
ANNUAL FINANCIAL REPORT CHESTER COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2010



ANNUAL FINANCIAL REPORT
CHESTER COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2010

DEPARTMENT OF AUDIT
JUSTIN P. WILSON
Comptroller of the Treasury

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

JAMES R. ARNETTE
Director

NORMAN R. NORMENT, CGFM
Audit Manager

HORACE B. WISEMAN, CGFM
Auditor 4

VICKY BARBER, CFE
ELISHA CROWELL, CFE
State Auditors

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

CHESTER COUNTY, TENNESSEE TABLE OF CONTENTS

	Exhibit	Page(s)
Audit Highlights		6-7
<u>INTRODUCTORY SECTION</u>		8
Chester County Officials		9
<u>FINANCIAL SECTION</u>		10
Independent Auditor's Report		11-13
BASIC FINANCIAL STATEMENTS:		14
Government-wide Financial Statements:		
Statement of Net Assets	A	15
Statement of Activities	B	16-17
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C-1	18
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	C-2	19
Statement of Revenues, Expenditures, and Changes in Fund Balances	C-3	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C-4	21
Fiduciary Funds:		
Statement of Fiduciary Assets and Liabilities	D	22
Notes to the Financial Statements		23-51
REQUIRED SUPPLEMENTARY INFORMATION:		52
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
General Fund	E-1	53-54
Highway/Public Works Fund	E-2	55
Schedule of Funding Progress – Pension Plan – Primary Government and Discretely Presented Chester County School Department	E-3	56
Schedule of Funding Progress – Other Postemployment Benefits Plans – Primary Government and Discretely Presented Chester County School Department	E-4	57
Notes to the Required Supplementary Information		58

	Exhibit	Page(s)
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		59
Nonmajor Governmental Funds:		60-61
Combining Balance Sheet	F-1	62
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	F-2	63
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
Solid Waste/Sanitation Fund	F-3	64
Drug Control Fund	F-4	65
General Debt Service Fund	F-5	66
Education Debt Service Fund	F-6	67
Fiduciary Funds:		68
Combining Statement of Fiduciary Assets and Liabilities	G-1	69
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	G-2	70
Component Unit:		
Discretely Presented Chester County School Department:		71
Statement of Activities	H-1	72
Balance Sheet – Governmental Funds	H-2	73
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	H-3	74
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	H-4	75
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	H-5	76
Combining Balance Sheet – Nonmajor Governmental Funds	H-6	77
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	H-7	78
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Purpose School Fund	H-8	79-81
School Federal Projects Fund	H-9	82
Central Cafeteria Fund	H-10	83
Statement of Fiduciary Net Assets	H-11	84
Statement of Changes in Fiduciary Net Assets	H-12	85
Miscellaneous Schedules:		86
Schedule of Changes in Long-term Notes, Capital Leases, and Bonds	I-1	87
Schedule of Long-term Debt Requirements by Year	I-2	88-89
Schedule of Transfers – Primary Government and Discretely Presented Chester County School Department	I-3	90
Schedule of Salaries and Official Bonds of Principal Officials – Primary Government and Discretely Presented Chester County School Department	I-4	91

	Exhibit	Page(s)
Schedule of Detailed Revenues – All Governmental Fund Types	I-5	92-96
Schedule of Detailed Revenues – All Governmental Fund Types – Discretely Presented Chester County School Department	I-6	97-98
Schedule of Detailed Expenditures – All Governmental Fund Types	I-7	99-117
Schedule of Detailed Expenditures – All Governmental Fund Types – Discretely Presented Chester County School Department	I-8	118-129
Schedule of Detailed Receipts, Disbursements, and Changes in Cash Balance – City Agency Fund	I-9	130
 <u>SINGLE AUDIT SECTION</u>		 131
Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>		132-134
Auditor’s Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With <u>OMB Circular A-133</u>		135-137
Schedule of Expenditures of Federal Awards and State Grants		138-139
Schedule of Audit Findings Not Corrected		140
Schedule of Findings and Questioned Costs		141-147
Auditee Reporting Responsibilities		148

Audit Highlights
Annual Financial Report
Chester County, Tennessee
For the Year Ended June 30, 2010

Scope

We have audited the basic financial statements of Chester County as of and for the year ended June 30, 2010.

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, each major fund, and the aggregate discretely presented component units is unqualified.

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

Findings and Best Practice

The following are summaries of the audit findings and best practice:

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 ROAD SUPERVISOR

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

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ The School Federal Projects Fund had a deficit of \$8,076 in unreserved fund balance at June 30, 2010.
-

OFFICE OF TRUSTEE

- ◆ The office had deficiencies in computer system backup procedures.
 - ◆ The office did not implement adequate controls to protect its information resources.
-

OTHER FINDING

- ◆ Chester County has a material recurring audit finding.
-

BEST PRACTICE

Chester County does not have a central system of accounting, budgeting, and purchasing. The Division of County Audit strongly believes that a central system of accounting, budgeting, and purchasing is a best practice that should be adopted by the governing body as a means of significantly improving accountability and the quality of services provided to the citizens of Chester County.

INTRODUCTORY SECTION

Chester County Officials
June 30, 2010

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, Sheriff

Board of County Commissioners

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

Board of Education

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

FINANCIAL SECTION



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

September 23, 2010

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, 2010, 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 and the 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 financial position of the aggregate discretely presented component units and the aggregate remaining fund information of Chester County, Tennessee, as of June 30, 2010, and the results of operations of the aggregate discretely presented component units and the aggregate remaining fund information, for the year ended, in conformity with accounting principles generally accepted in the United States of America.

Additionally, in our opinion, based on our audit, 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, 2010, 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 September 23, 2010, 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. 51, Accounting and Financial Reporting for Intangible Assets; and Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, which became effective for the year ended June 30, 2010.

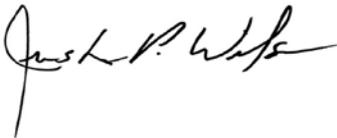
Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison, pension, and other postemployment benefits information on pages 53 through 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of

financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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, 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, 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,



Justin P. Wilson
Comptroller of the Treasury

JPW/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

Chester County, Tennessee
Statement of Net Assets
June 30, 2010

	<u>Primary Governmental Activities</u>	<u>Component Unit Chester County School Department</u>
<u>ASSETS</u>		
Cash	\$ 322	\$ 0
Equity in Pooled Cash and Investments	3,874,761	3,873,185
Accounts Receivable	61,386	45,467
Due from Other Governments	415,226	339,764
Property Taxes Receivable	2,375,834	1,578,010
Allowance for Uncollectible Property Taxes	(74,897)	(49,740)
Deferred Charges - Debt Issuance Cost	249,926	0
Capital Assets:		
Assets Not Depreciated:		
Land	2,881,945	414,252
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	10,554,139	8,575,391
Infrastructure	824,732	0
Other Capital Assets	1,149,849	2,310,977
Total Assets	<u>\$ 22,313,223</u>	<u>\$ 17,087,306</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 5,358	\$ 7,010
Payroll Deductions Payable	33	2,887
Accrued Interest Payable	7,062	0
Deferred Revenue - Current Property Taxes	2,178,015	1,446,641
Noncurrent Liabilities:		
Due Within One Year	736,892	0
Due in More Than One Year (net of unamortized premium on debt)	12,587,861	200,346
Total Liabilities	<u>\$ 15,515,221</u>	<u>\$ 1,656,884</u>
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	\$ 5,688,711	\$ 0
Invested in Capital Assets	0	11,300,620
Restricted for:		
Debt Service	436,674	0
Solid Waste/Sanitation	421,655	0
Highway/Public Works	904,173	0
Drug Control	68,843	0
Capital Projects	621,392	809,499
Computer Systems	3,327	0
Food Service	0	270,957
Other Purposes	25,774	2,707
Unrestricted	<u>(1,372,547)</u>	<u>3,046,639</u>
Total Net Assets	<u>\$ 6,798,002</u>	<u>\$ 15,430,422</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, 2010

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	\$ 701,951	\$ 85,748	\$ 85,475	\$ 0	\$ (530,728)	\$ 0	
Finance	534,198	327,270	4,537	0	(202,391)	0	
Administration of Justice	28,260	271,423	9,112	0	252,275	0	
Public Safety	3,040,822	281,492	151,471	0	(2,607,859)	0	
Public Health and Welfare	1,140,673	906,282	47,678	0	(186,713)	0	
Social, Cultural, and Recreational Services	324,391	0	7,939	0	(316,452)	0	
Agriculture and Natural Resources	101,911	0	5,842	0	(96,069)	0	
Other Operations	150,861	0	0	0	(150,861)	0	
Highways/Public Works	1,608,951	10,969	1,479,435	30,460	(88,087)	0	
Interest on Long-term Debt	561,707	0	0	0	(561,707)	0	
Other Debt Service	26,410	0	0	0	(26,410)	0	
Total Primary Government	\$ 8,220,135	\$ 1,883,184	\$ 1,791,489	\$ 30,460	\$ (4,515,002)	\$ 0	
Component Unit:							
Chester County School Department	\$ 19,069,709	\$ 510,353	\$ 2,496,084	\$ 0	\$ 0	\$ (16,063,272)	
Total Component Unit	\$ 19,069,709	\$ 510,353	\$ 2,496,084	\$ 0	\$ 0	\$ (16,063,272)	

(Continued)

Exhibit B

Chester County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Component Unit
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary		
				Total Governmental Activities	Chester County School Department	
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes				\$ 2,342,185	\$	1,669,210
Property Taxes Levied for Debt Service				37,024		0
Local Option Sales Tax				786,129		659,590
Wheel Tax				749,522		0
Other Local Taxes				190,811		1,308
Grants and Contributions Not Restricted to Specific Programs				515,838		13,509,630
Unrestricted Investment Earnings				82,292		42,969
Miscellaneous				9,579		97,354
Total General Revenues				\$ 4,713,380	\$	15,980,061
Change in Net Assets				\$ 198,378	\$	(83,211)
Net Assets, July 1, 2009				6,599,624		15,513,633
Net Assets, June 30, 2010				\$ 6,798,002	\$	15,430,422

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

Exhibit C-1

Chester County, Tennessee
 Balance Sheet
 Governmental Funds
 June 30, 2010

	Major Funds			Nonmajor Funds	Total Govern- mental Funds
	General	Highway / Public Works	General Capital Projects	Other Govern- mental Funds	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 322	\$ 322
Equity in Pooled Cash and Investments	1,791,048	655,745	619,944	808,024	3,874,761
Accounts Receivable	61,326	31	0	29	61,386
Due from Other Governments	39,518	250,728	0	124,980	415,226
Due from Other Funds	322	0	1,448	0	1,770
Property Taxes Receivable	2,301,382	41,515	0	32,937	2,375,834
Allowance for Uncollectible Property Taxes	(72,552)	(1,243)	0	(1,102)	(74,897)
Total Assets	\$ 4,121,044	\$ 946,776	\$ 621,392	\$ 965,190	\$ 6,654,402
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 5,358	\$ 0	\$ 0	\$ 0	\$ 5,358
Payroll Deductions Payable	0	33	0	0	33
Due to Other Funds	0	0	0	1,770	1,770
Deferred Revenue - Current Property Taxes	2,109,748	38,352	0	29,915	2,178,015
Deferred Revenue - Delinquent Property Taxes	106,382	1,720	0	1,770	109,872
Other Deferred Revenues	17,560	116,040	0	65,000	198,600
Total Liabilities	\$ 2,239,048	\$ 156,145	\$ 0	\$ 98,455	\$ 2,493,648
<u>Fund Balances</u>					
Reserved for Drug Court	\$ 12,651	\$ 0	\$ 0	\$ 0	\$ 12,651
Reserved for Sexual Offender Registration	3,422	0	0	0	3,422
Reserved for Courtroom Security	1,855	0	0	0	1,855
Reserved for Victims Assistance Programs	12,846	0	0	0	12,846
Reserved for Computer System - Register	2,661	0	0	0	2,661
Reserved for Automation Purposes - Juvenile Court	666	0	0	0	666
Unreserved, Reported In:					
General Fund	1,847,895	0	0	0	1,847,895
Special Revenue Funds	0	790,631	0	480,498	1,271,129
Debt Service Funds	0	0	0	386,237	386,237
Capital Projects Funds	0	0	621,392	0	621,392
Total Fund Balances	\$ 1,881,996	\$ 790,631	\$ 621,392	\$ 866,735	\$ 4,160,754
Total Liabilities and Fund Balances	\$ 4,121,044	\$ 946,776	\$ 621,392	\$ 965,190	\$ 6,654,402

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, 2010

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$ 4,160,754	
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$ 2,881,945		
Add: buildings and improvements net of accumulated depreciation	10,554,139		
Add: infrastructure net of accumulated depreciation	824,732		
Add: other capital assets net of accumulated depreciation	<u>1,149,849</u>	15,410,665	
(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	\$ (174,000)		
Less: bonds payable	(12,900,000)		
Less: capital leases payable	(25,043)		
Add: deferred charges - debt issuance costs	249,926		
Less: compensated absences payable	(4,218)		
Less: landfill closure/postclosure care costs	(152,319)		
Less: other postemployment benefits liability	(31,527)		
Less: accrued interest on bonds and notes	(7,062)		
Add: deferred amount on refunding	729		
Less: other deferred revenue - premium on debt	<u>(38,375)</u>	(13,081,889)	
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>308,472</u>
Net assets of governmental activities (Exhibit A)			<u>\$ 6,798,002</u>

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

Exhibit C-3

Chester County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2010

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Capital Projects	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 2,825,777	\$ 38,486	\$ 0	\$ 1,306,724	\$ 4,170,987
Licenses and Permits	22,175	0	0	0	22,175
Fines, Forfeitures, and Penalties	84,061	0	0	15,134	99,195
Charges for Current Services	13,911	0	0	81,384	95,295
Other Local Revenues	571,263	27,839	25,595	506,239	1,130,936
Fees Received from County Officials	566,976	0	0	0	566,976
State of Tennessee	350,621	1,450,088	0	18,159	1,818,868
Federal Government	86,706	0	0	5,860	92,566
Other Governments and Citizens Groups	205,692	0	0	204,058	409,750
Total Revenues	\$ 4,727,182	\$ 1,516,413	\$ 25,595	\$ 2,137,558	\$ 8,406,748
<u>Expenditures</u>					
Current:					
General Government	\$ 879,510	\$ 0	\$ 0	\$ 0	\$ 879,510
Finance	520,035	0	0	0	520,035
Administration of Justice	570,789	0	0	0	570,789
Public Safety	2,119,902	0	0	13,415	2,133,317
Public Health and Welfare	263,316	0	0	722,277	985,593
Social, Cultural, and Recreational Services	83,452	0	0	0	83,452
Agriculture and Natural Resources	89,642	0	0	0	89,642
Other Operations	150,861	0	0	8,465	159,326
Highways	0	1,405,589	0	0	1,405,589
Debt Service:					
Principal on Debt	0	0	0	718,763	718,763
Interest on Debt	0	0	0	560,910	560,910
Other Debt Service	0	0	0	13,385	13,385
Capital Projects	0	0	5,243,646	246,065	5,489,711
Total Expenditures	\$ 4,677,507	\$ 1,405,589	\$ 5,243,646	\$ 2,283,280	\$ 13,610,022
Excess (Deficiency) of Revenues Over Expenditures	\$ 49,675	\$ 110,824	\$ (5,218,051)	\$ (145,722)	\$ (5,203,274)
<u>Other Financing Sources (Uses)</u>					
Insurance Recovery	\$ 4,606	\$ 12,601	\$ 0	\$ 0	\$ 17,207
Transfers In	258,808	0	0	0	258,808
Transfers Out	0	0	(250,000)	(8,808)	(258,808)
Total Other Financing Sources (Uses)	\$ 263,414	\$ 12,601	\$ (250,000)	\$ (8,808)	\$ 17,207
Net Change in Fund Balances	\$ 313,089	\$ 123,425	\$ (5,468,051)	\$ (154,530)	\$ (5,186,067)
Fund Balance, July 1, 2009	1,568,907	667,206	6,089,443	1,021,265	9,346,821
Fund Balance, June 30, 2010	\$ 1,881,996	\$ 790,631	\$ 621,392	\$ 866,735	\$ 4,160,754

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, 2010

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)		\$ (5,186,067)
<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	\$ 5,386,986	
Less: current year depreciation expense	<u>(706,686)</u>	4,680,300
<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, 2010	\$ 308,472	
Less: deferred delinquent property taxes and other deferred June 30, 2009	<u>(297,990)</u>	10,482
<p>(3) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Add: change in premium on debt issuances	\$ 1,283	
Less: change in deferred amount on refunding	(12,746)	
Less: change in deferred debt issuance costs	(279)	
Add: principal payments on capital leases	9,429	
Add: principal payments on notes	34,334	
Add: principal payments on bonds	<u>675,000</u>	707,021
<p>(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.</p>		
Change in accrued interest payable	\$ (797)	
Change in closure/postclosure care costs	(106)	
Change in compensated absences payable	4,996	
Change in other postemployment benefits liability	<u>(17,451)</u>	<u>(13,358)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 198,378</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, 2010

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 276,645
Due from Other Governments	<u>125,172</u>
Total Assets	<u>\$ 401,817</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 125,172
Due to Litigants, Heirs, and Others	<u>276,645</u>
Total Liabilities	<u>\$ 401,817</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, 2010

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 in this report, 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.

