

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

**FOR THE YEAR ENDED JUNE 30, 2016**



**DIVISION OF LOCAL GOVERNMENT AUDIT**



**ANNUAL FINANCIAL REPORT**  
**CHESTER COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2016**

***COMPTROLLER OF THE TREASURY***  
***JUSTIN P. WILSON***

***DIVISION OF LOCAL GOVERNMENT AUDIT***  
***JAMES R. ARNETTE***  
***Director***

***LEE ANN WEST, CPA, CGFM***  
***Audit Manager***

***VICKY BARBER, CFE***  
***ELISHA CROWELL, CISA, CFE***  
***State Auditors***

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

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# ***Summary of Audit Findings***

Annual Financial Report  
Chester County, Tennessee  
For the Year Ended June 30, 2016

## ***Scope***

We have audited the basic financial statements of Chester County as of and for the year ended June 30, 2016.

## ***Results***

Our report on Chester County's financial statements is unmodified.

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

## ***Findings***

The following are summaries of the audit findings:

### **OFFICE OF COUNTY MAYOR**

- ◆ The office had deficiencies in budget operations.
- 

### **OFFICE OF ROAD SUPERVISOR**

- ◆ Duties were not segregated adequately.
- 

### **OFFICE OF TRUSTEE**

- ◆ The trustee did not require a depository to adequately collateralize funds.

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# INTRODUCTORY SECTION

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# Chester County Officials

## June 30, 2016

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### **Officials**

Dwain Seaton, County Mayor  
Jerry King, Road Supervisor  
Troy Kilzer II, Director of Schools  
Lance Beshires, Trustee  
Beverly Morton, Assessor of Property  
Stacy Smith, County Clerk  
Justin Emerson, Circuit and General Sessions Courts Clerk  
Keith Frye, Clerk and Master  
Judy Cranford, Register of Deeds  
Blair Weaver, Sheriff

### **Board of County Commissioners**

Dwain Seaton, County Mayor, Chairman	Diane Jordan
Mike Alexander	Jerry Lowe
Terry Bell	Al McKinnon
Larry Blackstock	Joseph Melaro
Jackie Butler	Ann Moore
Russell Clayton	Robert Richardson
Tim Crowe	Chris Simmons
Jerry Emerson	Barry Smith
Johnny Garner	John Welch
Sandra Highers	

### **Board of Education**

Bob Moore, Chairman  
Dwight Bingham  
Shane Connor  
Norris Frank  
Ronald Johnson  
Glenn Naylor

### **Audit Committee**

John Allen Moore, Chairman  
Jerry Lowe  
Al McKinnon  
Barry Smith

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## FINANCIAL SECTION

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STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF LOCAL GOVERNMENT AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-1402  
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Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

**Report on the Financial Statements**

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, 2016, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Chester County, Tennessee, as of June 30, 2016, and the respective changes in financial position and the respective budgetary comparisons for the General and Highway/Public Works funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Change in Accounting Principle***

As described in Note V.B., Chester County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*; GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68*, and *Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*; and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Our opinion is not modified with respect to these matters.

### ***Other Matters***

#### ***Required Supplementary Information***

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 schedule of changes in the county's net pension liability (asset) and related ratios, schedules of county and school contributions, schedule of school's proportionate share of the net pension asset, and schedule of funding progress - other postemployment benefits plans, etc. on pages 78-85 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.

#### *Supplementary and Other Information*

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 miscellaneous schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, 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 miscellaneous schedules are fairly stated, in all material respects, in relation to the basic financial statements 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 do not express an opinion or provide any assurance on it.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2016, on our consideration of Chester County's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Chester County's internal control over financial reporting and compliance.

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 on the left side.

Justin P. Wilson  
Comptroller of the Treasury  
Nashville, Tennessee

August 25, 2016

JPW/sb

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

Chester County, Tennessee  
Statement of Net Position  
June 30, 2016

	Primary Government Governmental Activities	Component Unit Chester County School Department
<u>ASSETS</u>		
Cash	\$ 1,349	\$ 0
Equity in Pooled Cash and Investments	4,384,884	6,408,239
Investments	239,976	0
Accounts Receivable	5,148	592
Due from Other Governments	261,159	296,906
Property Taxes Receivable	4,255,118	1,817,602
Allowance for Uncollectible Property Taxes	(154,208)	(65,876)
Net Pension Asset - Agent Plan	260,288	168,947
Net Pension Asset - Cost-sharing Plan	0	3,271
Capital Assets:		
Assets Not Depreciated:		
Land	2,926,204	501,552
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	8,074,252	10,028,363
Infrastructure	2,358,063	0
Other Capital Assets	1,679,407	1,466,518
Total Assets	<u>\$ 24,291,640</u>	<u>\$ 20,626,114</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred Charge on Refunding	\$ 616,326	\$ 0
Pension Changes in Experience	0	72,985
Pension Changes in Investment Earnings	370,253	1,882,714
Pension Other Deferrals	0	5,957
Pension Contributions After Measurement Date	280,080	1,113,329
Total Deferred Outflows of Resources	<u>\$ 1,266,659</u>	<u>\$ 3,074,985</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 26,054	\$ 37,799
Payroll Deductions Payable	2,925	8,463
Accrued Interest Payable	23,182	0
Other Current Liabilities	444	0
Noncurrent Liabilities:		
Due Within One Year	385,235	0
Due in More Than One Year (net of unamortized premium on debt)	9,636,208	670,410
Total Liabilities	<u>\$ 10,074,048</u>	<u>\$ 716,672</u>

(Continued)

Exhibit A

Chester County, Tennessee  
Statement of Net Position (Cont.)

