of re-creating data could be substantial.
- B. System backups were not stored off-site on a regular basis. In the event of a disaster, all backup data could be destroyed, resulting in costly delays in generating and recording information accounted for through the automated process.

Sound business practices dictate that proper backup procedures be implemented. This deficiency is the result of management's failure to implement adequate disaster recovery planning procedures.

RECOMMENDATION

Management should implement daily system backup procedures. A backup labeled for each day of the week should be maintained. Management should store these backups in a

secure, fireproof location. In addition to daily system backups, a weekly backup should be performed, and two copies of this backup should be maintained. These backups should be rotated off-site on a weekly basis. A complete systems backup should also be performed at fiscal year-end. These year-end backups should be stored off-site and retained indefinitely. Some possibilities for an off-site storage location would be another county office building with a fireproof vault or a safe-deposit box at a local bank. Furthermore, a current log of all backups that includes label descriptions, date of creation, contents, and storage location should be maintained.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 09.05 **A FUND DEFICIT EXISTED IN THE SCHOOL FEDERAL PROJECTS FUND**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The School Federal Projects Fund had a deficit of \$6,089 in unreserved fund balance at June 30, 2009. This deficit occurred because School Department personnel had not requested grant funds prior to year-end. Sound business practices dictate that refund requests for expenditures made from reimbursement grants should be requested on a current basis. These grant funds were requested subsequent to June 30, and this deficit will be liquidated when grant funds are received.

RECOMMENDATION

Requests for reimbursements from grant funds should be made on a current basis.

OFFICE OF CLERK AND MASTER

FINDING 09.06 **THE OFFICE DID NOT REVIEW SOFTWARE AUDIT LOGS**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The software application used by the office generated a daily log that displayed changes made by users. Since this log provided the only audit trail of these changes, it should be reviewed daily for inappropriate activity. Since they were not aware of its importance, management did not review the log during the audit period.

RECOMMENDATION

Management should review the audit log on a routine basis. Any unusual transactions should be investigated.

OFFICES OF COUNTY MAYOR, TRUSTEE, AND SCHOOL FOOD SERVICE

FINDING 09.07 **THE OFFICES OF COUNTY MAYOR, TRUSTEE, AND SCHOOL FOOD SERVICE HAD DEFICIENCIES IN COMPUTER SYSTEM BACKUP PROCEDURES**

(Internal Control – Significant Deficiency Under Government Auditing Standards)

System backups were not stored off-site on a regular basis in the Offices of County Mayor, Trustee, and School Food Service. Sound business practices dictate that system backups be stored off-site. This deficiency is the result of management's failure to implement adequate disaster recovery planning procedures. In the event of a disaster, all backup data could be destroyed, resulting in costly delays in generating and recording information accounted for through the automated process.

RECOMMENDATION

Backups should be rotated off-site on a weekly basis. Some possibilities for an off-site storage location would be another county office building with a fireproof vault or a safe-deposit box at a local bank.

OTHER FINDING AND RECOMMENDATION

FINDING 09.08 **A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**

(Internal Control – Control Deficiency Under Government Auditing Standards)

County officials had not adopted a central system of accounting, budgeting, and purchasing. Sound business practices dictate that establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes. This deficiency is the result of management's failure to correct the finding noted in the prior-year audit report. 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.

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CHESTER COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2009

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