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 types:

Debt Service Funds – These funds account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

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. 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 receivables are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 1.64 percent of total taxes levied.

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

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

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

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

3. Capital Assets

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the 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>Assets (Cont.)</u>	<u>Years</u>
<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, 2010, Chester County had \$3,190,000 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 H-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 of items required to reconcile the net change in fund balances – total governmental funds with the change in net assets of governmental activities reported in the government-wide Statement of Activities.

Discretely Presented Chester County School Department

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the Constitutional Officers – Fees Fund (special revenue fund), which is not budgeted, and the 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 County 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 Deficit

The School Federal Projects Fund (special revenue fund) of the discretely presented Chester County School Department had a deficit in unreserved fund balance of \$8,076 at June 30, 2010. This deficit occurred because School Department personnel did not request certain grant funds for the 2009-10 year until July 2010. This deficit will be liquidated when grant funds are received after June 30, 2010.

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 reflected on the balance sheets or statements of net assets represents nonpooled amounts held separately by individual funds.

Deposits

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

are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

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

Investments

Legal Provisions. Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; 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 Comptroller's Office 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 fair value of the securities on the day of purchase.

The county had no pooled and nonpooled investments as of June 30, 2010.

B. Capital Assets

Capital assets activity for the year ended June 30, 2010, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-09	Increases	Decreases	Balance 6-30-10
Capital Assets Not Depreciated:				
Land	\$ 2,875,278	\$ 6,667	\$ 0	\$ 2,881,945
Construction in Progress	3,297,659	0	(3,297,659)	0
Total Capital Assets Not Depreciated	<u>\$ 6,172,937</u>	<u>\$ 6,667</u>	<u>\$ (3,297,659)</u>	<u>\$ 2,881,945</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 5,579,356	\$ 8,471,712	\$ 0	\$ 14,051,068
Infrastructure	1,107,055	109,601	0	1,216,656
Other Capital Assets	3,928,714	96,665	(13,415)	4,011,964
Total Capital Assets Depreciated	<u>\$ 10,615,125</u>	<u>\$ 8,677,978</u>	<u>\$ (13,415)</u>	<u>\$ 19,279,688</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 3,286,784	\$ 210,145	\$ 0	\$ 3,496,929
Infrastructure	235,364	156,560	0	391,924
Other Capital Assets	2,535,549	339,981	(13,415)	2,862,115
Total Accumulated Depreciation	<u>\$ 6,057,697</u>	<u>\$ 706,686</u>	<u>\$ (13,415)</u>	<u>\$ 6,750,968</u>
Total Capital Assets Depreciated, Net	<u>\$ 4,557,428</u>	<u>\$ 7,971,292</u>	<u>\$ 0</u>	<u>\$ 12,528,720</u>
Governmental Activities Capital Assets, Net	<u>\$ 10,730,365</u>	<u>\$ 7,977,959</u>	<u>\$ (3,297,659)</u>	<u>\$ 15,410,665</u>

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

Governmental Activities:

General Government	\$ 10,909
Finance	3,441
Administration of Justice	18,602
Public Safety	164,193
Public Health and Welfare	149,416
Social, Cultural, and Recreational Services	34,123
Agriculture and Natural Resources	1,376
Highways	<u>324,626</u>

Total Depreciation Expense - Governmental Activities \$ 706,686

Discretely Presented Chester County School Department

Governmental Activities:

	Balance 7-1-09	Increases	Decreases	Balance 6-30-10
Capital Assets Not Depreciated:				
Land	\$ 414,252	\$ 0	\$ 0	\$ 414,252
Construction in Progress	<u>402,229</u>	<u>0</u>	<u>(402,229)</u>	<u>0</u>
Total Capital Assets Not Depreciated	<u>\$ 816,481</u>	<u>\$ 0</u>	<u>(402,229)</u>	<u>\$ 414,252</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 16,132,483	\$ 12,230	\$ 0	\$ 16,144,713
Other Capital Assets	<u>3,411,186</u>	<u>1,112,851</u>	<u>(42,000)</u>	<u>4,482,037</u>
Total Capital Assets Depreciated	<u>\$ 19,543,669</u>	<u>\$ 1,125,081</u>	<u>\$ (42,000)</u>	<u>\$ 20,626,750</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 7,218,320	\$ 351,002	\$ 0	\$ 7,569,322
Other Capital Assets	<u>1,867,122</u>	<u>345,938</u>	<u>(42,000)</u>	<u>2,171,060</u>
Total Accumulated Depreciation	<u>\$ 9,085,442</u>	<u>\$ 696,940</u>	<u>\$ (42,000)</u>	<u>\$ 9,740,382</u>
Total Capital Assets Depreciated, Net	<u>\$ 10,458,227</u>	<u>\$ 428,141</u>	<u>\$ 0</u>	<u>\$ 10,886,368</u>
Governmental Activities Capital Assets, Net	<u>\$ 11,274,708</u>	<u>\$ 428,141</u>	<u>\$ (402,229)</u>	<u>\$ 11,300,620</u>

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

Governmental Activities:

Instruction	\$ 494,403
Support Services	151,251
Operation of Non-Instructional Services	<u>51,286</u>
 Total Depreciation Expense - Governmental Activities	 <u><u>\$ 696,940</u></u>

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2010, 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
Discretely Presented School Department:		
General Purpose School	Nonmajor governmental	2,052

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 (\$2,052) was in transit from the School Federal Projects Fund at June 30, 2010.

Interfund Transfers:

Interfund transfers for the year ended June 30, 2010, consisted of the following amounts:

Primary Government

	Transfers In General Fund
Transfers Out	
General Capital Projects Fund	\$ 250,000
Nonmajor governmental funds	8,808
	\$ 258,808
Total	\$ 258,808

Discretely Presented Chester County School Department

	Transfer In General Purpose School Fund
Transfer Out	
Nonmajor governmental fund	\$ 3,740

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.

D. 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, 2010, were as follows:

Year Ending June 30	Governmental Funds
2011	\$ 11,083
2012	11,083
2013	4,619
Total Minimum Lease Payments	<u>\$ 26,785</u>
Less: Amount Representing Interest	<u>(1,742)</u>
 Present Value of Minimum Lease Payments	 <u><u>\$ 25,043</u></u>

E. Long-term Debt

Primary Government

General Obligation Bonds and Notes

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

General obligation bonds and capital outlay notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and capital outlay notes outstanding were issued for original terms of up to 32 years for bonds and up to seven 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, 2010, 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, 2010, for governmental activities are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-10
General Obligation Bonds	1.25 to 5.5%	\$ 10,140,000	\$ 9,710,000
General Obligation Bonds - Refunding	1.25 to 4	4,455,000	3,190,000
Capital Outlay Notes	3.54	200,000	174,000
Capital Leases	5.5	48,353	25,043

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2010, including interest payments, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
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
2016-2020	1,315,000	1,880,468	3,195,468
2021-2025	1,475,000	1,559,462	3,034,462
2026-2030	1,630,000	1,245,153	2,875,153
2031-2035	2,020,000	864,358	2,884,358
2036-2040	2,535,000	369,837	2,904,837
Total	\$ 12,900,000	\$ 8,329,516	\$ 21,229,516

Year Ending June 30	Notes		
	Principal	Interest	Total
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	\$ 174,000	\$ 19,151	\$ 193,151

There is \$386,237 available in the debt service funds to service long-term debt. Bonded debt per capita totaled \$830, based on the 2000 federal census.

Debt per capita, including bonds, notes, and capital leases totaled \$843, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability for the year ended June 30, 2010, was as follows:

Governmental Activities:

	Bonds	Notes	Capital Leases
Balance, July 1, 2009	\$ 13,575,000	\$ 208,334	\$ 34,472
Deductions	(675,000)	(34,334)	(9,429)
Balance, June 30, 2010	<u>\$ 12,900,000</u>	<u>\$ 174,000</u>	<u>\$ 25,043</u>
Balance Due Within One Year	<u>\$ 695,000</u>	<u>\$ 27,000</u>	<u>\$ 9,961</u>

	Compensated Absences	Landfill Closure/ Postclosure Care Costs	Other Postemployment Benefits
Balance, July 1, 2009	\$ 9,214	\$ 152,213	\$ 14,076
Additions	10,154	106	24,033
Deductions	(15,150)	0	(6,582)
Balance, June 30, 2010	<u>\$ 4,218</u>	<u>\$ 152,319</u>	<u>\$ 31,527</u>
Balance Due Within One Year	<u>\$ 3,230</u>	<u>\$ 1,701</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2010	\$ 13,286,378
Less: Balance Due Within One Year	(736,892)
Add: Unamortized Premium on Debt	<u>38,375</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 12,587,861</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.

Discretely Presented Chester County School Department

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2010, was as follows:

Governmental Activities:	<u>Other Postemployment Benefits</u>
Balance, July 1, 2009	\$ 148,849
Additions	132,353
Deductions	<u>(80,856)</u>
Balance, June 30, 2010	<u>\$ 200,346</u>
Balance Due Within One Year	<u>\$ 0</u>

F. 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 \$3,529,636, payable semiannually through May 2016. For the current year, principal and interest paid and sales tax revenues generated by the increase were \$662,467, and \$643,969, respectively.

G. 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, 2010, were \$29,483 and \$10,604, 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. 51, Accounting and Financial Reporting for Intangible Assets; and Statement No. 53, Accounting and Financial Reporting for Derivative Instruments became effective for the year ended June 30, 2010.

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets. Intangible assets have three characteristics: lack of physical substance, nonfinancial in nature, and a useful life that extends beyond a single reporting period. Assets that have these characteristics and are identifiable to the government should be recorded as capital assets and amortized over their useful lives. Easements, water rights, patents, and computer software are examples of intangible assets that should be recognized under GASB Statement No. 51. Chester County had no assets that met the definition of intangible assets as of June 30, 2010. However, it is reasonably expected that Chester County may acquire intangible assets in subsequent years.

GASB Statement No. 53, addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by county governments. Derivative instruments are financial arrangements used by governments as investments; hedges against identified financial risks; or to lower the costs of borrowings. Interest rate swaps and locks, options, swaptions, forward contracts, and futures contracts are among the commonly used types of derivatives mentioned in GASB Statement No. 53. Derivative instruments associated with fluctuating financial and commodity prices result in changing cash flows and fair values that can be used as effective risks management and investment tools. For the same reasons, derivative instruments can expose governments to significant risks and liabilities. The requirements of GASB Statement No. 53 are intended to help users of financial information evaluate the effectiveness and associated risks involved with Chester County's derivative transactions. GASB Statement No. 53 requires most derivatives to be reported at fair value in the Statement of Net Assets. Changes in fair value for derivative instruments that are intended for investments purposes or that are reported like investment

derivative instruments because of ineffectiveness are reported as investment revenues in the Statement of Activities. Alternatively, the changes in fair value of derivative instruments that are classified as hedging (i.e. effective) derivative instruments are reported in the Statement of Net Assets as deferrals. Chester County had not participated in derivative transactions as of June 30, 2010. However, it is reasonably expected that Chester County may enter into derivative transactions in subsequent years.

C. Subsequent Events

On August 31, 2010, Troy Kilzer left the Office of County Mayor and was succeeded by Dwain Seaton, and Elbert Carnell left the Office of Road Supervisor and was succeeded by Jerry King.

D. 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 \$152,319 reported as postclosure care liability at June 30, 2010, represents 50 percent of the county's share based on what it would cost to perform all postclosure care in 2010. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

E. Retirement Commitments

Plan Description

Employees of Chester County are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of

service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service, and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Chester County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

Funding Policy

Chester County requires employees to contribute five percent of earnable compensation. Chester County is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2010, 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, 2010, Chester County's annual pension cost of \$449,896 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, 2009, which established contribution rates effective July 1, 2010.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-10	\$449,896	100%	\$0
6-30-09	422,135	100	0
6-30-08	424,639	100	0

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 87.51 percent funded. The actuarial accrued liability for benefits was \$13.12 million, and the actuarial value of assets was \$11.48 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.64 million. The covered payroll (annual payroll of active employees covered by the plan) was \$5.64 million, and the ratio of the UAAL to the covered payroll was 29.04 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 AALs 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. Cost of living adjustments (COLA) are provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

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

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2010, was 6.42 percent of annual covered payroll. The employer contribution requirement for the 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, 2010, 2009, and 2008, were \$530,499, \$516,837, and \$495,198, respectively, equal to the required contributions for each year.

F. Other Postemployment Benefits (OPEB)

Plan Description

Chester County and the School Department participate in the state-administered Local Government Group Insurance Plan and Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Section 8-27-207, Tennessee Code Annotated (TCA), for local governments and Section 8-27-302, TCA, for local education employees. 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, 2010, Chester County and the discretely presented Chester County School Department contributed \$6,582 and \$80,856, respectively, for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan	Local Government Group Plan
	<u> </u>	<u> </u>
ARC	\$ 132,000	\$ 24,000
Interest on the NPO	6,698	633
Adjustment to the ARC	(6,345)	(600)
Annual OPEB cost	<u>\$ 132,353</u>	<u>\$ 24,033</u>
Less: Amount of contribution	(80,856)	(6,582)
Increase/decrease in NPO	<u>\$ 51,497</u>	<u>\$ 17,451</u>
Net OPEB obligation, 7-1-09	<u>148,849</u>	<u>14,076</u>
Net OPEB obligation, 6-30-10	<u><u>\$ 200,346</u></u>	<u><u>\$ 31,527</u></u>

Fiscal 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	"	128,572	39	148,849
6-30-10	"	132,353	61	200,346
6-30-08	Local Government Group	14,727	50	7,402
6-30-09	"	14,905	55	14,076
6-30-10	"	24,033	27	31,527

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2010, was as follows:

	Local Education Group Plan	Local Government Group Plan
Actuarial valuation date	7-1-09	7-1-09
Actuarial accrued liability (AAL)	\$ 1,123,000	\$ 157,000
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 1,123,000	\$ 157,000
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 11,112,346	\$ 2,695,251
UAAL as a % of covered payroll	10%	6%

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

Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under 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, 2009, actuarial valuation the projected unit credit actuarial cost method was used, and the actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses). The annual healthcare cost trend rate for the Local Education Plan was four percent for fiscal year 2010. The trend will rise to ten percent in fiscal year 2011 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. The annual healthcare cost trend rate for the Local Government plan was three percent for fiscal year 2010. The trend will rise to ten percent in fiscal year 2011 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. Both rates include a three percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level of percentage of payroll on a closed basis over a 30-year period beginning with June 30, 2008.

G. Purchasing Laws

Office of County Mayor

Purchasing procedures for the Office of County Mayor 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.