	<u>Primary Government Governmental Activities</u>	<u>Units Chester County School Department</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred Current Property Taxes	\$ 3,964,422	\$ 1,693,414
Pension Changes in Experience	311,736	1,618,929
Pension Changes in Investment Earnings	490,548	2,547,680
Pension Other Deferrals	0	63,799
Total Deferred Inflows of Resources	<u>\$ 4,766,706</u>	<u>\$ 5,923,822</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	\$ 5,675,397	\$ 11,996,433
Restricted for:		
General Government	434	0
Administration of Justice	36,163	0
Public Safety	146,766	0
Public Health and Welfare	13,913	0
Social, Cultural, and Recreational Services	239,976	0
Highway/Public Works	692,602	0
Capital Outlay	0	602,608
Debt Service	636,923	0
Education	0	191,305
Operation of Non-instructional Services	0	232,546
Other Purposes	260,288	0
Unrestricted	<u>3,015,083</u>	<u>4,037,713</u>
Total Net Position	<u>\$ 10,717,545</u>	<u>\$ 17,060,605</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, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary	Component Unit
					Governmental Total Activities	Chester County School Department
Primary Government:						
Governmental Activities:						
General Government	\$ 2,163,754	\$ 86,800	\$ 37,624	\$ 0	\$ (2,039,330)	\$ 0
Finance	713,596	392,765	0	0	(320,831)	0
Administration of Justice	685,424	297,490	14,501	0	(373,433)	0
Public Safety	3,571,170	727,452	67,231	79,520	(2,696,967)	0
Public Health and Welfare	1,462,390	339,395	74,609	0	(1,048,386)	0
Social, Cultural, and Recreational Services	14,353	13,454	1,133	268,977	269,211	0
Agriculture and Natural Resources	60,249	0	0	0	(60,249)	0
Highways/Public Works	1,948,263	0	1,534,825	695,429	281,991	0
Interest on Long-term Debt	394,580	0	0	0	(394,580)	0
<b>Total Primary Government</b>	<b>\$ 11,013,779</b>	<b>\$ 1,857,356</b>	<b>\$ 1,729,923</b>	<b>\$ 1,043,926</b>	<b>\$ (6,382,574)</b>	<b>\$ 0</b>
Component Unit:						
Chester County School Department	\$ 21,113,971	\$ 459,322	\$ 3,117,339	\$ 0	\$ 0	\$ (17,537,310)
<b>Total Component Unit</b>	<b>\$ 21,113,971</b>	<b>\$ 459,322</b>	<b>\$ 3,117,339</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (17,537,310)</b>

(Continued)

Exhibit B

Chester County, Tennessee  
Statement of Activities (Cont.)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary	Component Unit
					Government Total	Chester County School Department
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes				\$ 3,979,067	\$ 1,858,356	
Property Taxes Levied for Debt Service				36,139	0	
Local Option Sales Taxes				808,333	1,565,989	
Wheel Tax				771,429	0	
Litigation Taxes				70,597	0	
Business Tax				96,316	0	
Wholesale Beer Tax				48,192	0	
Other Local Taxes				15,233	1,400	
Grants and Contributions Not Restricted to Specific Programs				549,611	16,087,015	
Unrestricted Investment Income				49,757	37,386	
Miscellaneous				132,917	105,383	
Gain on Disposal of Capital Assets				603,211	0	
Total General Revenues				<u>\$ 7,160,802</u>	<u>\$ 19,655,529</u>	
Change in Net Position				\$ 778,228	\$ 2,118,219	
Net Position, July 1, 2015				<u>9,939,317</u>	<u>14,942,386</u>	
Net Position, June 30, 2016				<u>\$ 10,717,545</u>	<u>\$ 17,060,605</u>	

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

Exhibit C-1

Chester County, Tennessee  
Balance Sheet  
Governmental Funds  
June 30, 2016

	<u>Major Funds</u>		<u>Nonmajor</u> <u>Funds</u>	
	<u>General</u>	<u>Highway / Public Works</u>	<u>Other Govern- mental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 1,349	\$ 1,349
Equity in Pooled Cash and Investments	2,971,512	738,957	674,415	4,384,884
Investments	0	0	239,976	239,976
Accounts Receivable	538	8	4,602	5,148
Due from Other Governments	40,099	221,060	0	261,159
Due from Other Funds	1,349	0	0	1,349
Property Taxes Receivable	4,158,010	48,820	48,288	4,255,118
Allowance for Uncollectible Property Taxes	(150,884)	(1,758)	(1,566)	(154,208)
Total Assets	<u>\$ 7,020,624</u>	<u>\$ 1,007,087</u>	<u>\$ 967,064</u>	<u>\$ 8,994,775</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 20,855	\$ 0	\$ 5,199	\$ 26,054
Payroll Deductions Payable	2,925	0	0	2,925
Due to Other Funds	0	0	1,349	1,349
Other Current Liabilities	0	444	0	444
Total Liabilities	<u>\$ 23,780</u>	<u>\$ 444</u>	<u>\$ 6,548</u>	<u>\$ 30,772</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Current Property Taxes	\$ 3,873,390	\$ 45,516	\$ 45,516	\$ 3,964,422
Deferred Delinquent Property Taxes	114,124	1,319	1,029	116,472
Other Deferred/Unavailable Revenue	11,349	110,030	0	121,379
Total Deferred Inflows of Resources	<u>\$ 3,998,863</u>	<u>\$ 156,865</u>	<u>\$ 46,545</u>	<u>\$ 4,202,273</u>

(Continued)

Exhibit C-1

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

	<u>Major Funds</u>		<u>Nonmajor</u> <u>Funds</u>	
	<u>General</u>	<u>Highway / Public Works</u>	<u>Other Govern- mental Funds</u>	<u>Total Governmental Funds</u>
<u>FUND BALANCES</u>				
Nonspendable:				
Endowments	\$ 0	\$ 0	\$ 239,976	\$ 239,976
Restricted:				
Restricted for General Government	434	0	0	434
Restricted for Administration of Justice	36,163	0	0	36,163
Restricted for Public Safety	21,939	0	124,827	146,766
Restricted for Public Health and Welfare	13,913	0	0	13,913
Restricted for Highways/Public Works	0	587,203	0	587,203
Restricted for Debt Service	0	0	42,750	42,750
Committed:				
Committed for General Government	176,499	0	0	176,499
Committed for Public Health and Welfare	0	0	347,871	347,871
Committed for Social, Cultural, and Recreational Services	0	0	132,403	132,403
Committed for Highways/Public Works	0	262,575	0	262,575
Committed for Capital Outlay	0	0	8,740	8,740
Committed for Debt Service	0	0	17,404	17,404
Unassigned	2,749,033	0	0	2,749,033
Total Fund Balances	<u>\$ 2,997,981</u>	<u>\$ 849,778</u>	<u>\$ 913,971</u>	<u>\$ 4,761,730</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 7,020,624</u>	<u>\$ 1,007,087</u>	<u>\$ 967,064</u>	<u>\$ 8,994,775</u>