**REQUIRED SUPPLEMENTARY
INFORMATION**

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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,825,777	\$ 2,778,900	\$ 2,778,900	\$ 46,877
Licenses and Permits	22,175	0	0	22,175
Fines, Forfeitures, and Penalties	84,061	80,510	80,510	3,551
Charges for Current Services	13,911	13,400	13,400	511
Other Local Revenues	571,263	444,000	498,727	72,536
Fees Received from County Officials	566,976	584,000	584,000	(17,024)
State of Tennessee	350,621	414,580	484,380	(133,759)
Federal Government	86,706	11,000	32,000	54,706
Other Governments and Citizens Groups	205,692	184,000	184,000	21,692
Total Revenues	\$ 4,727,182	\$ 4,510,390	\$ 4,655,917	\$ 71,265
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 20,354	\$ 25,800	\$ 25,800	\$ 5,446
Board of Equalization	550	1,615	1,615	1,065
Budget and Finance Committee	0	2,153	2,153	2,153
County Mayor/Executive	216,527	218,929	218,929	2,402
County Attorney	5,556	8,500	8,500	2,944
Election Commission	123,241	128,118	128,118	4,877
Register of Deeds	126,153	129,492	129,492	3,339
County Buildings	344,328	316,568	368,068	23,740
Other Facilities	17,621	0	18,815	1,194
Other General Administration	25,180	36,250	36,250	11,070
<u>Finance</u>				
Accounting and Budgeting	4,662	5,000	5,000	338
Property Assessor's Office	162,453	172,843	172,843	10,390
Reappraisal Program	7,083	15,018	15,018	7,935
County Trustee's Office	151,211	164,864	164,864	13,653
County Clerk's Office	194,626	199,562	199,562	4,936
<u>Administration of Justice</u>				
Circuit Court	245,091	248,813	248,813	3,722
General Sessions Court	105,204	107,028	107,028	1,824
Chancery Court	187,600	188,090	188,090	490
Juvenile Court	32,894	33,977	33,977	1,083
<u>Public Safety</u>				
Sheriff's Department	1,802,964	2,006,811	1,982,534	179,570
Juvenile Services	62,584	64,718	64,718	2,134
Fire Prevention and Control	135,189	125,547	153,587	18,398
Civil Defense	74,232	32,892	77,169	2,937
Rescue Squad	6,500	6,500	6,500	0
Other Emergency Management	31,513	31,471	31,521	8
County Coroner/Medical Examiner	6,920	7,000	7,000	80

(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</u>				
Local Health Center	\$ 52,204	\$ 55,777	\$ 125,577	\$ 73,373
Ambulance/Emergency Medical Services	165,113	165,113	165,113	0
Nursing Home	1,727	0	2,020	293
Crippled Children Services	1,500	1,500	1,500	0
Other Local Health Services	9,900	1,500	9,900	0
Regional Mental Health Center	10,000	12,500	12,500	2,500
Sanitation Education/Information	22,872	29,071	29,071	6,199
<u>Social, Cultural, and Recreational Services</u>				
Libraries	60,186	59,188	60,423	237
Other Social, Cultural, and Recreational	23,266	25,767	34,532	11,266
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	38,042	39,600	39,600	1,558
Soil Conservation	43,700	46,216	47,216	3,516
Flood Control	7,900	7,900	7,900	0
<u>Other Operations</u>				
Industrial Development	15,000	15,000	15,000	0
Veterans' Services	19,736	20,783	20,783	1,047
Employee Benefits	4,324	0	4,400	76
Miscellaneous	111,801	58,500	118,477	6,676
Total Expenditures	\$ 4,677,507	\$ 4,815,974	\$ 5,089,976	\$ 412,469
Excess (Deficiency) of Revenues				
Over Expenditures	\$ 49,675	\$ (305,584)	\$ (434,059)	\$ 483,734
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 4,606	\$ 0	\$ 0	\$ 4,606
Transfers In	258,808	0	8,808	250,000
Total Other Financing Sources (Uses)	\$ 263,414	\$ 0	\$ 8,808	\$ 254,606
Net Change in Fund Balance				
Fund Balance, July 1, 2009	\$ 313,089	\$ (305,584)	\$ (425,251)	\$ 738,340
	1,568,907	1,521,653	1,521,653	47,254
Fund Balance, June 30, 2010				
	\$ 1,881,996	\$ 1,216,069	\$ 1,096,402	\$ 785,594

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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 38,486	\$ 35,250	\$ 35,250	\$ 3,236
Other Local Revenues	27,839	70,000	70,000	(42,161)
State of Tennessee	1,450,088	2,740,154	2,740,154	(1,290,066)
Total Revenues	<u>\$ 1,516,413</u>	<u>\$ 2,845,404</u>	<u>\$ 2,845,404</u>	<u>\$ (1,328,991)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 148,269	\$ 162,893	\$ 162,893	\$ 14,624
Highway and Bridge Maintenance	685,029	907,000	917,200	232,171
Operation and Maintenance of Equipment	235,935	283,250	283,550	47,615
Other Charges	65,073	74,700	74,700	9,627
Employee Benefits	233,821	238,000	238,000	4,179
Capital Outlay	37,462	1,929,561	1,919,061	1,881,599
Total Expenditures	<u>\$ 1,405,589</u>	<u>\$ 3,595,404</u>	<u>\$ 3,595,404</u>	<u>\$ 2,189,815</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 110,824</u>	<u>\$ (750,000)</u>	<u>\$ (750,000)</u>	<u>\$ 860,824</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 12,601	\$ 0	\$ 0	\$ 12,601
Total Other Financing Sources (Uses)	<u>\$ 12,601</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 12,601</u>
Net Change in Fund Balance	\$ 123,425	\$ (750,000)	\$ (750,000)	\$ 873,425
Fund Balance, July 1, 2009	<u>667,206</u>	<u>750,000</u>	<u>750,000</u>	<u>(82,794)</u>
Fund Balance, June 30, 2010	<u>\$ 790,631</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 790,631</u>

Exhibit E-3

Chester County, Tennessee
Schedule of Funding Progress – Pension Plan
Primary Government and Discretely Presented Chester County School Department
June 30, 2010

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7-1-07	\$ 10,591	\$ 11,741	\$ 1,150	90.21 %	\$ 4,821	23.85 %
7-1-09	11,479	13,118	1,638	87.51	5,641	29.04

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 went into effect during the year of the 2007 actuarial valuation; therefore, only the two most recent valuations are presented.

Exhibit E-4

Chester County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plans
Primary Government and Discretely Presented Chester County School Department
June 30, 2010

(Dollar amounts in thousands)

Plans	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	7-1-07	\$ 0	\$ 131	\$ 131	0 %	\$ 1,862	7.04 %
"	7-1-09	0	157	157	0	2,695	5.83
<u>DISCRETELY PRESENTED CHESTER COUNTY SCHOOL DEPARTMENT</u>							
Local Education Group	7-1-07	0	1,136	1,136	0	8,157	13.93
"	7-1-09	0	1,123	1,123	0	11,112	10.11

* Data only available for two actuarial valuations.

CHESTER COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2010

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 County 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.

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

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 Funds

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.

Education Debt Service Fund – The Education 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 of the Chester County School Department.

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. This fund was closed during the 2009-2010 year.

Exhibit F-1

Chester County, Tennessee
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2010

	Special Revenue Funds				Debt Service Funds			Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	Total	General Debt Service	Education Debt Service	Total	
\$	0	0	322	322	0	0	0	322
Equity in Pooled Cash and Investments	406,083	68,843	0	474,926	83,283	249,815	333,098	808,024
Accounts Receivable	0	0	0	0	29	0	29	29
Due from Other Governments	15,572	0	0	15,572	0	109,408	109,408	124,980
Property Taxes Receivable	0	0	0	0	32,937	0	32,937	32,937
Allowance for Uncollectible Property Taxes	0	0	0	0	(1,102)	0	(1,102)	(1,102)
Total Assets	\$ 421,655	\$ 68,843	\$ 322	\$ 490,820	\$ 115,147	\$ 359,223	\$ 474,370	\$ 965,190
<u>LIABILITIES AND FUND BALANCES</u>								
<u>Liabilities</u>								
Due to Other Funds	0	0	322	322	1,448	0	1,448	1,770
Deferred Revenue - Current Property Taxes	0	0	0	0	29,915	0	29,915	29,915
Deferred Revenue - Delinquent Property Taxes	0	0	0	0	1,770	0	1,770	1,770
Other Deferred Revenues	10,000	0	0	10,000	0	55,000	55,000	65,000
Total Liabilities	\$ 10,000	\$ 0	\$ 322	\$ 10,322	\$ 33,133	\$ 55,000	\$ 88,133	\$ 98,455
<u>Fund Balances</u>								
Unreserved	411,655	68,843	0	480,498	82,014	304,223	386,237	866,735
Total Fund Balances	\$ 411,655	\$ 68,843	\$ 0	\$ 480,498	\$ 82,014	\$ 304,223	\$ 386,237	\$ 866,735
Total Liabilities and Fund Balances	\$ 421,655	\$ 68,843	\$ 322	\$ 490,820	\$ 115,147	\$ 359,223	\$ 474,370	\$ 965,190

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, 2010

	Special Revenue Funds				Debt Service Funds			Capital Projects		Total Nonmajor Governmental Funds
	Solid Waste /		Drug Control	Total	General Debt Service	Education Debt Service	Total	Other Capital Projects		
	Sanitation	Waste /								
Revenues										
Local Taxes	\$ 123,756	\$ 0	\$ 123,756	\$ 538,999	\$ 643,969	\$ 1,182,968	\$ 0	\$ 0	\$ 1,306,724	
Fines, Forfeitures, and Penalties	0	15,134	15,134	0	0	0	0	0	15,134	
Charges for Current Services	81,384	0	81,384	0	0	0	0	0	81,384	
Other Local Revenues	494,615	3,685	498,300	0	0	0	7,939	0	506,239	
State of Tennessee	14,605	0	14,605	3,554	0	3,554	0	0	18,159	
Federal Government	0	5,860	5,860	0	0	0	0	0	5,860	
Other Governments and Citizens Groups	0	0	0	0	50,000	50,000	0	0	204,058	
Total Revenues	\$ 714,360	\$ 24,679	\$ 739,039	\$ 542,553	\$ 693,969	\$ 1,236,522	\$ 161,997	\$ 161,997	\$ 2,137,558	
Expenditures										
Current:										
Public Safety	\$ 0	\$ 13,415	\$ 13,415	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 13,415	
Public Health and Welfare	722,277	0	722,277	0	0	0	0	0	722,277	
Other Operations	8,302	163	8,465	0	0	0	0	0	8,465	
Debt Service:										
Principal on Debt	35,429	0	35,429	143,334	540,000	683,334	0	0	718,763	
Interest on Debt	8,274	0	8,274	430,169	122,467	552,636	0	0	560,910	
Other Debt Service	0	0	0	6,306	7,079	13,385	0	0	13,385	
Capital Projects	0	0	0	0	0	0	246,065	0	246,065	
Total Expenditures	\$ 774,282	\$ 13,578	\$ 787,860	\$ 579,809	\$ 669,546	\$ 1,249,355	\$ 246,065	\$ 246,065	\$ 2,283,280	
Excess (Deficiency) of Revenues Over Expenditures	\$ (59,922)	\$ 11,101	\$ (48,821)	\$ (37,256)	\$ 24,423	\$ (12,833)	\$ (84,068)	\$ (84,068)	\$ (145,722)	
Other Financing Sources (Uses)										
Transfers Out	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (8,808)	\$ (8,808)	\$ (8,808)	
Total Other Financing Sources (Uses)	\$ (59,922)	\$ 11,101	\$ (48,821)	\$ (37,256)	\$ 24,423	\$ (12,833)	\$ (92,876)	\$ (92,876)	\$ (154,530)	
Net Change in Fund Balances	\$ 471,577	\$ 57,742	\$ 529,319	\$ 119,270	\$ 279,800	\$ 399,070	\$ 92,876	\$ 92,876	\$ 1,021,265	
Fund Balance, July 1, 2009										
Fund Balance, June 30, 2010	\$ 411,655	\$ 68,843	\$ 480,498	\$ 82,014	\$ 304,223	\$ 386,237	\$ 0	\$ 0	\$ 866,735	

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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 123,756	\$ 132,600	\$ 132,600	\$ (8,844)
Charges for Current Services	81,384	85,500	85,500	(4,116)
Other Local Revenues	494,615	420,000	420,000	74,615
State of Tennessee	14,605	21,200	21,200	(6,595)
Total Revenues	<u>\$ 714,360</u>	<u>\$ 659,300</u>	<u>\$ 659,300</u>	<u>\$ 55,060</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Convenience Centers	\$ 357,914	\$ 344,034	\$ 358,934	\$ 1,020
Recycling Center	119,945	49,562	152,948	33,003
Other Waste Disposal	241,017	259,691	259,691	18,674
Postclosure Care Costs	3,401	5,000	5,000	1,599
<u>Other Operations</u>				
Other Charges	0	8,000	8,000	8,000
Miscellaneous	8,302	10,000	10,000	1,698
<u>Principal on Debt</u>				
General Government	35,429	35,000	35,429	0
<u>Interest on Debt</u>				
General Government	8,274	8,730	8,301	27
Total Expenditures	<u>\$ 774,282</u>	<u>\$ 720,017</u>	<u>\$ 838,303</u>	<u>\$ 64,021</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (59,922)</u>	<u>\$ (60,717)</u>	<u>\$ (179,003)</u>	<u>\$ 119,081</u>
Net Change in Fund Balance	\$ (59,922)	\$ (60,717)	\$ (179,003)	\$ 119,081
Fund Balance, July 1, 2009	<u>471,577</u>	<u>321,078</u>	<u>321,078</u>	<u>150,499</u>
Fund Balance, June 30, 2010	<u>\$ 411,655</u>	<u>\$ 260,361</u>	<u>\$ 142,075</u>	<u>\$ 269,580</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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 15,134	\$ 18,100	\$ 18,100	\$ (2,966)
Other Local Revenues	3,685	0	0	3,685
Federal Government	5,860	0	0	5,860
Total Revenues	<u>\$ 24,679</u>	<u>\$ 18,100</u>	<u>\$ 18,100</u>	<u>\$ 6,579</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 13,415	\$ 24,450	\$ 24,450	\$ 11,035
<u>Other Operations</u>				
Miscellaneous	163	125	125	(38)
Total Expenditures	<u>\$ 13,578</u>	<u>\$ 24,575</u>	<u>\$ 24,575</u>	<u>\$ 10,997</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 11,101</u>	<u>\$ (6,475)</u>	<u>\$ (6,475)</u>	<u>\$ 17,576</u>
Net Change in Fund Balance	\$ 11,101	\$ (6,475)	\$ (6,475)	\$ 17,576
Fund Balance, July 1, 2009	<u>57,742</u>	<u>58,532</u>	<u>58,532</u>	<u>(790)</u>
Fund Balance, June 30, 2010	<u>\$ 68,843</u>	<u>\$ 52,057</u>	<u>\$ 52,057</u>	<u>\$ 16,786</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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 538,999	\$ 523,388	\$ 523,388	\$ 15,611
Other Local Revenues	0	20,000	20,000	(20,000)
State of Tennessee	3,554	1,050	1,050	2,504
Total Revenues	<u>\$ 542,553</u>	<u>\$ 544,438</u>	<u>\$ 544,438</u>	<u>\$ (1,885)</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 143,334	\$ 143,334	\$ 143,334	\$ 0
<u>Interest on Debt</u>				
General Government	430,169	430,595	430,595	426
<u>Other Debt Service</u>				
General Government	6,306	2,000	7,000	694
Total Expenditures	<u>\$ 579,809</u>	<u>\$ 575,929</u>	<u>\$ 580,929</u>	<u>\$ 1,120</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (37,256)</u>	<u>\$ (31,491)</u>	<u>\$ (36,491)</u>	<u>\$ (765)</u>
Net Change in Fund Balance	\$ (37,256)	\$ (31,491)	\$ (36,491)	\$ (765)
Fund Balance, July 1, 2009	119,270	108,653	108,653	10,617
Fund Balance, June 30, 2010	<u>\$ 82,014</u>	<u>\$ 77,162</u>	<u>\$ 72,162</u>	<u>\$ 9,852</u>

Exhibit F-6

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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 643,969	\$ 650,000	\$ 650,000	\$ (6,031)
Other Governments and Citizens Groups	50,000	50,000	50,000	0
Total Revenues	<u>\$ 693,969</u>	<u>\$ 700,000</u>	<u>\$ 700,000</u>	<u>\$ (6,031)</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
Education	\$ 540,000	\$ 540,000	\$ 540,000	\$ 0
<u>Interest on Debt</u>				
Education	122,467	122,762	122,762	295
<u>Other Debt Service</u>				
Education	7,079	10,500	10,500	3,421
Total Expenditures	<u>\$ 669,546</u>	<u>\$ 673,262</u>	<u>\$ 673,262</u>	<u>\$ 3,716</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 24,423</u>	<u>\$ 26,738</u>	<u>\$ 26,738</u>	<u>\$ (2,315)</u>
Net Change in Fund Balance	\$ 24,423	\$ 26,738	\$ 26,738	\$ (2,315)
Fund Balance, July 1, 2009	<u>279,800</u>	<u>0</u>	<u>0</u>	<u>279,800</u>
Fund Balance, June 30, 2010	<u>\$ 304,223</u>	<u>\$ 26,738</u>	<u>\$ 26,738</u>	<u>\$ 277,485</u>

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.

Exhibit G-1

Chester County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2010

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 276,645	\$ 276,645
Due from Other Governments	125,172	0	125,172
Total Assets	<u>\$ 125,172</u>	<u>\$ 276,645</u>	<u>\$ 401,817</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 125,172	\$ 0	\$ 125,172
Due to Litigants, Heirs, and Others	0	276,645	276,645
Total Liabilities	<u>\$ 125,172</u>	<u>\$ 276,645</u>	<u>\$ 401,817</u>

Exhibit G-2

Chester County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2010

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 737,838	\$ 737,838	\$ 0
Due from Other Governments	121,150	125,172	121,150	125,172
Total Assets	\$ 121,150	\$ 863,010	\$ 858,988	\$ 125,172
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 121,150	\$ 863,010	\$ 858,988	\$ 125,172
Total Liabilities	\$ 121,150	\$ 863,010	\$ 858,988	\$ 125,172
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 370,979	\$ 3,247,106	\$ 3,341,440	\$ 276,645
Total Assets	\$ 370,979	\$ 3,247,106	\$ 3,341,440	\$ 276,645
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 370,979	\$ 3,247,106	\$ 3,341,440	\$ 276,645
Total Liabilities	\$ 370,979	\$ 3,247,106	\$ 3,341,440	\$ 276,645
<u>Total - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 370,979	\$ 3,247,106	\$ 3,341,440	\$ 276,645
Equity in Pooled Cash and Investments	0	737,838	737,838	0
Due from Other Governments	121,150	125,172	121,150	125,172
Total Assets	\$ 492,129	\$ 4,110,116	\$ 4,200,428	\$ 401,817
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 121,150	\$ 863,010	\$ 858,988	\$ 125,172
Due to Litigants, Heirs, and Others	370,979	3,247,106	3,341,440	276,645
Total Liabilities	\$ 492,129	\$ 4,110,116	\$ 4,200,428	\$ 401,817

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

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

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.