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 Position  
June 30, 2016

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$	4,761,730
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	2,926,204	
Add: buildings and improvements net of accumulated depreciation		8,074,252	
Add: infrastructure net of accumulated depreciation		2,358,063	
Add: other capital assets net of accumulated depreciation		<u>1,679,407</u>	15,037,926
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: bonds payable	\$	(9,500,000)	
Less: capital leases payable		(81,522)	
Less: compensated absences payable		(5,950)	
Less: landfill closure/postclosure care costs		(157,523)	
Less: other postemployment benefits liability		(131,716)	
Less: accrued interest on bonds		(23,182)	
Add: deferred amount on refunding		616,326	
Less: other deferred revenue - premium on debt		<u>(144,732)</u>	(9,428,299)
(3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years.			
Add: deferred outflows of resources related to pensions	\$	650,333	
Less: deferred inflows of resources related to pensions		<u>(802,284)</u>	(151,951)
(4) Net pension assets of the agent plan are not current financial resources and therefore are not reported in the governmental funds.			260,288
(5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>237,851</u>
Net position of governmental activities (Exhibit A)		\$	<u><u>10,717,545</u></u>

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

Exhibit C-3

Chester County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2016

	Major Funds		Nonmajor	Total
	General	Highway / Public Works	Funds Other Govern- mental Funds	
<u>Revenues</u>				
Local Taxes	\$ 4,554,515	\$ 49,674	\$ 1,498,526	\$ 6,102,715
Licenses and Permits	0	0	20,225	20,225
Fines, Forfeitures, and Penalties	78,015	0	15,640	93,655
Charges for Current Services	68,806	0	121,848	190,654
Other Local Revenues	47,551	53,157	265,667	366,375
Fees Received From County Officials	669,356	0	0	669,356
State of Tennessee	530,250	2,230,264	368,985	3,129,499
Federal Government	122,535	0	268,977	391,512
Other Governments and Citizens Groups	263,256	0	12,094	275,350
<b>Total Revenues</b>	<b>\$ 6,334,284</b>	<b>\$ 2,333,095</b>	<b>\$ 2,571,962</b>	<b>\$ 11,239,341</b>
<u>Expenditures</u>				
Current:				
General Government	\$ 922,082	\$ 0	\$ 0	\$ 922,082
Finance	715,658	0	0	715,658
Administration of Justice	595,402	0	480	595,882
Public Safety	3,351,888	0	3,816	3,355,704
Public Health and Welfare	418,827	0	1,007,223	1,426,050
Social, Cultural, and Recreational Services	29,592	0	88,161	117,753
Agriculture and Natural Resources	49,630	0	0	49,630
Other Operations	141,603	0	7,635	149,238
Highways	0	2,071,027	0	2,071,027
Debt Service:				
Principal on Debt	10,567	32,063	365,000	407,630
Interest on Debt	1,120	602	405,871	407,593
Other Debt Service	0	0	1,084,447	1,084,447

(Continued)

Exhibit C-3

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

	Major Funds		Nonmajor Funds	Total
	General	Highway / Public Works	Other Govern- mental Funds	Governmental Funds
<u>Expenditures (Cont.)</u>				
Capital Projects	\$ 0	\$ 0	\$ 404,066	\$ 404,066
Total Expenditures	\$ 6,236,369	\$ 2,103,692	\$ 3,366,699	\$ 11,706,760
Excess (Deficiency) of Revenues Over Expenditures	\$ 97,915	\$ 229,403	\$ (794,737)	\$ (467,419)
<u>Other Financing Sources (Uses)</u>				
Capital Leases Issued	\$ 92,089	\$ 0	\$ 0	\$ 92,089
Refunding Debt Issued	0	0	8,505,000	8,505,000
Premiums on Debt Sold	0	0	132,432	132,432
Proceeds from Sale of Capital Assets	1,146,880	0	0	1,146,880
Insurance Recovery	0	3,184	0	3,184
Payments to Refunded Debt Escrow Agent	0	0	(8,500,865)	(8,500,865)
Total Other Financing Sources (Uses)	\$ 1,238,969	\$ 3,184	\$ 136,567	\$ 1,378,720
Net Change in Fund Balances	\$ 1,336,884	\$ 232,587	\$ (658,170)	\$ 911,301
Fund Balance, July 1, 2015	1,661,097	617,191	1,572,141	3,850,429
Fund Balance, June 30, 2016	\$ 2,997,981	\$ 849,778	\$ 913,971	\$ 4,761,730

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, 2016

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)		\$ 911,301
<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	\$ 920,723	
Less: current-year depreciation expense	<u>(782,990)</u>	137,733
<p>(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position.</p>		
Less: book value of capital assets disposed		(543,669)
<p>(3) 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, 2016	\$ 237,851	
Less: deferred delinquent property taxes and other deferred June 30, 2015	<u>(329,099)</u>	(91,248)
<p>(4) The issuance of long-term debt (e.g., bonds, notes, 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 position. Also, governmental funds report the effect of 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	\$ (91,729)	
Add: principal payments on bonds	365,000	
Add: principal payments on note	32,063	
Add: principal payments on capital leases	10,567	
Less: capital lease proceeds	(92,089)	
Less: refunding bond proceeds	(8,505,000)	
Add: payment to refunding agent	7,920,000	
Less: change in deferred amount on refunding debt	<u>611,328</u>	250,140
<p>(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.</p>		
Change in accrued interest payable	\$ 13,013	
Change in compensated absences payable	(3,444)	
Change in other postemployment benefits liability	(24,176)	
Change in landfill closure/postclosure care costs	292	
Change in deferred outflows related to pensions	362,024	
Change in deferred inflows related to pensions	(315,297)	
Change in net pension asset	<u>81,559</u>	<u>113,971</u>
Change in net position of governmental activities (Exhibit B)		<u>\$ 778,228</u>

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

Exhibit C-5

Chester County, Tennessee  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Fund  
For the Year Ended June 30, 2016

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 4,554,515	\$ 4,447,190	\$ 4,519,990	\$ 34,525
Fines, Forfeitures, and Penalties	78,015	70,900	71,600	6,415
Charges for Current Services	68,806	58,850	60,200	8,606
Other Local Revenues	47,551	25,500	39,500	8,051
Fees Received From County Officials	669,356	609,000	609,000	60,356
State of Tennessee	530,250	507,080	553,786	(23,536)
Federal Government	122,535	38,500	128,197	(5,662)
Other Governments and Citizens Groups	263,256	243,500	243,500	19,756
<b>Total Revenues</b>	<b>\$ 6,334,284</b>	<b>\$ 6,000,520</b>	<b>\$ 6,225,773</b>	<b>\$ 108,511</b>
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 23,503	\$ 27,300	\$ 27,300	\$ 3,797
Board of Equalization	800	1,100	1,100	300
Budget and Finance Committee	1,615	2,425	2,425	810
County Mayor/Executive	145,708	146,520	152,520	6,812
County Attorney	17,827	15,000	20,000	2,173
Election Commission	209,777	194,480	240,898	31,121
Register of Deeds	136,037	143,040	144,040	8,003
County Buildings	339,195	426,145	329,521	(9,674)
Other Facilities	14,853	21,300	21,350	6,497
Other General Administration	32,767	46,100	46,100	13,333
<u>Finance</u>				
Accounting and Budgeting	102,916	104,294	113,294	10,378
Property Assessor's Office	194,164	206,478	200,253	6,089
Reappraisal Program	23,844	16,168	23,893	49
County Trustee's Office	173,612	186,923	188,173	14,561
County Clerk's Office	215,983	220,857	223,107	7,124
Other Finance	5,139	5,300	5,300	161
<u>Administration of Justice</u>				
Circuit Court	242,937	254,443	256,943	14,006
General Sessions Court	109,013	118,935	118,935	9,922
Chancery Court	206,468	214,858	216,858	10,390
Juvenile Court	36,984	37,104	37,104	120
<u>Public Safety</u>				
Sheriff's Department	1,647,035	1,643,241	1,739,343	92,308
Jail	1,337,432	1,365,432	1,391,432	54,000
Juvenile Services	69,542	70,448	71,448	1,906
Fire Prevention and Control	218,365	144,360	226,180	7,815
Civil Defense	67,526	65,898	78,398	10,872
Rescue Squad	6,700	6,700	6,700	0
County Coroner/Medical Examiner	5,288	10,000	10,000	4,712
<u>Public Health and Welfare</u>				
Local Health Center	36,647	38,820	38,820	2,173
Ambulance/Emergency Medical Services	275,141	260,112	276,112	971
Alcohol and Drug Programs	3,000	3,000	3,000	0
Other Local Health Services	17,449	44,341	44,341	26,892
Regional Mental Health Center	10,000	10,000	10,000	0

(Continued)

Exhibit C-5

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Public Health and Welfare (Cont.)</u>				
General Welfare Assistance	\$ 19,146	\$ 15,500	\$ 23,100	\$ 3,954
Other Local Welfare Services	14,523	0	14,523	0
Sanitation Education/Information	42,921	41,300	50,000	7,079
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	5,000	5,000	5,000	0
Other Social, Cultural, and Recreational	24,592	37,500	37,500	12,908
<u>Agriculture and Natural Resources</u>				
Agricultural Extension Service	26,116	40,545	40,545	14,429
Forest Service	2,000	2,000	2,000	0
Soil Conservation	14,014	16,865	17,365	3,351
Flood Control	7,500	7,900	7,900	400
<u>Other Operations</u>				
Tourism	0	525	525	525
Industrial Development	20,000	20,000	20,000	0
Veterans' Services	23,312	27,506	27,756	4,444
Employee Benefits	6,490	16,800	7,100	610
Miscellaneous	91,801	0	100,000	8,199
<u>Principal on Debt</u>				
General Government	10,567	0	10,567	0
<u>Interest on Debt</u>				
General Government	1,120	0	1,120	0
Total Expenditures	\$ 6,236,369	\$ 6,282,563	\$ 6,629,889	\$ 393,520
Excess (Deficiency) of Revenues Over Expenditures	\$ 97,915	\$ (282,043)	\$ (404,116)	\$ 502,031
<u>Other Financing Sources (Uses)</u>				
Capital Leases Issued	\$ 92,089	\$ 0	\$ 92,089	\$ 0
Proceeds from Sale of Capital Assets	1,146,880	0	1,146,880	0
Total Other Financing Sources	\$ 1,238,969	\$ 0	\$ 1,238,969	\$ 0
Net Change in Fund Balance	\$ 1,336,884	\$ (282,043)	\$ 834,853	\$ 502,031
Fund Balance, July 1, 2015	1,661,097	1,672,344	1,672,344	(11,247)
Fund Balance, June 30, 2016	\$ 2,997,981	\$ 1,390,301	\$ 2,507,197	\$ 490,784

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

Exhibit C-6

Chester County, Tennessee  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Highway/Public Works Fund  
For the Year Ended June 30, 2016

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 49,674	\$ 48,273	\$ 48,273	\$ 1,401
Other Local Revenues	53,157	36,900	36,900	16,257
State of Tennessee	2,230,264	1,667,842	2,280,784	(50,520)
Total Revenues	<u>\$ 2,333,095</u>	<u>\$ 1,753,015</u>	<u>\$ 2,365,957</u>	<u>\$ (32,862)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 135,952	\$ 143,231	\$ 143,231	\$ 7,279
Highway and Bridge Maintenance	704,313	748,221	757,721	53,408
Operation and Maintenance of Equipment	183,608	287,313	277,813	94,205
Other Charges	84,562	84,200	86,200	1,638
Employee Benefits	253,261	273,000	323,000	69,739
Capital Outlay	709,331	180,000	740,942	31,611
<u>Principal on Debt</u>				
Highways and Streets	32,063	32,064	32,063	0
<u>Interest on Debt</u>				
Highways and Streets	602	601	602	0
Total Expenditures	<u>\$ 2,103,692</u>	<u>\$ 1,748,630</u>	<u>\$ 2,361,572</u>	<u>\$ 257,880</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 229,403</u>	<u>\$ 4,385</u>	<u>\$ 4,385</u>	<u>\$ 225,018</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	<u>\$ 3,184</u>	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 2,184</u>
Total Other Financing Sources	<u>\$ 3,184</u>	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 2,184</u>
Net Change in Fund Balance	\$ 232,587	\$ 5,385	\$ 5,385	\$ 227,202
Fund Balance, July 1, 2015	617,191	508,439	508,439	108,752
Fund Balance, June 30, 2016	<u><u>\$ 849,778</u></u>	<u><u>\$ 513,824</u></u>	<u><u>\$ 513,824</u></u>	<u><u>\$ 335,954</u></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, 2016

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 525,630
Due from Other Governments	<u>150,400</u>
Total Assets	<u>\$ 676,030</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 150,400
Due to Litigants, Heirs, and Others	<u>525,630</u>
Total Liabilities	<u>\$ 676,030</u>

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

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**CHESTER COUNTY, TENNESSEE**  
**Index of Notes to the Financial Statements**

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**CHESTER COUNTY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**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. The financial statements of the Chester County Emergency Communications District, a component unit requiring discreet presentation, discussed below was excluded from this report due to materiality calculations; therefore, the effect of its omission is not material to the aggregate discretely presented component units' opinion unit and will not affect our opinion thereon. 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, 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 material to the component units' opinion unit and therefore have been omitted from 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. 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 Position 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. There were no debt issues contributed by the county to the School Department during the year ended June 30, 2016.