Exhibit H-1

Chester County, Tennessee
Statement of Activities
Discretely Presented Chester County School Department
For the Year Ended June 30, 2010

Functions/Programs	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets Total Governmental Activities
Governmental Activities:				
Instruction	\$ 11,443,071	\$ 10,485	\$ 1,332,432	\$ (10,100,154)
Support Services	5,775,918	39,141	127,060	(5,609,717)
Operation of Non-Instructional Services	1,800,720	460,727	1,036,592	(303,401)
Other Debt Service	50,000	0	0	(50,000)
	<u>\$ 19,069,709</u>	<u>\$ 510,353</u>	<u>\$ 2,496,084</u>	<u>\$ (16,063,272)</u>
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 1,669,210
Local Option Sales Taxes				659,590
Other Local Taxes				1,308
Grants and Contributions Not Restricted to Specific Programs				13,509,630
Unrestricted Investment Earnings				42,969
Miscellaneous				97,354
Total General Revenues				<u>\$ 15,980,061</u>
Change in Net Assets				\$ (83,211)
Net Assets, July 1, 2009				<u>15,513,633</u>
Net Assets, June 30, 2010				<u>\$ 15,430,422</u>

Exhibit H-2

Chester County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Chester County School Department
June 30, 2010

	<u>Major Funds</u>		<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>Education</u>	<u>Funds</u>	
	<u>Purpose</u>	<u>Capital</u>	<u>Other</u>	
	<u>School</u>	<u>Projects</u>	<u>Governmental</u>	<u>Governmental</u>
			<u>Funds</u>	<u>Funds</u>
<u>ASSETS</u>				
Equity in Pooled Cash and Investments	\$ 2,790,234	\$ 809,499	\$ 271,400	\$ 3,871,133
Accounts Receivable	45,467	0	0	45,467
Due from Other Governments	339,764	0	0	339,764
Due from Other Funds	2,052	0	0	2,052
Property Taxes Receivable	1,578,010	0	0	1,578,010
Allowance for Uncollectible Property Taxes	(49,740)	0	0	(49,740)
Total Assets	\$ 4,705,787	\$ 809,499	\$ 271,400	\$ 5,786,686
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 7,010	\$ 0	\$ 0	\$ 7,010
Payroll Deductions Payable	1,994	0	893	2,887
Deferred Revenue - Current Property Taxes	1,446,641	0	0	1,446,641
Deferred Revenue - Delinquent Property Taxes	71,129	0	0	71,129
Other Deferred Revenues	65,000	0	0	65,000
Total Liabilities	\$ 1,591,774	\$ 0	\$ 893	\$ 1,592,667
<u>Fund Balances</u>				
Reserved for Encumbrances	\$ 3,915	\$ 0	\$ 0	\$ 3,915
Reserved for Career Ladder Program	3,157	0	0	3,157
Reserved for Special Education - Grants to States	0	0	7,626	7,626
Unreserved, Reported In:				
General Fund	3,106,941	0	0	3,106,941
Special Revenue Funds	0	0	262,881	262,881
Capital Projects Funds	0	809,499	0	809,499
Total Fund Balances	\$ 3,114,013	\$ 809,499	\$ 270,507	\$ 4,194,019
Total Liabilities and Fund Balances	\$ 4,705,787	\$ 809,499	\$ 271,400	\$ 5,786,686

Exhibit H-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, 2010

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

Total fund balances - balance sheet - governmental funds (Exhibit H-2)		\$ 4,194,019
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 414,252	
Add: buildings and improvements net of accumulated depreciation	8,575,391	
Add: other capital assets net of accumulated depreciation	<u>2,310,977</u>	11,300,620
(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		(200,346)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>136,129</u>
Net assets of governmental activities (Exhibit A)		<u><u>\$ 15,430,422</u></u>

Exhibit H-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, 2010

	Major Funds		Nonmajor Funds	Total Governmental Funds
	General Purpose School	Education Capital Projects	Other Govern- mental Funds	
<u>Revenues</u>				
Local Taxes	\$ 2,365,542	\$ 0	\$ 0	\$ 2,365,542
Licenses and Permits	1,378	0	0	1,378
Charges for Current Services	42,576	0	444,698	487,274
Other Local Revenues	131,243	0	54,060	185,303
State of Tennessee	13,447,424	0	14,727	13,462,151
Federal Government	65,854	0	2,514,376	2,580,230
Total Revenues	<u>\$ 16,054,017</u>	<u>\$ 0</u>	<u>\$ 3,027,861</u>	<u>\$ 19,081,878</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 9,564,355	\$ 0	\$ 1,219,049	\$ 10,783,404
Support Services	5,358,177	0	457,914	5,816,091
Operation of Non-Instructional Services	186,163	0	1,405,168	1,591,331
Capital Outlay	156,838	581,050	0	737,888
Debt Service:				
Other Debt Service	50,000	0	0	50,000
Total Expenditures	<u>\$ 15,315,533</u>	<u>\$ 581,050</u>	<u>\$ 3,082,131</u>	<u>\$ 18,978,714</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 738,484</u>	<u>\$ (581,050)</u>	<u>\$ (54,270)</u>	<u>\$ 103,164</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 32,260	\$ 0	\$ 0	\$ 32,260
Transfers In	3,740	0	0	3,740
Transfers Out	0	0	(3,740)	(3,740)
Total Other Financing Sources (Uses)	<u>\$ 36,000</u>	<u>\$ 0</u>	<u>\$ (3,740)</u>	<u>\$ 32,260</u>
Net Change in Fund Balances	\$ 774,484	\$ (581,050)	\$ (58,010)	\$ 135,424
Fund Balance, July 1, 2009	<u>2,339,529</u>	<u>1,390,549</u>	<u>328,517</u>	<u>4,058,595</u>
Fund Balance, June 30, 2010	<u>\$ 3,114,013</u>	<u>\$ 809,499</u>	<u>\$ 270,507</u>	<u>\$ 4,194,019</u>

Exhibit H-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, 2010

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

Net change in fund balances - total governmental funds (Exhibit H-4)		\$	135,424
(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	\$	722,852	
Less: current year depreciation expense		<u>(696,940)</u>	25,912
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Add: deferred delinquent property taxes and other deferred June 30, 2010	\$	136,129	
Less: deferred delinquent property taxes and other deferred June 30, 2009		<u>(329,179)</u>	(193,050)
(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.			
Change in other postemployment benefits liability			<u>(51,497)</u>
Change in net assets of governmental activities (Exhibit B)		\$	<u><u>(83,211)</u></u>

Exhibit H-6

Chester County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Chester County School Department
June 30, 2010

	<u>Special Revenue Funds</u>		Total
	School	Central	Nonmajor
	Federal	Cafeteria	Governmental
	Projects		Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 443	\$ 270,957	\$ 271,400
Total Assets	\$ 443	\$ 270,957	\$ 271,400
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Payroll Deductions Payable	\$ 893	\$ 0	\$ 893
Total Liabilities	\$ 893	\$ 0	\$ 893
<u>Fund Balances</u>			
Reserved for Special Education - Grants to States	\$ 7,626	\$ 0	\$ 7,626
Unreserved (Deficit)	(8,076)	270,957	262,881
Total Fund Balances	\$ (450)	\$ 270,957	\$ 270,507
Total Liabilities and Fund Balances	\$ 443	\$ 270,957	\$ 271,400

Exhibit H-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, 2010

	<u>Special Revenue Funds</u>		Total
	School	Central	Nonmajor
	Federal	Cafeteria	Governmental
	Projects		Funds
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 444,698	\$ 444,698
Other Local Revenues	0	54,060	54,060
State of Tennessee	0	14,727	14,727
Federal Government	1,592,082	922,294	2,514,376
Total Revenues	<u>\$ 1,592,082</u>	<u>\$ 1,435,779</u>	<u>\$ 3,027,861</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 1,219,049	\$ 0	\$ 1,219,049
Support Services	457,914	0	457,914
Operation of Non-Instructional Services	0	1,405,168	1,405,168
Total Expenditures	<u>\$ 1,676,963</u>	<u>\$ 1,405,168</u>	<u>\$ 3,082,131</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (84,881)</u>	<u>\$ 30,611</u>	<u>\$ (54,270)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	\$ (3,740)	\$ 0	\$ (3,740)
Total Other Financing Sources (Uses)	<u>\$ (3,740)</u>	<u>\$ 0</u>	<u>\$ (3,740)</u>
Net Change in Fund Balances	\$ (88,621)	\$ 30,611	\$ (58,010)
Fund Balance, July 1, 2009	88,171	240,346	328,517
Fund Balance, June 30, 2010	<u>\$ (450)</u>	<u>\$ 270,957</u>	<u>\$ 270,507</u>

Exhibit H-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, 2010

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2009	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Revenues							
Local Taxes	\$ 2,365,542	\$ 0	\$ 0	\$ 2,365,542	\$ 2,297,300	\$ 2,297,300	\$ 68,242
Licenses and Permits	1,378	0	0	1,378	1,000	1,000	378
Charges for Current Services	42,576	0	0	42,576	36,700	36,700	5,876
Other Local Revenues	131,243	0	0	131,243	116,000	136,000	(4,757)
State of Tennessee	13,447,424	0	0	13,447,424	13,261,200	13,351,379	96,045
Federal Government	65,854	0	0	65,854	62,500	62,500	3,354
Total Revenues	\$ 16,054,017	\$ 0	\$ 0	\$ 16,054,017	\$ 15,774,700	\$ 15,884,879	\$ 169,138
Expenditures							
Instruction							
Regular Instruction Program	\$ 7,915,563	\$ 0	\$ 0	\$ 7,915,563	\$ 7,981,500	\$ 8,096,956	\$ 181,393
Special Education Program	1,016,057	0	0	1,016,057	1,064,050	1,078,050	61,993
Vocational Education Program	560,096	0	0	560,096	566,700	566,700	6,604
Student Body Education Program	47,000	0	0	47,000	47,000	47,000	0
Adult Education Program	25,639	0	0	25,639	25,700	25,700	61
Support Services							
Attendance	60,867	0	0	60,867	62,000	62,000	1,133
Health Services	150,364	0	0	150,364	139,199	155,053	4,689
Other Student Support	344,781	0	0	344,781	355,330	365,330	20,549
Regular Instruction Program	558,595	0	1,500	560,095	587,560	587,560	27,465
Special Education Program	108,240	0	0	108,240	115,850	115,850	7,610
Vocational Education Program	864	0	0	864	4,000	4,000	3,136
Adult Programs	33,299	0	0	33,299	33,300	33,299	0
Other Programs	40,087	0	0	40,087	0	40,087	0

(Continued)

Exhibit H-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 7/1/2009	Add: Encumbrances 6/30/2010	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	\$ 305,468	\$ (484)	\$ 0	\$ 304,984	\$ 333,150	\$ 345,150	\$ 40,166
Director of Schools	152,800	0	0	152,800	164,150	164,150	11,350
Office of the Principal	1,015,168	0	0	1,015,168	1,043,000	1,050,000	34,832
Fiscal Services	95,145	0	0	95,145	95,350	99,800	4,655
Operation of Plant	1,280,304	(2,000)	0	1,278,304	1,348,000	1,363,000	84,696
Maintenance of Plant	419,485	0	15	419,500	399,600	438,600	19,100
Transportation	792,710	0	0	792,710	997,200	900,906	108,196
<u>Operation of Non-Instructional Services</u>							
Community Services	7,691	0	0	7,691	12,910	12,910	5,219
Early Childhood Education	178,472	(8,293)	2,400	172,579	190,634	197,335	24,756
<u>Capital Outlay</u>							
Regular Capital Outlay	156,838	0	0	156,838	200,000	163,000	6,162
Principal on Debt	0	0	0	0	39,000	0	0
Interest on Debt	0	0	0	0	11,000	0	0
Education	0	0	0	0	0	0	0
<u>Other Debt Service</u>							
Education	50,000	0	0	50,000	0	50,000	0
Total Expenditures	\$ 15,315,533	\$ (10,777)	\$ 3,915	\$ 15,308,671	\$ 15,816,183	\$ 15,962,436	\$ 653,765
Excess (Deficiency) of Revenues Over Expenditures	\$ 738,484	\$ 10,777	\$ (3,915)	\$ 745,346	\$ (41,483)	\$ (77,557)	\$ 822,903

(Continued)

Exhibit H-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 7/1/2009	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 32,260	\$ 0	\$ 0	\$ 32,260	\$ 2,000	\$ 2,000	\$ 30,260
Transfers In	3,740	0	0	3,740	0	0	3,740
Total Other Financing Sources (Uses)	\$ 36,000	\$ 0	\$ 0	\$ 36,000	\$ 2,000	\$ 2,000	\$ 34,000
Net Change in Fund Balance	\$ 774,484	\$ 10,777	\$ (3,915)	\$ 781,346	\$ (39,483)	\$ (75,557)	\$ 856,903
Fund Balance, July 1, 2009	2,339,529	(10,777)	0	2,328,752	1,646,486	1,646,486	682,266
Fund Balance, June 30, 2010	\$ 3,114,013	\$ 0	\$ (3,915)	\$ 3,110,098	\$ 1,607,003	\$ 1,570,929	\$ 1,539,169

Exhibit H-9

Chester County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Chester County School Department
School Federal Projects Fund
For the Year Ended June 30, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 1,592,082	\$ 2,389,632	\$ 2,365,603	\$ (773,521)
Total Revenues	\$ 1,592,082	\$ 2,389,632	\$ 2,365,603	\$ (773,521)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 583,419	\$ 828,830	\$ 813,192	\$ 229,773
Special Education Program	610,025	1,028,311	1,011,563	401,538
Vocational Education Program	25,605	19,176	25,605	0
<u>Support Services</u>				
Health Services	24,037	33,591	31,730	7,693
Other Student Support	23,881	29,270	23,881	0
Regular Instruction Program	250,256	364,688	355,248	104,992
Special Education Program	36,151	64,870	59,373	23,222
Vocational Education Program	2,282	2,282	2,282	0
Transportation	121,307	99,865	125,324	4,017
Total Expenditures	\$ 1,676,963	\$ 2,470,883	\$ 2,448,198	\$ 771,235
Excess (Deficiency) of Revenues Over Expenditures	\$ (84,881)	\$ (81,251)	\$ (82,595)	\$ (2,286)
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (3,740)	\$ (6,724)	\$ (5,377)	\$ 1,637
Total Other Financing Sources (Uses)	\$ (3,740)	\$ (6,724)	\$ (5,377)	\$ 1,637
Net Change in Fund Balance	\$ (88,621)	\$ (87,975)	\$ (87,972)	\$ (649)
Fund Balance, July 1, 2009	88,171	87,975	87,975	196
Fund Balance, June 30, 2010	\$ (450)	\$ 0	\$ 3	\$ (453)

Exhibit H-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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 444,698	\$ 485,300	\$ 485,300	\$ (40,602)
Other Local Revenues	54,060	43,200	43,200	10,860
State of Tennessee	14,727	14,500	14,500	227
Federal Government	922,294	763,600	779,570	142,724
Total Revenues	<u>\$ 1,435,779</u>	<u>\$ 1,306,600</u>	<u>\$ 1,322,570</u>	<u>\$ 113,209</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 1,405,168	\$ 1,387,759	\$ 1,460,729	\$ 55,561
Total Expenditures	<u>\$ 1,405,168</u>	<u>\$ 1,387,759</u>	<u>\$ 1,460,729</u>	<u>\$ 55,561</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 30,611</u>	<u>\$ (81,159)</u>	<u>\$ (138,159)</u>	<u>\$ 168,770</u>
Net Change in Fund Balance	\$ 30,611	\$ (81,159)	\$ (138,159)	\$ 168,770
Fund Balance, July 1, 2009	240,346	240,346	240,346	0
Fund Balance, June 30, 2010	<u>\$ 270,957</u>	<u>\$ 159,187</u>	<u>\$ 102,187</u>	<u>\$ 168,770</u>

Exhibit H-11

Chester County, Tennessee
Statement of Fiduciary Net Assets
Fiduciary Fund
Discretely Presented Chester County School Department
June 30, 2010

	Other Trust Fund
	<u>Private Purpose Trust Fund</u>
<u>ASSETS</u>	
Equity in Pooled Cash and Investments	\$ 100,614
Total Assets	<u>\$ 100,614</u>
<u>NET ASSETS</u>	
Funds Held in Trust for College Scholarships for Chester County Students	<u>\$ 100,614</u>
Total Net Assets	<u><u>\$ 100,614</u></u>

Exhibit H-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, 2010

	<u>Other Trust Fund</u> <u>Private Purpose Trust Fund</u>
<u>ADDITIONS</u>	
<u>Other Local Revenues</u>	
Investment Income	\$ 1,214
Total Additions	<u>\$ 1,214</u>
<u>DEDUCTIONS</u>	
<u>Miscellaneous</u>	
Other Charges	\$ 2,000
Total Deductions	<u>\$ 2,000</u>
Change in Net Assets	\$ (786)
Net Assets, July 1, 2009	<u>101,400</u>
Net Assets, June 30, 2010	<u><u>\$ 100,614</u></u>

MISCELLANEOUS SCHEDULES

Exhibit I-1

Chester County, Tennessee
Schedule of Changes in Long-term Notes, Capital Leases, and Bonds
For the Year Ended June 30, 2010

<u>Description of Indebtedness</u>	<u>Original Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Last Maturity Date</u>	<u>Outstanding 7-1-09</u>	<u>Paid and/or Matured During Period</u>	<u>Outstanding 6-30-10</u>
<u>NOTES PAYABLE</u>							
<u>Payable through General Debt Service Fund</u>							
Nursing Home Improvement	\$ 100,000	5.0379%	2-11-1999	2-11-10	\$ 8,334	\$ 8,334	\$ 0
Total Payable through General Debt Service Fund					\$ 8,334	\$ 8,334	\$ 0
<u>Payable through Solid Waste/Sanitation Fund</u>							
Recycling Building	200,000	3.54	12-23-08	12-1-15	\$ 200,000	\$ 26,000	\$ 174,000
Total Payable through Solid Waste/Sanitation Fund					\$ 200,000	\$ 26,000	\$ 174,000
Total Notes Payable					\$ 208,334	\$ 34,334	\$ 174,000
<u>CAPITAL LEASES PAYABLE</u>							
<u>Payable through Solid Waste/Sanitation Fund</u>							
Backhoe	48,353	5.5	11-27-07	11-27-12	\$ 34,472	\$ 9,429	\$ 25,043
Total Capital Leases Payable					\$ 34,472	\$ 9,429	\$ 25,043
<u>BONDS PAYABLE</u>							
<u>Payable through General Debt Service Fund</u>							
Courthouse Renovations	840,000	1.25 to 4.5	3-1-03	5-1-23	\$ 645,000	\$ 35,000	\$ 610,000
Jail and Vo-Tech School	9,300,000	3 to 5.5	6-30-08	6-1-40	9,200,000	100,000	9,100,000
Total Payable through General Debt Service Fund					\$ 9,845,000	\$ 135,000	\$ 9,710,000
<u>Payable through Education Debt Service Fund</u>							
School Refunding	760,000	1.25 to 4	3-1-03	5-1-16	\$ 505,000	\$ 50,000	\$ 455,000
School Refunding Bond, Series 2008	3,695,000	3.23	9-30-08	4-1-15	3,225,000	490,000	2,735,000
Total Payable through Education Debt Service Fund					\$ 3,730,000	\$ 540,000	\$ 3,190,000
Total Bonds Payable					\$ 13,575,000	\$ 675,000	\$ 12,900,000

Exhibit I-2

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

Year Ending June 30	Notes		
	Principal	Interest	Total
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	\$ 174,000	\$ 19,151	\$ 193,151

Year Ending June 30	Capital Leases		
	Principal	Interest	Total
2011	\$ 9,961	\$ 1,122	\$ 11,083
2012	10,523	560	11,083
2013	4,559	60	4,619
Total	\$ 25,043	\$ 1,742	\$ 26,785

Year Ending June 30	Bonds		
	Principal	Interest	Total
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 I-2

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

Year Ending June 30 (Cont.)	Bonds (Cont.)		
	Principal	Interest	Total
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	\$ 12,900,000	\$ 8,329,516	\$ 21,229,516

Exhibit I-3

Chester County, Tennessee
Schedule of Transfers
Primary Government and Discretely Presented Chester County School Department
For the Year Ended June 30, 2010

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
General Capital Projects	General	Various projects	\$ 250,000
Other Capital Projects	General	Close fund	8,808
Total Transfers Primary Government			<u>\$ 258,808</u>
<u>DISCRETELY PRESENTED CHESTER COUNTY SCHOOL DEPARTMENT</u>			
School Federal Projects	General Purpose School	Indirect costs	\$ 3,740
Total Transfers Discretely Presented Chester County School Department			<u>\$ 3,740</u>

Exhibit I-4

Chester County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Primary Government and Discretely Presented Chester County School Department
For the Year Ended June 30, 2010

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 73,011	\$ 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 County Board of Education	82,296	150,000	Tennessee Risk Management Trust
Trustee	Section 8-24-102, <u>TCA</u>	60,251	525,000	State Automobile Mutual Insurance Company
Assessor of Property	Section 8-24-102, <u>TCA</u>	60,251	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>	60,251	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u>	57,751	65,000	"
Register	Section 8-24-102, <u>TCA</u>	60,251	25,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	63,527	25,000	"

Employee Blanket Bonds:

Public Employee Dishonesty - County Departments	150,000	Tennessee Risk Management Trust
Public Employee Dishonesty - School Departments	150,000	"

- (1) Includes a certified public administrator supplement of \$2,500 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 \$346.
- (3) Does not include a law enforcement training supplement of \$600 and a clothing allowance of \$500.

Exhibit I-5

Chester County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2010

	Special Revenue Funds					Debt Service Funds			Capital Projects Funds			Total
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	General	Debt Service	Education	General	Capital Projects	Other Capital Projects		
											Debt	
<u>Local Taxes</u>												
<u>County Property Taxes</u>												
Current Property Tax	\$ 2,152,913	\$ 0	\$ 0	\$ 34,520	\$ 34,520	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,221,953	
Discount on Property Taxes	(19,921)	0	0	(319)	(324)	0	0	0	0	0	(20,564)	
Trustee's Collections - Prior Year	102,144	0	0	2,055	978	0	0	0	0	0	105,177	
Trustee's Collections - Bankruptcy	207	17	0	4	2	0	0	0	0	0	230	
Circuit/Clerk & Master Collections - Prior Years	30,089	5,598	0	565	633	0	0	0	0	0	36,885	
Interest and Penalty	20,973	2	0	343	203	0	0	0	0	0	21,521	
Payments in-Lieu-of Taxes - T.V.A.	53,253	0	0	860	0	0	0	0	0	0	54,113	
<u>County Local Option Taxes</u>												
Local Option Sales Tax	69,325	67,735	0	0	0	643,969	0	0	0	0	781,029	
Hotel/Motel Tax	10,686	0	0	0	0	0	0	0	0	0	10,686	
Wheel Tax	262,932	0	0	0	486,590	0	0	0	0	0	749,522	
Litigation Tax - General	37,933	0	0	0	0	0	0	0	0	0	37,933	
Litigation Tax - Special Purpose	4,852	0	0	0	0	0	0	0	0	0	4,852	
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	15,939	0	0	0	0	0	15,939	
Business Tax	63,990	0	0	0	0	0	0	0	0	0	63,990	
<u>Statutory Local Taxes</u>												
Bank Excise Tax	28,379	0	0	458	458	0	0	0	0	0	29,295	
Wholesale Beer Tax	6,689	50,404	0	0	0	0	0	0	0	0	57,093	
Interstate Telecommunications Tax	1,333	0	0	0	0	0	0	0	0	0	1,333	
Total Local Taxes	\$ 2,825,777	\$ 123,756	\$ 0	\$ 38,486	\$ 538,999	\$ 643,969	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,170,987	
<u>Licenses and Permits</u>												
Licenses												
Cable TV Franchise	\$ 22,175	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 22,175	
Total Licenses and Permits	\$ 22,175	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 22,175	
<u>Fines, Forfeitures, and Penalties</u>												
Circuit Court	\$ 4,648	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,648	
Fines	2,441	0	0	0	0	0	0	0	0	0	2,441	
Officers Costs												

(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	Debt Service	Education	General		Other			
							Debt	Service	Capital Projects	Capital Projects		
\$	0	0	2,874	0	0	0	0	0	0	0	0	2,874
Drug Control Fines	290	0	261	0	0	0	0	0	0	0	0	551
Jail Fees	813	0	0	0	0	0	0	0	0	0	0	813
DUI Treatment Fines	285	0	0	0	0	0	0	0	0	0	0	285
Data Entry Fee - Circuit Court	730	0	0	0	0	0	0	0	0	0	0	730
Victims Assistance Assessments	1,117	0	0	0	0	0	0	0	0	0	0	1,117
General Sessions Court												
Fines	26,741	0	2,181	0	0	0	0	0	0	0	0	28,922
Officers Costs	17,129	0	0	0	0	0	0	0	0	0	0	17,129
Game and Fish Fines	174	0	0	0	0	0	0	0	0	0	0	174
Drug Control Fines	0	0	2,597	0	0	0	0	0	0	0	0	2,597
Jail Fees	1,938	0	3,698	0	0	0	0	0	0	0	0	5,636
DUI Treatment Fines	7,647	0	0	0	0	0	0	0	0	0	0	7,647
Data Entry Fee - General Sessions Court	3,105	0	26	0	0	0	0	0	0	0	0	3,131
Courtroom Security Fee	2,775	0	0	0	0	0	0	0	0	0	0	2,775
Victims Assistance Assessments	42	0	0	0	0	0	0	0	0	0	0	42
Juvenile Court												
Fines	10,878	0	0	0	0	0	0	0	0	0	0	10,878
Officers Costs	384	0	0	0	0	0	0	0	0	0	0	384
Data Entry Fee - Juvenile Court	1,340	0	0	0	0	0	0	0	0	0	0	1,340
Chancery Court	176	0	0	0	0	0	0	0	0	0	0	176
Officers Costs	627	0	0	0	0	0	0	0	0	0	0	627
Data Entry Fee - Chancery Court	781	0	0	0	0	0	0	0	0	0	0	781
Judicial District Drug Program												
Drug Task Force Forfeitures and Seizures	0	0	572	0	0	0	0	0	0	0	0	572
Other Fines, Forfeitures, and Penalties	0	0	2,925	0	0	0	0	0	0	0	0	2,925
Proceeds from Confiscated Property	0	0	15,134	0	0	0	0	0	0	0	0	15,134
Total Fines, Forfeitures, and Penalties	\$ 84,061	\$ 0	\$ 15,134	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 99,195

(Continued)

Exhibit I-5

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	0 \$	General Debt Service	Debt Service	Education	General Capital Projects	Other Capital Projects	0 \$	
<u>Charges for Current Services</u>												
<u>General Service Charges</u>												
Convenience Waste Centers Collection Charge	\$ 0	\$ 80,237	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 80,237
Solid Waste Disposal Fees	0	1,147	0	0	0	0	0	0	0	0	0	1,147
<u>Fees</u>												
Copy Fees	318	0	0	0	0	0	0	0	0	0	0	318
Telephone Commissions	3,843	0	0	0	0	0	0	0	0	0	0	3,843
Vending Machine Collections	1,108	0	0	0	0	0	0	0	0	0	0	1,108
Data Processing Fee - Register	5,150	0	0	0	0	0	0	0	0	0	0	5,150
Data Processing Fee - Sheriff	1,992	0	0	0	0	0	0	0	0	0	0	1,992
Sexual Offender Registration Fees - Sheriff	1,500	0	0	0	0	0	0	0	0	0	0	1,500
Total Charges for Current Services	\$ 13,911	\$ 81,384	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 95,295
<u>Other Local Revenues</u>												
<u>Recurring Items</u>												
Investment Income	\$ 12,721	\$ 27,863	\$ 0	\$ 16,113	\$ 0	\$ 0	\$ 0	\$ 25,595	\$ 0	\$ 0	\$ 0	\$ 82,292
Lease/Rentals	358,380	364,320	0	0	0	0	0	0	0	0	0	722,700
Sale of Gasoline	0	0	0	449	0	0	0	0	0	0	0	449
Sale of Maps	2,650	0	0	0	0	0	0	0	0	0	0	2,650
Sale of Recycled Materials	0	102,198	0	0	0	0	0	0	0	0	0	102,198
Miscellaneous Refunds	20,984	234	510	757	0	0	0	0	0	7,939	0	30,424
Expenditure Credits	175,119	0	0	0	0	0	0	0	0	0	0	175,119
<u>Nonrecurring Items</u>												
Contributions and Gifts	0	0	1,000	0	0	0	0	0	0	0	0	1,000
<u>Other Local Revenues</u>												
Other Local Revenues	1,409	0	2,175	10,520	0	0	0	0	0	0	0	14,104
Total Other Local Revenues	\$ 571,263	\$ 494,615	\$ 3,685	\$ 27,839	\$ 0	\$ 0	\$ 0	\$ 25,595	\$ 7,939	\$ 0	\$ 1,130,936	
<u>Fees Received from County Officials</u>												
<u>Fees in-Lieu-of-Salary</u>												
County Clerk	\$ 149,932	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 149,932
Circuit Court Clerk	28,770	0	0	0	0	0	0	0	0	0	0	28,770

(Continued)

Exhibit I-5

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	Other	General Debt Service	Education Debt Service	General Capital Projects	Other Capital Projects	Total		
											General	
<u>State of Tennessee (Cont.)</u>												
<u>Other State Revenues (Cont.)</u>												
Other State Grants	\$ 1,250	\$ 5,023	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,273
Other State Revenues	10,513	0	0	0	0	0	0	0	0	0	0	10,513
Total State of Tennessee	\$ 350,621	\$ 14,605	\$ 0	\$ 1,450,088	\$ 3,554	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,818,868
<u>Federal Government</u>												
<u>Federal Through State</u>												
Civil Defense Reimbursement	\$ 34,342	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 34,342
Disaster Relief	10,244	0	0	0	0	0	0	0	0	0	0	10,244
Homeland Security Grants	25,028	0	0	0	0	0	0	0	0	0	0	25,028
Other Federal through State	15,092	0	5,860	0	0	0	0	0	0	0	0	20,952
Direct Federal Revenue	2,000	0	0	0	0	0	0	0	0	0	0	2,000
Other Direct Federal Revenue	86,706	0	5,860	0	0	0	0	0	0	0	0	92,566
Total Federal Government	\$ 86,706	\$ 0	\$ 5,860	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 92,566
<u>Other Governments and Citizens Groups</u>												
<u>Other Governments</u>												
Contributions	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 50,000	\$ 0	\$ 154,058	\$ 0	\$ 0	\$ 204,058
Contracted Services	143,938	0	0	0	0	0	0	0	0	0	0	143,938
<u>Other</u>												
Other	61,754	0	0	0	0	0	0	0	0	0	0	61,754
Total Other Governments and Citizens Groups	\$ 205,692	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 50,000	\$ 0	\$ 154,058	\$ 0	\$ 0	\$ 409,750
Total	\$ 4,727,182	\$ 714,360	\$ 24,679	\$ 1,516,413	\$ 542,553	\$ 693,969	\$ 25,595	\$ 161,997	\$ 8,406,748			

Exhibit I-6

Chester County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented Chester County School Department
For the Year Ended June 30, 2010

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 1,453,424	\$ 0	\$ 0	\$ 1,453,424
Trustee's Collections - Prior Year	76,461	0	0	76,461
Trustee's Collections - Bankruptcy	154	0	0	154
Circuit/Clerk & Master Collections - Prior Years	37,528	0	0	37,528
Interest and Penalty	14,568	0	0	14,568
Payments in-Lieu-of Taxes - T.V.A.	109,535	0	0	109,535
<u>County Local Option Taxes</u>				
Local Option Sales Tax	653,107	0	0	653,107
<u>Statutory Local Taxes</u>				
Bank Excise Tax	19,457	0	0	19,457
Interstate Telecommunications Tax	1,308	0	0	1,308
Total Local Taxes	\$ 2,365,542	\$ 0	\$ 0	\$ 2,365,542
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 1,378	\$ 0	\$ 0	\$ 1,378
Total Licenses and Permits	\$ 1,378	\$ 0	\$ 0	\$ 1,378
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Tuition - Regular Day Students	\$ 8,300	\$ 0	\$ 0	\$ 8,300
Tuition - Summer School	2,185	0	0	2,185
Lunch Payments - Children	0	0	248,460	248,460
Lunch Payments - Adults	0	0	43,038	43,038
Income from Breakfast	0	0	18,738	18,738
Special Milk Sales	0	0	235	235
A la carte Sales	0	0	134,227	134,227
Receipts from Individual Schools	24,353	0	0	24,353
<u>Other Charges for Services</u>				
Other Charges for Services	7,738	0	0	7,738
Total Charges for Current Services	\$ 42,576	\$ 0	\$ 444,698	\$ 487,274
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 42,969	\$ 0	\$ 1,901	\$ 44,870
Lease/Rentals	7,050	0	0	7,050
Miscellaneous Refunds	44,972	0	52,159	97,131
<u>Nonrecurring Items</u>				
Damages Recovered from Individuals	223	0	0	223
Contributions and Gifts	20,000	0	0	20,000
<u>Other Local Revenues</u>				
Other Local Revenues	16,029	0	0	16,029
Total Other Local Revenues	\$ 131,243	\$ 0	\$ 54,060	\$ 185,303
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-Behalf Contributions for OPEB	\$ 40,087	\$ 0	\$ 0	\$ 40,087