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, deferred outflows of resources, liabilities, deferred inflows of resources, 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 funds 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 special revenue fund accounts for transactions of the county’s Highway Department. Local and state gasoline/fuel taxes are the foundational revenues in this fund.

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.

**Capital Projects Fund** – The General Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

**Permanent Fund** – The Endowment Fund accounts for three private gifts received by the county for which the principal amount must remain intact while interest earned on the principal may be expended to benefit the Chester County Public Library.

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

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

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

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

**Special Revenue Funds** – These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

**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 endowments received by the School Department. Income generated from the corpus of one of the endowments 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. The other endowments provide for scholarships to be awarded each year until the endowments are depleted.

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.

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

**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 position as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to

the primary government's Solid Waste/Sanitation Fund and the School Department's General Purpose School Fund. In addition, investments are held separately by the county's Endowment 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 are reported at cost. Investments in the State Treasurer's Investment Pool are reported at fair value. 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. Accordingly, the pool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value.

## **2. Receivables and Payables**

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

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

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 a deferred inflow of resources 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 as a deferred inflow of resources 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 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 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 School Department are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
<u>Primary Government</u>	
Buildings and Improvements	30
Other Capital Assets	5 - 15
Infrastructure:	
Roads	10 - 20
Bridges	15 - 30
<u>Discretely Presented Chester County School Department</u>	
Buildings and Improvements	25 - 40
Buses	15
Other Vehicles	7
Equipment	7

#### 4. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position. These items are for the deferred charge on refunding and for pension changes in experience and investment earnings, pension changes in proportionate share of contributions, as well as employer contributions made to the pension plan after the measurement date.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the governmental funds balance sheet. These items are from the following sources: current and delinquent property taxes, pension changes in experience and investment earnings, pension changes in proportionate share of contributions, and various receivables for revenues, which do not meet the availability criteria in governmental funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**5. 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.

**6. 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 Position. Debt premiums and discounts are deferred and amortized over the life of the new debt using the straight-line method. Debt issuance costs are expensed in the period incurred. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner 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, landfill closure/postclosure care costs, and pension liabilities are recognized to the extent that the liabilities have matured (come due for payment) each period.

**7. Net Position and Fund Balance**

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

- a. Net investment in capital assets – 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 position – Consists of net position 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 position – All other net position that does not meet the definition of restricted or net investment in capital assets.

As of June 30, 2016, Chester County had \$358,450 in outstanding debt for capital purposes for 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 position with no corresponding increase in the county’s capital assets.

It is the county’s policy that restricted amounts would be reduced first followed by unrestricted amounts when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available. Also, it is the county’s policy that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used.

In the fund financial statements, governmental funds report fund balance in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in these funds can be spent. These classifications may consist of the following:

Nonspendable Fund Balance – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – includes amounts that have constraints placed on the use of the resources that are either (a) externally imposed by creditors, grantors, contributors or laws

and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the County Commission, the county’s highest level of decision-making authority and the Board of Education, the School Department’s highest level of decision-making authority, and shall remain binding unless removed in the same manner.

Assigned Fund Balance – includes amounts that are constrained by the county’s intent to be used for specific purposes, but are neither restricted nor committed (excluding stabilization arrangements). The County Commission has by resolution authorized the county’s Budget Committee to make assignments for the general government. The Board of Education makes assignments for the School Department.

Unassigned Fund Balance – the residual classification of the General and General Purpose School funds. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General and General Purpose School funds.

**E. Pension Plans**

**Primary Government**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Chester County’s participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Chester County’s fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

**Discretely Presented Chester County School Department**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teacher Retirement Plan and the Teacher Legacy Pension Plan in the Tennessee Consolidated Retirement System, and additions to/deductions from fiduciary

net position have been determined on the same basis as they are reported by the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Teacher Retirement Plan and the Teacher Legacy Pension Plan. Investments are reported at fair value.

## **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 Position**

#### **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 Position.

#### **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 Position.

### **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 position 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 position 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) and the Endowment

Fund (permanent fund), which are 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.

At June 30, 2016, the Chester County School Department reported significant encumbrances of \$440,000 in the General Purpose School Fund for the purchase of property.

**B. Expenditures Exceeded Appropriations**

Expenditures exceeded appropriations approved by the County Commission in the County Buildings major appropriations category (the legal level of control) of the General Fund by \$9,674. Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by available fund balance.

**C. The County Had Deposits Exposed to Custodial Credit Risk**

The trustee did not require one depository holding county funds to pledge adequate securities to protect funds that exceeded Federal Deposit Insurance Corporation (FDIC) coverage. At June 30, 2016, deposits at this depository exceeded FDIC coverage and collateral securities pledged by \$334,515. Section 5-8-201, *Tennessee Code Annotated*, requires any bank that is a depository of county funds to deposit in an escrow account in a second bank collateral security equal to 105 percent of such county funds.

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 position as Equity in Pooled Cash and Investments. Cash and investments reflected on the balance sheets or statements of net position represent nonpooled amounts held separately by individual funds.

Deposits

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

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

**Custodial Credit Risk.** Custodial credit risk is the risk that in the event of a bank failure, Chester County's deposits may not be returned to it. Chester County does not have a formal policy that limits custodial credit risk for deposits. Separate disclosures concerning bank balances of pooled deposits cannot be made for Chester County and the discretely presented Chester County School Department since both pool their deposits and investments through the county trustee. As of June 30, 2016, bank balances of \$334,515 were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 334,515
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The above \$334,515 was in the pooled bank balances and consisted of demand deposits and certificates of deposit reported in the Trustee's Office. Uninsured and uncollateralized deposits are a violation of state statutes.

**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.

**Investment Balances.** As of June 30, 2016, Chester County had the following investments carried at fair value within the fair value hierarchy established by generally accepted accounting principles. These investments were made in accordance with an agreement with a charitable foundation for an endowment to benefit the Chester County Public Library.

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Endowment Fund:		
Vanguard 500 Index Fund	On Demand	\$ 113,391
Fidelity International Index Fund	"	16,788
Vanguard Short-term Bond Index Fund	"	24,522
Vanguard Total Bond Fund	"	58,213
Vanguard Intermediate-term Corporate Bond Index Fund	"	<u>27,062</u>
Total		<u><u>\$ 239,976</u></u>

Investment by fair value level	Fair Value 6-30-16	Fair Value Measurements Using
		Quoted Prices in Active Markets for Identical Assets (Level 1)
Vanguard 500 Index Fund	\$ 113,391	\$ 113,391
Fidelity International Index Fund	16,788	16,788
Vanguard Short-term Bond Index Fund	24,522	24,522
Vanguard Total Bond Fund	58,213	58,213
Vanguard Intermediate-term Corporate Bond Index Fund	27,062	27,062
Total	\$ 239,976	\$ 239,976

Fair value investments classified at Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Fair value investments classified as Level 2 of the fair value hierarchy are valued using the active market rates for the underlying securities. Fair value investments classified as Level 3 of the fair value hierarchy are valued using non-observable inputs.

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

**Credit Risk.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Chester County has no investment policy that would further limit its investment choices. As of June 30, 2016, Chester County's investments were unrated. Chester County's investments are in private mutual funds that are not backed by the full faith and credit of the federal government and, therefore, the county could lose its investments if those enterprises fail.

**Custodial Credit Risk.** Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the county will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Chester County does not have a formal policy that limits custodial credit risk for investments. The county's investments have a custodial credit risk exposure because the securities are

uninsured, unregistered, and held by the county's financial agent, which is also the counterparty for these investments.

**B. Capital Assets**

Capital assets activity for the year ended June 30, 2016, was as follows:

**Primary Government**

**Governmental Activities:**

	Balance 7-1-15	Increases	Decreases	Balance 6-30-16
Capital Assets Not Depreciated:				
Land	\$ 2,926,204	\$ 0	\$ 0	\$ 2,926,204
Construction in Progress	167,506	0	167,506	0
<b>Total Capital Assets Not Depreciated</b>	<b>\$ 3,093,710</b>	<b>\$ 0</b>	<b>\$ 167,506</b>	<b>\$ 2,926,204</b>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 14,541,648	\$ 0	\$ 2,375,295	\$ 12,166,353
Infrastructure	2,718,767	867,745	0	3,586,512
Other Capital Assets	5,743,324	220,484	685,205	5,278,603
<b>Total Capital Assets Depreciated</b>	<b>\$ 23,003,739</b>	<b>\$ 1,088,229</b>	<b>\$ 3,060,500</b>	<b>\$ 21,031,468</b>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 5,612,458	\$ 380,487	\$ 1,900,844	\$ 4,092,101
Infrastructure	1,086,633	141,816	0	1,228,449
Other Capital Assets	3,954,496	260,687	615,987	3,599,196
<b>Total Accumulated Depreciation</b>	<b>\$ 10,653,587</b>	<b>\$ 782,990</b>	<b>\$ 2,516,831</b>	<b>\$ 8,919,746</b>
<b>Total Capital Assets Depreciated, Net</b>	<b>\$ 12,350,152</b>	<b>\$ 305,239</b>	<b>\$ 543,669</b>	<b>\$ 12,111,722</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 15,443,862</b>	<b>\$ 305,239</b>	<b>\$ 711,175</b>	<b>\$ 15,037,926</b>

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

**Governmental Activities:**

General Government	\$	21,699
Finance		3,441
Administration of Justice		69,612
Public Safety		323,963
Public Health and Welfare		136,001
Social, Cultural, and Recreational Services		35,790
Agriculture and Natural Resources		1,376
Highways		<u>191,108</u>

Total Depreciation Expense - Governmental Activities \$ 782,990

**Discretely Presented Chester County School Department**

**Governmental Activities:**

	Balance 7-1-15	Increases	Balance 6-30-16
Capital Assets Not Depreciated:			
Land	\$ 501,552	\$ 0	\$ 501,552
Total Capital Assets Not Depreciated	<u>\$ 501,552</u>	<u>\$ 0</u>	<u>\$ 501,552</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 19,913,073	\$ 0	\$ 19,913,073
Other Capital Assets	5,362,530	408,151	5,770,681
Total Capital Assets Depreciated	<u>\$ 25,275,603</u>	<u>\$ 408,151</u>	<u>\$ 25,683,754</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 9,446,351	\$ 438,359	\$ 9,884,710
Other Capital Assets	3,969,795	334,368	4,304,163
Total Accumulated Depreciation	<u>\$ 13,416,146</u>	<u>\$ 772,727</u>	<u>\$ 14,188,873</u>
Total Capital Assets Depreciated, Net	<u>\$ 11,859,457</u>	<u>\$ (364,576)</u>	<u>\$ 11,494,881</u>
Governmental Activities Capital Assets, Net	<u>\$ 12,361,009</u>	<u>\$ (364,576)</u>	<u>\$ 11,996,433</u>

There were no decreases in capital assets to report during the year ended June 30, 2016. Depreciation expense was charged to functions of the discretely presented Chester County School Department as follows:

**Governmental Activities:**

Instruction	\$ 491,142
Support Services	203,502
Operation of Non-instructional Services	<u>78,083</u>
 Total Depreciation Expense - Governmental Activities	 <u><u>\$ 772,727</u></u>

**C. Interfund Receivables and Payables**

The composition of interfund balances as of June 30, 2016, was as follows:

**Due to/from Other Funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General	Nonmajor governmental	\$ 1,349

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

**D. Capital Leases**

On November 30, 2015, Chester County entered into a three-year lease-purchase agreement for two 2015 Dodge Chargers for the Sheriff's Department. The terms of the agreement require total lease payments of \$58,298 plus interest of 4.77 percent. Title to the vehicles transfers to Chester County at the end of the lease period. The lease payments are made from the General Fund.

On November 30, 2015, Chester County entered into a three-year lease-purchase agreement for a 2015 Dodge Durango for the Sheriff's Department. The terms of the agreement require total lease payments of \$33,791 plus interest of 4.76 percent. Title to the vehicle transfers to Chester County at the end of the lease period. The lease payments are made from the General Fund.

The assets acquired through capital leases are as follows:

<u>Assets</u>	<u>Governmental Activities</u>
Vehicles	\$ 92,089
Less: Accumulated Depreciation	<u>(8,646)</u>
Total Book Value	<u><u>\$ 83,443</u></u>

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2016, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Funds</u>
2017	\$ 32,872
2018	32,872
2019	<u>21,184</u>
Total Minimum Lease Payments	\$ 86,928
Less: Amount Representing Interest	<u>(5,406)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 81,522</u></u>

**E. Long-term Obligations**

**Primary Government**

**General Obligation Bonds and Notes**

Chester County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities for the primary government and the discretely presented School Department. 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 outstanding were issued for original terms of up to 24 years. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds included in long-term debt as of June 30, 2016, will be retired from the General Debt Service Fund.