(Continued)

Exhibit I-6

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>State of Tennessee (Cont.)</u>				
<u>State Education Funds</u>				
Basic Education Program	\$ 12,231,000	\$ 0	\$ 0	\$ 12,231,000
Basic Education Program - ARRA	492,000	0	0	492,000
Early Childhood Education	229,033	0	0	229,033
School Food Service	0	0	14,727	14,727
Driver Education	14,225	0	0	14,225
Other State Education Funds	108,295	0	0	108,295
Coordinated School Health - ARRA	88,731	0	0	88,731
Family Resource Centers - ARRA	33,300	0	0	33,300
Statewide Student Management System (SSMS) - ARRA	6,657	0	0	6,657
Career Ladder Program	110,221	0	0	110,221
Career Ladder - Extended Contract - ARRA	37,100	0	0	37,100
<u>Other State Revenues</u>				
Income Tax	4,963	0	0	4,963
State Revenue Sharing - T.V.A.	36,412	0	0	36,412
Safe Schools - ARRA	15,400	0	0	15,400
Total State of Tennessee	\$ 13,447,424	\$ 0	\$ 14,727	\$ 13,462,151
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 559,223	\$ 559,223
Breakfast	0	0	172,455	172,455
USDA - Other	0	0	174,646	174,646
USDA Food Service Equipment Grant - ARRA	0	0	15,970	15,970
Vocational Education - Basic Grants to States	0	46,767	0	46,767
Title I Grants to Local Education Agencies	0	637,060	0	637,060
Special Education - Grants to States	40,854	737,610	0	778,464
Special Education Preschool Grants	0	16,716	0	16,716
Safe and Drug-free Schools - State Grants	0	9,102	0	9,102
Eisenhower Professional Development State Grants	0	125,577	0	125,577
Job Training Partnership Act	25,000	0	0	25,000
Other Federal through State	0	19,250	0	19,250
Total Federal Government	\$ 65,854	\$ 1,592,082	\$ 922,294	\$ 2,580,230
Total	\$ 16,054,017	\$ 1,592,082	\$ 1,435,779	\$ 19,081,878

Exhibit I-7

Chester County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2010

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	17,700	
Social Security		1,354	
Dues and Memberships		1,300	
Total County Commission			\$ 20,354

Board of Equalization

Board and Committee Members Fees	\$	550	
Total Board of Equalization			550

County Mayor/Executive

County Official/Administrative Officer	\$	70,511	
Assistant(s)		24,203	
Secretary(ies)		23,342	
Clerical Personnel		24,203	
Educational Incentive - Official/Admin Officer		2,500	
Educational Incentive - Other County Employees		7,500	
Longevity Pay		1,350	
Social Security		11,751	
State Retirement		10,956	
Medical Insurance		16,868	
Unemployment Compensation		332	
Communication		4,006	
Data Processing Services		9,907	
Dues and Memberships		1,630	
Legal Notices, Recording, and Court Costs		500	
Printing, Stationery, and Forms		615	
Travel		2,669	
Office Supplies		3,370	
Office Equipment		314	
Total County Mayor/Executive			216,527

County Attorney

Legal Services	\$	5,556	
Total County Attorney			5,556

Election Commission

County Official/Administrative Officer	\$	51,976	
Clerical Personnel		24,203	
Part-time Personnel		297	
Longevity Pay		400	

(Continued)

Exhibit I-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Election Commission	\$	1,300	
Election Workers		250	
Social Security		5,897	
State Retirement		5,668	
Medical Insurance		8,783	
Unemployment Compensation		353	
Communication		1,143	
Data Processing Services		13,046	
Dues and Memberships		1,075	
Legal Notices, Recording, and Court Costs		486	
Maintenance and Repair Services - Office Equipment		520	
Printing, Stationery, and Forms		32	
Travel		2,864	
Food Supplies		48	
Office Supplies		4,900	
Total Election Commission			\$ 123,241

Register of Deeds

County Official/Administrative Officer	\$	57,751	
Clerical Personnel		24,203	
Educational Incentive - Official/Admin Officer		2,500	
Longevity Pay		1,600	
Social Security		6,583	
State Retirement		6,499	
Medical Insurance		11,547	
Unemployment Compensation		136	
Communication		631	
Data Processing Services		8,882	
Dues and Memberships		673	
Legal Notices, Recording, and Court Costs		138	
Travel		1,075	
Data Processing Supplies		3,204	
Office Supplies		731	
Total Register of Deeds			126,153

County Buildings

Salary Supplements	\$	3,000	
Custodial Personnel		8,601	
Maintenance Personnel		76,420	
Longevity Pay		650	

(Continued)

Exhibit I-7

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Overtime Pay	\$	8,023	
Social Security		7,397	
State Retirement		6,283	
Medical Insurance		5,773	
Unemployment Compensation		412	
Communication		1,774	
Contracts with Private Agencies		365	
Maintenance and Repair Services - Buildings		53,794	
Maintenance and Repair Services - Equipment		1,770	
Maintenance and Repair Services - Office Equipment		436	
Pest Control		2,249	
Rentals		5,896	
Travel		2,950	
Custodial Supplies		16,192	
Electricity		71,727	
Gasoline		406	
Natural Gas		16,535	
Water and Sewer		12,164	
Boiler Insurance		175	
Building and Contents Insurance		35,236	
Heating and Air Conditioning Equipment		4,500	
Maintenance Equipment		1,600	
Total County Buildings			\$ 344,328

Other Facilities

Communication	\$	1,493	
Maintenance and Repair Services - Buildings		2,414	
Pest Control		240	
Other Contracted Services		360	
Electricity		8,521	
Food Supplies		581	
Natural Gas		35	
Office Supplies		13	
Water and Sewer		1,986	
Building and Contents Insurance		1,803	
Other Charges		175	
Total Other Facilities			17,621

Other General Administration

Contributions	\$	750	
---------------	----	-----	--

(Continued)

Exhibit I-7

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

General Fund (Cont.)

General Government (Cont.)

Other General Administration (Cont.)

Legal Notices, Recording, and Court Costs	\$	2,650	
Maintenance and Repair Services - Office Equipment		456	
Postal Charges		17,175	
Duplicating Supplies		88	
Periodicals		40	
Premiums on Corporate Surety Bonds		4,021	
Total Other General Administration			\$ 25,180

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		47,411	
Educational Incentive - Official/Admin Officer		2,500	
Educational Incentive - Other County Employees		2,500	
Longevity Pay		150	
Social Security		8,439	
State Retirement		7,824	
Medical Insurance		11,321	
Unemployment Compensation		272	
Audit Services		5,450	
Communication		935	
Data Processing Services		12,398	
Dues and Memberships		1,482	
Travel		1,403	
Office Supplies		1,550	
Office Equipment		1,067	
Total Property Assessor's Office			162,453

Reappraisal Program

Clerical Personnel	\$	4,730	
Social Security		362	
Unemployment Compensation		59	
Travel		1,932	
Total Reappraisal Program			7,083

(Continued)

Exhibit I-7

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office

County Official/Administrative Officer	\$	57,751	
Clerical Personnel		36,809	
Educational Incentive - Official/Admin Officer		2,500	
Educational Incentive - Other County Employees		5,000	
Longevity Pay		1,900	
Social Security		7,953	
State Retirement		7,017	
Medical Insurance		16,085	
Unemployment Compensation		317	
Communication		1,908	
Data Processing Services		9,668	
Dues and Memberships		383	
Legal Notices, Recording, and Court Costs		762	
Travel		653	
Office Supplies		2,191	
Office Equipment		314	
Total County Trustee's Office			\$ 151,211

County Clerk's Office

County Official/Administrative Officer	\$	57,751	
Clerical Personnel		72,413	
Part-time Personnel		13,614	
Educational Incentive - Other County Employees		2,500	
Longevity Pay		725	
Social Security		11,246	
State Retirement		9,658	
Medical Insurance		16,642	
Unemployment Compensation		516	
Communication		2,057	
Data Processing Services		657	
Dues and Memberships		483	
Maintenance and Repair Services - Office Equipment		2,407	
Travel		1,569	
Office Supplies		2,193	
Periodicals		195	
Total County Clerk's Office			194,626

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	57,751	
--	----	--------	--

(Continued)

Exhibit I-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

Clerical Personnel	\$	72,609	
Part-time Personnel		29,603	
Educational Incentive - Official/Admin Officer		2,500	
Educational Incentive - Other County Employees		8,750	
Longevity Pay		1,650	
Jury and Witness Fees		4,194	
Social Security		13,224	
State Retirement		9,699	
Medical Insurance		16,642	
Unemployment Compensation		593	
Communication		2,881	
Data Processing Services		17,464	
Dues and Memberships		448	
Maintenance and Repair Services - Office Equipment		272	
Travel		1,389	
Food Supplies		300	
Office Supplies		2,715	
Office Equipment		2,407	
Total Circuit Court			\$ 245,091

General Sessions Court

Judge(s)	\$	80,828	
Assistant(s)		2,800	
Social Security		6,398	
State Retirement		6,014	
Medical Insurance		5,773	
Communication		1,958	
Dues and Memberships		175	
Travel		1,229	
Office Supplies		29	
Total General Sessions Court			105,204

Chancery Court

County Official/Administrative Officer	\$	57,751	
Clerical Personnel		72,795	
Longevity Pay		1,986	
Social Security		10,124	
State Retirement		9,713	
Medical Insurance		21,734	
Unemployment Compensation		587	

(Continued)

Exhibit I-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court (Cont.)

Communication	\$	1,277	
Data Processing Services		9,128	
Dues and Memberships		448	
Travel		87	
Office Supplies		1,970	
Total Chancery Court			\$ 187,600

Juvenile Court

Clerical Personnel	\$	22,571	
Longevity Pay		300	
Social Security		1,750	
State Retirement		1,679	
Medical Insurance		6,458	
Unemployment Compensation		136	
Total Juvenile Court			32,894

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	63,527	
Assistant(s)		30,482	
Supervisor/Director		43,661	
Deputy(ies)		314,603	
Investigator(s)		50,679	
Salary Supplements		6,000	
Dispatchers/Radio Operators		199,781	
Guards		316,674	
Secretary(ies)		27,587	
Cafeteria Personnel		2,114	
Part-time Personnel		4,304	
School Resource Officer		36,760	
Educational Incentive - Other County Employees		2,500	
Longevity Pay		7,675	
Overtime Pay		46,476	
Other Salaries and Wages		7,368	
In-Service Training		3,807	
Social Security		88,755	
State Retirement		83,442	
Medical Insurance		153,973	
Unemployment Compensation		5,337	
Communication		14,225	

(Continued)

Exhibit I-7

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Contracts with Government Agencies	\$	500	
Contracts with Private Agencies		636	
Contributions		1,500	
Data Processing Services		4,440	
Dues and Memberships		17	
Maintenance and Repair Services - Equipment		10,508	
Maintenance and Repair Services - Vehicles		8,032	
Medical and Dental Services		63,070	
Tow-in Services		905	
Travel		7,597	
Other Contracted Services		4,898	
Custodial Supplies		7,668	
Food Supplies		38,124	
Gasoline		34,425	
Law Enforcement Supplies		3,714	
Office Supplies		4,033	
Prisoners Clothing		924	
Tires and Tubes		3,531	
Uniforms		11,500	
Other Supplies and Materials		818	
Workers' Compensation Insurance		19,806	
Other Charges		859	
Law Enforcement Equipment		11,489	
Motor Vehicles		52,369	
Office Equipment		1,871	
Total Sheriff's Department			\$ 1,802,964

Juvenile Services

Youth Service Officer(s)	\$	44,258	
Longevity Pay		1,200	
Social Security		3,478	
State Retirement		3,293	
Medical Insurance		5,547	
Unemployment Compensation		136	
Communication		1,593	
Contracts with Other Public Agencies		1,391	
Dues and Memberships		50	
Travel		1,010	
Office Supplies		628	
Total Juvenile Services			62,584

(Continued)

Exhibit I-7

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

General Fund (Cont.)

Public Safety (Cont.)

Fire Prevention and Control

Supervisor/Director	\$	29,212	
Longevity Pay		400	
In-Service Training		80	
Social Security		2,265	
State Retirement		2,173	
Medical Insurance		5,547	
Unemployment Compensation		136	
Communication		3,776	
Contributions		2,000	
Data Processing Services		381	
Maintenance and Repair Services - Buildings		338	
Maintenance and Repair Services - Equipment		7,260	
Maintenance and Repair Services - Vehicles		10,330	
Pest Control		29	
Tow-in Services		1,133	
Equipment Parts - Light		1,037	
Equipment and Machinery Parts		654	
Gasoline		4,894	
Office Supplies		438	
Tires and Tubes		211	
Uniforms		199	
Building and Contents Insurance		180	
Vehicle and Equipment Insurance		22,195	
Workers' Compensation Insurance		11,543	
Other Charges		738	
Motor Vehicles		28,040	
Total Fire Prevention and Control			\$ 135,189

Civil Defense

Supervisor/Director	\$	32,889
Longevity Pay		1,700
Social Security		2,646
State Retirement		2,447
Medical Insurance		5,575
Unemployment Compensation		136
Communication		4,695
Dues and Memberships		95
Maintenance and Repair Services - Buildings		357
Maintenance and Repair Services - Vehicles		219
Travel		452

(Continued)

Exhibit I-7

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

<u>General Fund (Cont.)</u>		
<u>Public Safety (Cont.)</u>		
<u>Civil Defense (Cont.)</u>		
Gasoline	\$ 1,981	
Office Supplies	826	
Tires and Tubes	480	
Office Equipment	1,352	
Other Equipment	18,382	
Total Civil Defense		\$ 74,232
<u>Rescue Squad</u>		
Contributions	\$ 2,500	
Vehicle and Equipment Insurance	4,000	
Total Rescue Squad		6,500
<u>Other Emergency Management</u>		
Clerical Personnel	\$ 27,216	
Longevity Pay	50	
Social Security	2,086	
State Retirement	2,025	
Unemployment Compensation	136	
Total Other Emergency Management		31,513
<u>County Coroner/Medical Examiner</u>		
Other Per Diem and Fees	\$ 6,920	
Total County Coroner/Medical Examiner		6,920
<u>Public Health and Welfare</u>		
<u>Local Health Center</u>		
Clerical Personnel	\$ 20,616	
Overtime Pay	39	
Social Security	1,580	
State Retirement	1,537	
Unemployment Compensation	163	
Communication	2,307	
Contracts with Government Agencies	11,600	
Maintenance and Repair Services - Buildings	2,691	
Postal Charges	82	
Travel	19	
Other Contracted Services	314	
Drugs and Medical Supplies	740	
Office Supplies	1,613	
Other Supplies and Materials	5,826	

(Continued)

Exhibit I-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

Furniture and Fixtures	\$ 3,077	
Total Local Health Center		\$ 52,204

Ambulance/Emergency Medical Services

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

Nursing Home

Maintenance and Repair Services - Buildings	\$ 115	
Maintenance and Repair Services - Equipment	1,269	
Electricity	343	
Total Nursing Home		1,727

Crippled Children Services

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

Other Local Health Services

Contributions	\$ 9,900	
Total Other Local Health Services		9,900

Regional Mental Health Center

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

Sanitation Education/Information

Guards	\$ 13,794	
Longevity Pay	100	
Overtime Pay	500	
Social Security	1,101	
State Retirement	1,026	
Unemployment Compensation	52	
Maintenance and Repair Services - Vehicles	485	
Travel	1,106	
Gasoline	1,133	
Other Charges	3,471	
Other Equipment	104	
Total Sanitation Education/Information		22,872

(Continued)

Exhibit I-7

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

General Fund (Cont.)