General obligation bonds and capital leases outstanding as of June 30, 2016, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-16
General Obligation Bonds	2.75 to 5.5%	5-1-28	\$ 9,660,000	\$ 625,000
General Obligation Bonds - Refunding	2 to 5	6-1-40	9,080,000	8,875,000
Capital Leases	4.76 to 4.77	3-10-19	92,089	81,522

The annual requirements to amortize all general obligation bonds as of June 30, 2016, including interest payments, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2017	\$ 350,000	\$ 247,361	\$ 597,361
2018	370,000	226,418	596,418
2019	390,000	211,843	601,843
2020	400,000	203,257	603,257
2021	405,000	194,413	599,413
2022-2026	1,970,000	837,325	2,807,325
2027-2031	1,870,000	631,137	2,501,137
2032-2036	1,970,000	418,250	2,388,250
2037-2040	1,775,000	134,087	1,909,087
Total	\$ 9,500,000	\$ 3,104,091	\$ 12,604,091

There is \$60,154 available in the General Debt Service Fund to service long-term debt. Debt per capita totaled \$559 based on the 2010 federal census.

#### Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2016, was as follows:

Governmental Activities:

	Bonds	Note	Capital Leases
Balance, July 1, 2015	\$ 9,280,000	\$ 32,063	\$ 0
Additions	8,505,000	0	92,089
Reductions	(8,285,000)	(32,063)	(10,567)
Balance, June 30, 2016	<u>\$ 9,500,000</u>	<u>\$ 0</u>	<u>\$ 81,522</u>
Balance Due Within One Year	<u>\$ 350,000</u>	<u>\$ 0</u>	<u>\$ 29,631</u>

	Compensated Absences	Landfill Closure/ Postclosure Care Costs	Other Postemployment Benefits
Balance, July 1, 2015	\$ 2,506	\$ 157,815	\$ 107,540
Additions	9,661	1,868	26,984
Reductions	(6,217)	(2,160)	(2,808)
Balance, June 30, 2016	<u>\$ 5,950</u>	<u>\$ 157,523</u>	<u>\$ 131,716</u>
Balance Due Within One Year	<u>\$ 3,444</u>	<u>\$ 2,160</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2016	\$ 9,876,711
Less: Balance Due Within One Year	(385,235)
Add: Unamortized Premium on Debt	<u>144,732</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 9,636,208</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.

Advance Refunding

On May 13, 2016, Chester County advanced refunded a portion of the Jail and Vo-Tech School bond issue with a separate general obligation bond issue. The county issued \$8,505,000 of general obligation refunding bonds to provide resources to purchase U.S. government securities that were placed in an irrevocable trust to generate resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered defeased, and the liability has been removed from the county’s long-term debt. As a result of the advance refunding, total debt service payments over the next 24 years will be reduced by \$1,879,741 and an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$1,364,666 was obtained.

**Discretely Presented Chester County School Department**

Changes in Long-term Obligations

Long-term obligations activity for the discretely presented Chester County School Department for the year ended June 30, 2016, was as follows:

Governmental Activities:	Other Postemployment Benefits	Net Pension Liability - Cost-sharing Plan*
	<u>                    </u>	<u>                    </u>
Balance, July 1, 2015	\$ 522,908	\$ (37,045)
Additions	129,921	3,080,745
Reductions	(73,361)	(2,952,758)
	<u>                    </u>	<u>                    </u>
Balance, June 30, 2016	<u>\$ 579,468</u>	<u>\$ 90,942</u>
Balance Due Within One Year	<u>\$ 0</u>	<u>\$ 0</u>

\*At July 1, 2015, the cost-sharing plan had a net pension asset.

Other postemployment benefits will be paid from the employing funds, primarily the General Purpose School Fund.

**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 were

retired on May 1, 2016. For the current year, principal and interest paid and sales tax revenues generated by the increase were \$104,000 and \$611,667, respectively. After the debt was retired, the excess sales tax was returned to the cities of Henderson, Enville, and Milledgeville of \$242,756, \$2,786, and \$182, respectively. Excess sales tax was also distributed to the General, Solid Waste/Sanitation, General Purpose School, and School Capital Projects funds of \$89,418, \$10,000, \$187,892, and \$400,000, respectively.

**G. On-Behalf Payments – Primary Government and Discretely Presented Chester County School Department**

**Primary Government**

The State of Tennessee pays health insurance premiums for retired employees on-behalf of Chester County. These payments are made by the state to the Medicare Supplement Plan. This plan is administered by the State of Tennessee and reported in the state’s Comprehensive Annual Financial Report. Payments by the state to the Medicare Supplement Plan for the year ended June 30, 2016, were \$300. The county has recognized these on-behalf payments as revenues and expenditures in the General Fund.

**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, 2016, were \$48,941 and \$18,125, 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**

**Employee Health Insurance**

**Primary Government**

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.

#### Discretely Presented Chester County School Department

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

Chester County and the School Department participate 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 and School Department pay annual premiums to the TN-RMT for their 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. 72, *Fair Value Measurement and Application*; Statement No. 73, *The Accounting and Financial Reporting for Pensions and Related Assets That Are Not with the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*; Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; and Statement No. 79, *Certain External Investment Pools and Pool Participants* became effective for the year ended June 30, 2016.

GASB Statement No. 72, establishes general principles for measuring fair value and standards of accounting and financial reporting for assets and liabilities measured at fair value. This standard supersedes previous statements as they relate to measuring fair value of certain assets and liabilities.

GASB Statement No. 73, established accounting and reporting requirements for pensions that are not administered through a trust account and also addresses changes made to Statements No. 67 and No. 68. The changes to Statements No. 67 and No. 68 require new RSI disclosures concerning plan investments, address specific payables to defined benefit plans, and address specific payables to defined benefit plans.

GASB Statement No. 76, addresses changes made to the hierarchy of generally accepted accounting principles. This standard supersedes Statement No. 55 and reduces the hierarchy from four to two categories.

GASB Statement No. 79, addresses issues related to certain external investment pools and pool participants because of changes in Security and Exchange rules relative to money market funds. This standard establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost rather than fair value for financial reporting purposes.

**C. Subsequent Event**

On July 18, 2016, Chester County issued capital outlay notes totaling \$316,000 to purchase four dump trucks for the Highway Department.

**D. Contingent Liabilities**

The county and School Department are involved in several pending lawsuits. Management advised that any potential claims not covered by insurance resulting from such litigation should not materially affect the financial statements.