Social, Cultural, and Recreational Services

Libraries

County Official/Administrative Officer	\$	24,203	
Part-time Personnel		23,393	
Longevity Pay		900	
Social Security		3,710	
State Retirement		1,801	
Unemployment Compensation		455	
Contributions		500	
Maintenance and Repair Services - Buildings		440	
Pest Control		213	
Electricity		3,924	
Natural Gas		349	
Water and Sewer		298	
Total Libraries			\$ 60,186

Other Social, Cultural, and Recreational

Contributions	\$	23,266	
Total Other Social, Cultural, and Recreational			23,266

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$	29,775	
Extension Service Medicare		6,551	
Communication		1,421	
Maintenance and Repair Services - Office Equipment		295	
Total Agriculture Extension Service			38,042

Soil Conservation

Assistant(s)	\$	23,042	
Secretary(ies)		11,281	
Longevity Pay		175	
Social Security		2,639	
State Retirement		1,714	
Medical Insurance		3,671	
Unemployment Compensation		226	
Communication		952	
Total Soil Conservation			43,700

Flood Control

Contributions	\$	7,900	
Total Flood Control			7,900

(Continued)

Exhibit I-7

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

General Fund (Cont.)

Other Operations

Industrial Development

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

Veterans' Services

County Official/Administrative Officer	\$ 15,120	
Longevity Pay	25	
Social Security	1,159	
Unemployment Compensation	99	
Communication	1,257	
Travel	566	
Office Supplies	915	
Other Charges	87	
Office Equipment	508	
Total Veterans' Services		19,736

Employee Benefits

Life Insurance	\$ 4,324	
Total Employee Benefits		4,324

Miscellaneous

Trustee's Commission	\$ 57,531	
Other Charges	54,270	
Total Miscellaneous		111,801

Total General Fund		\$ 4,677,507
--------------------	--	--------------

Solid Waste/Sanitation Fund

Public Health and Welfare

Convenience Centers

Supervisor/Director	\$ 47,280
Accountants/Bookkeepers	16,100
Foremen	29,608
Mechanic(s)	28,447
Laborers	108,240
Educational Incentive - Other County Employees	3,000
Longevity Pay	2,750
Overtime Pay	2,249
Social Security	18,182
State Retirement	9,424
Medical Insurance	6,088

(Continued)

Exhibit I-7

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.)

Unemployment Compensation	\$	1,843	
Communication		4,817	
Dues and Memberships		2,271	
Janitorial Services		160	
Legal Services		500	
Maintenance and Repair Services - Buildings		4,375	
Maintenance and Repair Services - Equipment		6,499	
Maintenance and Repair Services - Vehicles		5,195	
Travel		3,137	
Custodial Supplies		1,189	
Electricity		6,036	
Food Supplies		51	
Natural Gas		278	
Office Supplies		3,413	
Uniforms		256	
Water and Sewer		1,440	
Gravel and Chert		2,780	
Chemicals		691	
Other Charges		736	
Data Processing Equipment		1,362	
Maintenance Equipment		5,414	
Motor Vehicles		25,268	
Solid Waste Equipment		735	
Other Equipment		8,100	
Total Convenience Centers			\$ 357,914

Recycling Center

Laborers	\$	25,708
Longevity Pay		25
Social Security		1,969
State Retirement		1,553
Medical Insurance		4,637
Unemployment Compensation		164
Contributions		780
Maintenance and Repair Services - Buildings		520
Maintenance and Repair Services - Equipment		2,902
Maintenance and Repair Services - Vehicles		1,089
Printing, Stationery, and Forms		55
Electricity		1,288
Food Supplies		4,922

(Continued)

Exhibit I-7

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Recycling Center (Cont.)

Propane Gas	\$	1,225	
Wire		3,024	
Other Supplies and Materials		2,155	
Other Charges		416	
Heating and Air Conditioning Equipment		250	
Plant Operation Equipment		6,145	
Solid Waste Equipment		61,118	
Total Recycling Center			\$ 119,945

Other Waste Disposal

Truck Drivers	\$	22,235	
Longevity Pay		675	
Overtime Pay		231	
Social Security		1,846	
Unemployment Compensation		84	
Contracts with Government Agencies		174,565	
Maintenance and Repair Services - Equipment		5,457	
Maintenance and Repair Services - Vehicles		5,778	
Tow-in Services		100	
Diesel Fuel		17,226	
Gasoline		7,381	
Tires and Tubes		5,439	
Total Other Waste Disposal			241,017

Postclosure Care Costs

Contracts with Government Agencies	\$	3,401	
Total Postclosure Care Costs			3,401

Other Operations

Miscellaneous

Trustee's Commission	\$	7,727	
Other Charges		575	
Total Miscellaneous			8,302

Principal on Debt

General Government

Principal on Notes	\$	26,000	
Principal on Capital Leases		9,429	
Total General Government			35,429

(Continued)

Exhibit I-7

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

Solid Waste/Sanitation Fund (Cont.)

Interest on Debt

General Government

Interest on Notes	\$	6,620	
Interest on Capital Leases		1,654	
Total General Government		<u>8,274</u>	\$ <u>8,274</u>

Total Solid Waste/Sanitation Fund \$ 774,282

Drug Control Fund

Public Safety

Drug Enforcement

Contracts with Private Agencies	\$	821	
Confidential Drug Enforcement Payments		2,000	
Maintenance and Repair Services - Vehicles		400	
Law Enforcement Supplies		816	
Office Supplies		124	
Other Charges		52	
Law Enforcement Equipment		1,584	
Motor Vehicles		7,618	
Total Drug Enforcement		<u>13,415</u>	\$ <u>13,415</u>

Other Operations

Miscellaneous

Trustee's Commission	\$	163	
Total Miscellaneous		<u>163</u>	<u>163</u>

Total Drug Control Fund 13,578

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	65,874	
Assistant(s)		34,213	
Accountants/Bookkeepers		22,280	
Longevity Pay		1,550	
Contracts with Other Public Agencies		3,000	
Dues and Memberships		6,775	
Legal Services		31	
Pest Control		363	
Postal Charges		352	
Travel		4,064	
Custodial Supplies		169	

(Continued)

Exhibit I-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Office Supplies	\$	5,089	
Other Charges		<u>4,509</u>	
Total Administration			\$ 148,269

Highway and Bridge Maintenance

Foremen	\$	91,873	
Equipment Operators		175,211	
Truck Drivers		129,146	
Laborers		66,133	
Other Contracted Services		7,556	
Asphalt - Liquid		134,965	
Concrete		1,352	
Crushed Stone		16,453	
Fertilizer, Lime, and Seed		615	
Pipe		19,563	
Road Signs		1,940	
Small Tools		553	
Wood Products		6,279	
Gravel and Chert		25,341	
Other Supplies and Materials		<u>8,049</u>	
Total Highway and Bridge Maintenance			685,029

Operation and Maintenance of Equipment

Mechanic(s)	\$	57,245	
Maintenance and Repair Services - Equipment		20,394	
Diesel Fuel		62,569	
Equipment and Machinery Parts		57,063	
Garage Supplies		5,571	
Gasoline		16,408	
Lubricants		1,795	
Propane Gas		17	
Tires and Tubes		<u>14,873</u>	
Total Operation and Maintenance of Equipment			235,935

Other Charges

Communication	\$	4,598	
Electricity		7,480	
Natural Gas		2,377	
Water and Sewer		788	
Trustee's Commission		15,004	

(Continued)

Exhibit I-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Other Charges (Cont.)

Vehicle and Equipment Insurance	\$ 34,826	
Total Other Charges		\$ 65,073

Employee Benefits

In-Service Training	\$ 3,000	
Social Security	49,982	
State Retirement	44,407	
Employee and Dependent Insurance	111,422	
Unemployment Compensation	5,507	
Workers' Compensation Insurance	19,503	
Total Employee Benefits		233,821

Capital Outlay

Engineering Services	\$ 355	
Highway Equipment	876	
State Aid Projects	36,231	
Total Capital Outlay		37,462

Total Highway/Public Works Fund		\$ 1,405,589
---------------------------------	--	--------------

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$ 135,000	
Principal on Notes	8,334	
Total General Government		\$ 143,334

Interest on Debt

General Government

Interest on Bonds	\$ 429,755	
Interest on Notes	414	
Total General Government		430,169

Other Debt Service

General Government

Bank Charges	\$ 481	
Trustee's Commission	5,825	
Total General Government		6,306

Total General Debt Service Fund		579,809
---------------------------------	--	---------

(Continued)

Exhibit I-7

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

<u>Education Debt Service Fund</u>		
<u>Principal on Debt</u>		
<u>Education</u>		
Principal on Bonds	\$ 540,000	
Total Education		\$ 540,000
 <u>Interest on Debt</u>		
<u>Education</u>		
Interest on Bonds	\$ 122,467	
Total Education		122,467
 <u>Other Debt Service</u>		
<u>Education</u>		
Bank Charges	\$ 655	
Trustee's Commission	6,424	
Total Education		<u>7,079</u>
Total Education Debt Service Fund		\$ 669,546
 <u>General Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>Administration of Justice Projects</u>		
Architects	\$ 71,962	
Communication	17,620	
Other Contracted Services	250,163	
Electricity	10,635	
Natural Gas	2,080	
Water and Sewer	151	
Building Construction	3,985,649	
Furniture and Fixtures	119,020	
Site Development	786,366	
Total Administration of Justice Projects		<u>\$ 5,243,646</u>
Total General Capital Projects Fund		5,243,646
 <u>Other Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>General Administration Projects</u>		
Architects	\$ 7,482	
Other Contracted Services	11,479	
Building Construction	336	
Site Development	226,768	
Total General Administration Projects		<u>\$ 246,065</u>
Total Other Capital Projects Fund		<u>246,065</u>
Total Governmental Funds - Primary Government		<u>\$ 13,610,022</u>

Exhibit I-8

Chester County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Chester County School Department
For the Year Ended June 30, 2010

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 5,436,920	
Career Ladder Program	59,078	
Career Ladder Extended Contracts	34,812	
Educational Assistants	230,361	
Non-certified Substitute Teachers	122,107	
Social Security	341,912	
State Retirement	369,915	
Life Insurance	2,888	
Medical Insurance	604,345	
Unemployment Compensation	4,935	
Employer Medicare	79,608	
Other Fringe Benefits	3,450	
Maintenance and Repair Services - Equipment	2,063	
Other Contracted Services	18,000	
Instructional Supplies and Materials	213,094	
Textbooks	219,939	
Other Supplies and Materials	467	
Other Charges	365	
Regular Instruction Equipment	171,304	
Total Regular Instruction Program		\$ 7,915,563

Special Education Program

Teachers	\$ 440,372	
Career Ladder Program	6,000	
Career Ladder Extended Contracts	1,000	
Educational Assistants	259,490	
Speech Pathologist	50,000	
Non-certified Substitute Teachers	42,819	
Social Security	47,185	
State Retirement	50,588	
Life Insurance	300	
Medical Insurance	48,476	
Unemployment Compensation	974	
Employer Medicare	11,035	
Contracts with Private Agencies	45,570	
Other Contracted Services	2,827	
Instructional Supplies and Materials	7,580	
Other Supplies and Materials	1,841	
Total Special Education Program		1,016,057

(Continued)

Exhibit I-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Vocational Education Program

Teachers	\$	415,349	
Career Ladder Program		6,000	
Non-certified Substitute Teachers		8,767	
Social Security		23,992	
State Retirement		27,051	
Life Insurance		241	
Medical Insurance		58,407	
Unemployment Compensation		312	
Employer Medicare		5,611	
Other Contracted Services		366	
Instructional Supplies and Materials		14,000	
Total Vocational Education Program			\$ 560,096

Student Body Education Program

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

Adult Education Program

Teachers	\$	22,498	
Social Security		1,365	
State Retirement		1,444	
Unemployment Compensation		13	
Employer Medicare		319	
Total Adult Education Program			25,639

Support Services

Attendance

Supervisor/Director	\$	43,999	
Career Ladder Program		2,000	
Social Security		2,569	
State Retirement		2,984	
Life Insurance		20	
Medical Insurance		7,372	
Unemployment Compensation		22	
Employer Medicare		601	
Travel		800	
Other Supplies and Materials		500	
Total Attendance			60,867

(Continued)

Exhibit I-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Health Services

Medical Personnel	\$	47,387	
Other Salaries and Wages		53,655	
Social Security		6,111	
State Retirement		6,065	
Life Insurance		23	
Medical Insurance		3,959	
Unemployment Compensation		115	
Employer Medicare		1,429	
Communication		983	
Postal Charges		97	
Travel		4,879	
Other Contracted Services		2,540	
Drugs and Medical Supplies		5,241	
Other Supplies and Materials		17,880	
Total Health Services			\$ 150,364

Other Student Support

Career Ladder Program	\$	7,000	
Guidance Personnel		215,769	
Social Security		13,002	
State Retirement		14,302	
Life Insurance		109	
Medical Insurance		16,058	
Unemployment Compensation		138	
Employer Medicare		3,041	
Contracts with Government Agencies		47,637	
Evaluation and Testing		26,238	
Travel		1,264	
Other Supplies and Materials		223	
Total Other Student Support			344,781

Regular Instruction Program

Supervisor/Director	\$	125,468
Career Ladder Program		8,000
Librarians		172,660
Instructional Computer Personnel		84,717
Clerical Personnel		5,000
Other Salaries and Wages		2,662
Social Security		23,051

(Continued)

Exhibit I-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

State Retirement	\$	25,696	
Life Insurance		88	
Medical Insurance		30,791	
Unemployment Compensation		294	
Employer Medicare		5,552	
Travel		14,103	
Other Contracted Services		13,128	
Library Books/Media		38,437	
Other Supplies and Materials		1,948	
In Service/Staff Development		7,000	
Total Regular Instruction Program			\$ 558,595

Special Education Program

Supervisor/Director	\$	61,682	
Career Ladder Program		1,000	
Psychological Personnel		22,400	
Social Security		5,076	
State Retirement		5,628	
Medical Insurance		3,237	
Unemployment Compensation		61	
Employer Medicare		1,201	
Travel		6,316	
Other Supplies and Materials		996	
In Service/Staff Development		643	
Total Special Education Program			108,240

Vocational Education Program

Travel	\$	864	
Total Vocational Education Program			864

Adult Programs

Supervisor/Director	\$	21,079	
Social Security		984	
State Retirement		1,568	
Unemployment Compensation		29	
Employer Medicare		230	
Other Supplies and Materials		9,409	
Total Adult Programs			33,299

(Continued)

Exhibit I-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Programs

On-Behalf Payments to OPEB	\$ 40,087	
Total Other Programs		\$ 40,087

Board of Education

Other Salaries and Wages	\$ 4,000	
Social Security	248	
Unemployment Compensation	16	
Employer Medicare	58	
Audit Services	4,750	
Dues and Memberships	6,851	
Legal Services	824	
Travel	4,863	
Other Contracted Services	52,524	
Liability Insurance	24,359	
Trustee's Commission	74,317	
Workers' Compensation Insurance	118,000	
Criminal Investigation of Applicants - TBI	2,220	
Other Charges	12,438	
Total Board of Education		305,468

Director of Schools

County Official/Administrative Officer	\$ 80,950	
Career Ladder Program	1,000	
Clerical Personnel	26,059	
Social Security	6,637	
State Retirement	7,203	
Life Insurance	22	
Medical Insurance	4,209	
Unemployment Compensation	58	
Employer Medicare	1,552	
Other Fringe Benefits	1,800	
Communication	5,165	
Dues and Memberships	484	
Postal Charges	2,578	
Travel	6,687	
Other Contracted Services	4,212	
Office Supplies	3,508	
Other Charges	457	
Administration Equipment	219	
Total Director of Schools		152,800

(Continued)

Exhibit I-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal

Principals	\$	346,600	
Career Ladder Program		8,000	
Assistant Principals		187,165	
Secretary(ies)		268,081	
Social Security		48,668	
State Retirement		55,023	
Life Insurance		198	
Medical Insurance		46,026	
Unemployment Compensation		726	
Employer Medicare		11,382	
Communication		16,576	
Maintenance and Repair Services - Equipment		485	
Travel		6,444	
Other Supplies and Materials		633	
In Service/Staff Development		729	
Other Charges		432	
Administration Equipment		18,000	
Total Office of the Principal			\$ 1,015,168

Fiscal Services

Accountants/Bookkeepers	\$	73,726	
Social Security		3,948	
State Retirement		5,123	
Unemployment Compensation		77	
Employer Medicare		994	
Data Processing Services		579	
Travel		299	
Other Contracted Services		7,987	
Data Processing Supplies		1,500	
Office Supplies		912	
Total Fiscal Services			95,145

Operation of Plant

Supervisor/Director	\$	4,000
Guards		25,357
Custodial Personnel		344,953
Other Salaries and Wages		4,036
Social Security		22,524
State Retirement		25,235

(Continued)

Exhibit I-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Unemployment Compensation	\$	561	
Employer Medicare		5,268	
Travel		6,462	
Disposal Fees		10,093	
Other Contracted Services		12,148	
Custodial Supplies		138,755	
Electricity		460,113	
Natural Gas		112,032	
Water and Sewer		22,950	
Other Supplies and Materials		930	
Boiler Insurance		4,000	
Building and Contents Insurance		75,000	
Plant Operation Equipment		5,887	
Total Operation of Plant			\$ 1,280,304

Maintenance of Plant

Maintenance Personnel	\$	136,969	
Other Salaries and Wages		11,389	
Social Security		8,536	
State Retirement		8,198	
Unemployment Compensation		209	
Employer Medicare		2,149	
Maintenance and Repair Services - Buildings		36,714	
Maintenance and Repair Services - Equipment		8,462	
Travel		423	
Other Contracted Services		91,055	
Other Supplies and Materials		105,381	
Maintenance Equipment		10,000	
Total Maintenance of Plant			419,485

Transportation

Supervisor/Director	\$	8,600
Mechanic(s)		55,781
Bus Drivers		331,137
Social Security		23,572
State Retirement		27,779
Unemployment Compensation		699
Employer Medicare		5,640
Communication		857

(Continued)

Exhibit I-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Maintenance and Repair Services - Vehicles	\$	17,518	
Travel		842	
Other Contracted Services		15,085	
Gasoline		114,129	
Tires and Tubes		15,272	
Vehicle Parts		38,356	
Other Supplies and Materials		14,418	
Vehicle and Equipment Insurance		21,387	
Other Charges		250	
Transportation Equipment		101,388	
Total Transportation			\$ 792,710

Operation of Non-Instructional Services

Community Services

Other Salaries and Wages	\$	3,464	
Social Security		147	
Employer Medicare		34	
Other Charges		4,046	
Total Community Services			7,691

Early Childhood Education

Teachers	\$	64,142	
Educational Assistants		30,238	
Social Security		5,770	
State Retirement		6,360	
Medical Insurance		3,890	
Unemployment Compensation		115	
Employer Medicare		1,350	
Travel		3,857	
Other Contracted Services		9,000	
Instructional Supplies and Materials		34,666	
Other Equipment		19,084	
Total Early Childhood Education			178,472

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	156,838	
Total Regular Capital Outlay			156,838

(Continued)

Exhibit I-8

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

General Purpose School Fund (Cont.)

Other Debt Service

Education

Contributions	\$ 50,000	
Total Education		\$ 50,000

Total General Purpose School Fund \$ 15,315,533

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 233,331	
Educational Assistants	150,833	
Social Security	23,081	
State Retirement	22,392	
Medical Insurance	20,410	
Unemployment Compensation	499	
Employer Medicare	5,398	
Instructional Supplies and Materials	34,013	
Other Supplies and Materials	1,839	
Other Charges	2,125	
Regular Instruction Equipment	89,498	
Total Regular Instruction Program		\$ 583,419

Special Education Program

Teachers	\$ 54,706	
Clerical Personnel	24,300	
Educational Assistants	344,818	
Speech Pathologist	44,247	
Social Security	26,692	
State Retirement	32,515	
Medical Insurance	7,372	
Unemployment Compensation	819	
Employer Medicare	6,536	
Contracts with Private Agencies	3,100	
Instructional Supplies and Materials	36,408	
Special Education Equipment	28,512	
Total Special Education Program		610,025

Vocational Education Program

Other Supplies and Materials	\$ 25,605	
Total Vocational Education Program		25,605

(Continued)

Exhibit I-8

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

School Federal Projects Fund (Cont.)

Support Services

Health Services

Medical Personnel	\$	20,861	
Social Security		1,293	
State Retirement		1,552	
Unemployment Compensation		29	
Employer Medicare		302	
Total Health Services			\$ 24,037

Other Student Support

Bus Drivers	\$	1,000	
Other Salaries and Wages		2,000	
Social Security		186	
State Retirement		193	
Employer Medicare		44	
Travel		10,145	
Other Contracted Services		10,313	
Total Other Student Support			23,881

Regular Instruction Program

Supervisor/Director	\$	56,650	
Secretary(ies)		16,650	
Other Salaries and Wages		83,431	
Social Security		9,747	
State Retirement		10,225	
Medical Insurance		7,459	
Unemployment Compensation		81	
Employer Medicare		2,279	
Travel		4,789	
Other Contracted Services		3,612	
Other Supplies and Materials		11,046	
In Service/Staff Development		43,705	
Other Charges		582	
Total Regular Instruction Program			250,256

Special Education Program

Psychological Personnel	\$	22,000	
Social Security		1,322	
State Retirement		1,637	
Employer Medicare		309	
In Service/Staff Development		10,883	
Total Special Education Program			36,151

(Continued)

Exhibit I-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Vocational Education Program

Teachers	\$	2,000	
Social Security		124	
State Retirement		128	
Unemployment Compensation		1	
Employer Medicare		29	
Total Vocational Education Program			\$ 2,282

Transportation

Bus Drivers	\$	29,820	
Social Security		1,849	
State Retirement		2,219	
Unemployment Compensation		57	
Employer Medicare		432	
Transportation Equipment		86,930	
Total Transportation			121,307

Total School Federal Projects Fund \$ 1,676,963

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	27,709
Accountants/Bookkeepers		18,872
Clerical Personnel		12,080
Cafeteria Personnel		418,704
Other Salaries and Wages		68,101
In-Service Training		950
Social Security		31,349
State Retirement		33,271
Unemployment Compensation		423
Employer Medicare		7,629
Communication		2,079
Maintenance and Repair Services - Equipment		16,579
Transportation - Other than Students		10,427
Travel		2,652
Other Contracted Services		18,980
Food Supplies		623,602
Office Supplies		2,588
Uniforms		8,391

(Continued)

Exhibit I-8

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

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Utilities	\$	8,370	
Other Supplies and Materials		41,882	
In Service/Staff Development		2,573	
Other Charges		5,066	
Food Service Equipment		<u>42,891</u>	
Total Food Service			\$ <u>1,405,168</u>

Total Central Cafeteria Fund \$ 1,405,168

Education Capital Projects Fund

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	<u>581,050</u>	
Total Regular Capital Outlay			\$ <u>581,050</u>

Total Education Capital Projects Fund 581,050

Total Governmental Funds - Chester County School Department \$ 18,978,714

Exhibit I-9

Chester County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balance - City Agency Fund
For the Year Ended June 30, 2010

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 737,838
Total Cash Receipts	<u>\$ 737,838</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 730,459
Trustee's Commission	7,379
Total Cash Disbursements	<u>\$ 737,838</u>
 Excess of Cash Receipts Over (Under) Cash Disbursements	 \$ 0
Cash Balance, July 1, 2009	<u>0</u>
 Cash Balance, June 30, 2010	 <u>\$ 0</u>

SINGLE AUDIT SECTION



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

September 23, 2010

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, 2010, which collectively comprise Chester County's basic financial statements and have issued our report thereon dated September 23, 2010. Our report on the aggregate discretely presented component units 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 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses: 10.01 and 10.06.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies: 10.02, 10.03, and 10.05.

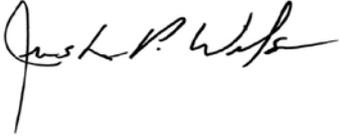
Compliance and Other Matters

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 an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and is described in the accompanying Schedule of Findings and Questioned Costs as item 10.04.

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

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/sb



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

September 23, 2010

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, 2010. 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, 2010.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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.

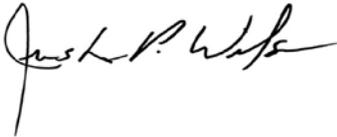
Schedule of Expenditures of Federal Awards

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, 2010, and have issued our report thereon dated September 23, 2010. Our report on the aggregate discretely presented component units 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 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.

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 prominent vertical stroke at the end.

Justin P. Wilson
Comptroller of the Treasury

JPW/sb

Chester County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2010

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	N/A	\$ 5,842
Child Nutrition Discretionary Grants Limited Availability, Recovery Act	10.579	N/A	15,970
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	97,670 (3)
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	172,455
National School Lunch Program	10.555	N/A	559,223 (3)
Summer Food Service Program for Children	10.559	N/A	174,646
Total U.S. Department of Agriculture			<u>\$ 1,025,806</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	\$ 9,112
Direct Federal Revenue:			
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Governments	16.804	N/A	9,250
Total U.S. Department of Justice			<u>\$ 18,362</u>
U.S. Department of Labor:			
Passed-through Southwest Tennessee Human Resource Agency:			
WIA Youth Activities - Recovery Act	17.259	(2)	\$ 25,000
Total U.S. Department of Labor			<u>\$ 25,000</u>
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - Basic Grants to States	84.002	Z0802076800	\$ 1,284
Passed-through State Department of Education:			
Title I Cluster:			
Title I Grants to Local Educational Agencies	84.010	N/A	539,124
Title I Grants to Local Educational Agencies, Recovery Act	84.389	N/A	153,986
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	507,994
Special Education - Preschool Grants	84.173	N/A	8,232
Special Education - Grants to States, Recovery Act	84.391	N/A	311,126
Special Education - Preschool Grants, Recovery Act	84.392	N/A	5,023
Career and Technical Education - Basic Grants to States	84.048	(2)	46,769
Safe and Drug-free Schools and Communities - State Grants	84.186	(2)	9,186
Education Technology State Grants Cluster:			
Education Technology State Grants	84.318	(2)	5,565
Education Technology State Grants, Recovery Act	84.386	(2)	13,685
Improving Teacher Quality State Grants	84.367	(2)	120,865
State Fiscal Stabilization Fund (SFSF) - Governmental Services, Recovery Act	84.397	(2)	184,938
Total U.S. Department of Education			<u>\$ 1,907,777</u>

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Homeland Security:			
Passed-through Tennessee Emergency Management Agency:			
Disaster Grant - Public Assistance (Presidentially Declared Disasters)	97.036	(2)	\$ 10,244
Emergency Management Performance Grant	97.042	(2)	34,342
Passed-through State Department of the Military:			
Homeland Security Grant Program	97.067	(2)	25,028
Total U.S. Department of Homeland Security			\$ 69,614
Total Expenditures of Federal Awards			\$ 3,046,559

State Grants:	Contract Number		Expenditures
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	\$ 4,537
Litter Program - State Department of Transportation	N/A	Z0802097700	29,959
Optional Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	6,273
Department of Health Grant - State Department of Health and Human Services	N/A	(2)	10,309
Courtroom Security Grant - Administrative Office of the Courts	N/A	(2)	845
Family Resource Center - State Department of Education	N/A	(2)	33,300
Early Childhood Education - State Department of Education	N/A	(2)	263,738
LEAP Program - State Department of Education	N/A	(2)	48,139
Coordinated School Health - State Department of Education	N/A	(2)	21,510
ACT - Explore/Plan - State Department of Education	N/A	(2)	2,657
Total State Grants			\$ 421,267

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 \$656,893.

Chester County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2010

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, 2009, which have not been corrected.

CHESTER COUNTY AND CHESTER COUNTY SCHOOL DEPARTMENT

Finding Number	Page Number	Subject
09.01	172	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
09.03	174	Duties were not segregated adequately in the Office of Road Supervisor

OFFICE OF DIRECTOR OF SCHOOLS

Finding Number	Page Number	Subject
09.05	175	A fund deficit existed in the School Federal Projects Fund

OFFICE OF TRUSTEE

Finding Number	Page Number	Subject
09.07	176	The office had deficiencies in computer system backup procedures

CHESTER COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2010

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the aggregate discretely presented component units and the aggregate remaining fund information is qualified. Our report on the governmental activities and each major fund is unqualified.
2. The audit of the financial statements of Chester County disclosed significant deficiencies in internal control. Two of these deficiencies were considered to be material weaknesses.
3. The audit disclosed no instances of noncompliance that were material to the financial statements of Chester County.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program, National School Lunch Program, and Summer Food Service Program for Children (CFDA Nos. 10.553, 10.555, and 10.559), the Title I, Part A Cluster: Title I Grants to Local Educational Agencies, and Title I Grants to Local Educational Agencies – Recovery Act (CFDA Nos. 84.010 and 84.389), and the Special Education Cluster: Special Education – Grants to States, Special Education – Preschool Grants, Special Education – Grants to States – Recovery Act, and Special Education – Preschool Grants – Recovery Act (CFDA Nos. 84.027, 84.173, 84.391, and 84.392) 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; however, management did not provide responses for inclusion in this report.

CHESTER COUNTY AND CHESTER COUNTY SCHOOL DEPARTMENT

FINDING 10.01 **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 Chester 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.

OFFICE OF ROAD SUPERVISOR

FINDING 10.02 DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICE OF ROAD SUPERVISOR
(Internal Control – Significant Deficiency Under Government Auditing Standards)

Duties were not segregated adequately among the official and employees in the Office of Road Supervisor. 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.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 10.03 THE SCHOOL FEDERAL PROJECTS FUND HAD A DEFICIT AT JUNE 30, 2010
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The School Federal Projects Fund had a deficit of \$8,076 in unreserved fund balance at June 30, 2010. Sound business practices dictate that expenditures be held within available funds and requests for grant reimbursements be made on a current basis. This deficit occurred because School Department personnel had not requested the reimbursement of grant funds on a timely basis. Grant funds were requested subsequent to June 30, 2010, and this deficit will be liquidated when the grant funds are received.

RECOMMENDATION

Requests for reimbursements from grant funds should be made on a timely basis. Officials should ensure that adequate funding is provided to prevent the recurrence of a fund deficit.

OFFICE OF TRUSTEE

FINDING 10.04 **THE OFFICE HAD DEFICIENCIES IN COMPUTER SYSTEM BACKUP PROCEDURES (Noncompliance Under Government Auditing Standards)**

System backups were not regularly stored off-site. Section 10-7-121, Tennessee Code Annotated, provides that records required to be retained by any government official may be maintained on a computer or removable storage media as long as certain standards are met. One of these standards requires that all data generated and stored within the computer system should be copied daily to storage media, and media more than one week old should be stored at an off-site location. 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. This deficiency is also a result of management's failure to correct the finding noted in the prior-year audit report.

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.

FINDING 10.05 **THE OFFICE DID NOT IMPLEMENT ADEQUATE CONTROLS TO PROTECT ITS INFORMATION RESOURCES (Internal Control – Significant Deficiency Under Government Auditing Standards)**

The office did not implement adequate controls to protect its information resources. This finding does not identify specific vulnerabilities that could allow someone to exploit the office's information system or misuse county funds. Disclosing those vulnerabilities could present a potential security risk by providing the readers with information that might be confidential pursuant to Section 10-7-504(i), Tennessee Code Annotated. Sound business practices dictate that proper controls be implemented. Without these controls, unauthorized system activity could occur. After this deficiency was brought to the attention of the official, the deficiency was resolved.

OTHER FINDING AND RECOMMENDATION

FINDING 10.06

**CHESTER COUNTY HAS A MATERIAL RECURRING
AUDIT FINDING**

(Internal Control – Material Weakness Under Government Auditing Standards)

Chester County has a material audit finding that has been reported in its annual financial reports for three or more consecutive years. This recurring material finding is listed below:

<u>Finding Numbers</u>	<u>Description</u>
10.01, 09.01, 08.01	Chester County and the Chester County School Department do not have the resources to produce financial statements and notes to the financial statements

The recurring nature of the above-noted finding indicates that management is either unwilling or unable to address the deficiencies. The Local Government Modernization Act of 2005 in Section 9-3-405, Tennessee Code Annotated (TCA), encourages local governments to consider establishing an Audit Committee and further provides that the Comptroller may require that an Audit Committee be established in any local government that (1) is in noncompliance with the accounting and financial reporting standards required by the Governmental Accounting Standards Board, or (2) has recurring findings from the annual audit for three or more consecutive years as determined by the Comptroller to be a material weakness in internal control or material noncompliance under Government Auditing Standards. The responsibilities and duties of an Audit Committee are to address financial and other reporting practices, internal control, compliance with laws and regulations, and ethics.

RECOMMENDATION

Chester County should establish an Audit Committee to address financial and other reporting practices, internal control, compliance with laws and regulations, and ethics. This Audit Committee should provide management with guidance to correct all reported material weaknesses in internal control and material noncompliance. If this finding continues to recur, Chester County may be required to establish an Audit Committee under the provisions of Section 9-3-405, TCA.

BEST PRACTICE

A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAS NOT BEEN ADOPTED

Chester County does not have a central system of accounting, budgeting, and purchasing. Sound business practices dictate that establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes. The absence of a central system of accounting, budgeting, and purchasing has been a management decision by the County Commission resulting in decentralization and some duplication of effort. The Division of County Audit strongly believes that the adoption of a central system of accounting, budgeting, and purchasing is a best practice that would significantly improve accountability and the quality of services provided to the citizens of Chester County. Therefore, we recommend the adoption of the County Financial Management System of 1981 or a private act, which would provide for a central system of accounting, budgeting, and purchasing covering all county departments.

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

There were no findings and questioned costs for federal awards.

**CHESTER COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2010**

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