**E. Landfill Closure/Postclosure Care Costs**

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

State and federal laws and regulations require the city and county to place a final cover on their sanitary landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the city and county report portions of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. Chester County and the City of Henderson closed their sanitary landfill in 1997. Chester County and the City of Henderson each verbally agreed to pay 50 percent of the postclosure costs. The \$157,523 reported as postclosure care liability at June 30, 2016, represents 50 percent of the county's share based on what it would cost to perform all postclosure care in 2016. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**F. Jointly Governed Organization**

The West Tennessee Railroad Authority (WTRA) was created by Gibson County in conjunction with the counties of Chester, Madison, McNairy, Obion, and Weakley. The WTRA's board includes the mayors of Chester, Gibson, Madison, McNairy, Obion, and Weakley counties, and one at-large member from each of these areas. However, the counties do not have any ongoing financial interest or responsibility for the entity.

**G. Retirement Commitments**

**Tennessee Consolidated Retirement System (TCRS)**

**Primary Government**

**General Information About the Pension Plan**

*Plan Description.* Employees of Chester County and non-certified employees of the discretely presented Chester County School Department are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprised 60.64 percent and the non-certified employees of the discretely presented School Department comprised 39.36 percent of the plan based on contribution data. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

*Benefits Provided.* TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available to vested members at age 55. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria.

Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions plus any accumulated interest.

*Employees Covered by Benefit Terms.* At the measurement date of June 30, 2015, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	112
Inactive Employees Entitled to But Not Yet Receiving Benefits	197
Active Employees	268
Total	577

*Contributions.* Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute five percent of their salary. Chester County makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, the Actuarial Determined Contribution (ADC) for Chester County was \$492,541 based on a rate of 7.33 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Chester County's state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**Net Pension Liability (Asset)**

Chester County's net pension liability (asset) was measured as of June 30, 2015, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

*Actuarial Assumptions.* The total pension liability as of the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, Averaging 4.25%
Investment Rate of Return	7.5%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.5%

Mortality rates were based on actual experience from the June 30, 2012, actuarial experience study, adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2015, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012, actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding inflation of three percent. The target allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Percentage Long-term Expected Real Rate of Return		Percentage Target Allocations	
U.S. Equity	6.46	%	33	%
Developed Market				
International Equity	6.26		17	
Emerging Market				
International Equity	6.40		5	
Private Equity and				
Strategic Lending	4.61		8	
U.S. Fixed Income	0.98		29	
Real Estate	4.73		7	
Short-term Securities	0.00		1	
			100	%
Total			100	%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

*Discount Rate.* The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current rate and that contributions from Chester County will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

### Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total	Plan	Net
	Pension Liability (a)	Fiduciary Net Position (b)	Pension Liability (a)-(b)
Balance, July 1, 2014	\$ 16,836,027	\$ 17,278,534	\$ (442,507)
Changes for the year:			
Service Cost	\$ 568,542	\$ 0	\$ 568,542
Interest	1,273,749	0	1,273,749
Differences Between Expected and Actual Experience	(494,864)	0	(494,864)
Contributions-Employer	0	492,541	(492,541)
Contributions-Employees	0	323,977	(323,977)
Net Investment Income	0	531,188	(531,188)
Benefit Payments, Including Refunds of Employee Contributions	(842,490)	(842,490)	0
Administrative Expense	0	(13,551)	13,551
Other Changes	0	0	0
Net Changes	\$ 504,937	\$ 491,665	\$ 13,272
Balance, June 30, 2015	\$ 17,340,964	\$ 17,770,199	\$ (429,235)

### Allocation of Agent Plan Changes in the Net Pension Liability (Asset)

		Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Primary Government	60.64%	\$ 10,515,561	\$ 10,775,849	\$ 260,288
School Department	39.36%	6,825,403	6,994,350	168,947
Total		\$ 17,340,964	\$ 17,770,199	\$ 429,235

*Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate.* The following presents the net pension liability (asset) of Chester County calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it was calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

Chester County	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Net Pension Liability	\$ 1,815,696	\$ (429,235)	\$ (2,280,694)

**Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions**

*Pension Expense.* For the year ended June 30, 2016, Chester County recognized pension expense of \$12,551.

*Deferred Outflows of Resources and Deferred Inflows of Resources.* For the year ended June 30, 2016, Chester County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 0	\$ 514,076
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	610,576	808,951
Contributions Subsequent to the Measurement Date of June 30, 2015 (1)	491,285	N/A
Total	<u>\$ 1,101,861</u>	<u>\$ 1,323,027</u>

- The amount shown above for “Contributions Subsequent to the Measurement Date of June 30, 2015,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Allocation of Agent Plan Deferred Outflows of Resources and  
Deferred Inflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Primary Government	\$ 650,333	\$ 802,284
School Department	<u>451,528</u>	<u>520,743</u>
Total	<u>\$ 1,101,861</u>	<u>\$ 1,323,027</u>

Amounts reported as deferred outflows of resources, with the exception of contributions subsequent to the measurement date, and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2017	\$ (224,906)
2018	(224,906)
2019	(224,906)
2020	44,745
2021	(82,478)
Thereafter	0

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

**Discretely Presented Chester County School Department**

**Non-certified Employees**

**General Information About the Pension Plan**

*Plan Description.* As noted above under the primary government, employees of Chester County and non-certified employees of the discretely presented Chester County School Department are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprise 60.64 percent, the non-certified employees of the discretely presented School Department comprise 39.36 percent of the plan based on contribution data.

## **Certified Employees**

### **Teacher Retirement Plan**

#### **General Information About the Pension Plan**

*Plan Description.* Teachers of the Chester County School Department with membership in the TCRS before July 1, 2014, are provided with pensions through the Teacher Legacy Pension Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan is closed to new membership. Teachers with membership in the TCRS after June 30, 2014, are provided with pensions through a legally separate plan referred to as the Teacher Retirement Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

*Benefits Provided.* TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. Members are eligible to retire with an unreduced benefit at age 65 with five years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available to vested members at age 60 or pursuant to the rule of 80. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria. Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. Members who leave employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLA, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

*Contributions.* Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out in law. Teachers are required to contribute five percent of their salary to the plan. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing TCRS, the employer contribution rate cannot be less than four percent, except in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2016, to the Teacher Retirement Plan were \$22,858, which is four percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

*Pension Liabilities (Assets).* At June 30, 2016, the Chester County School Department reported an asset of \$3,271 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The Chester County School Department's proportion of the net pension asset was based on the Chester County School Department's share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2015, the Chester County School Department's proportion was .081302 percent.

*Pension Expense.* For the year ended June 30, 2016, the Chester County School Department recognized pension expense of \$4,286.

*Deferred Outflows of Resources and Deferred Inflows of Resources.* For the year ended June 30, 2016, the Chester County School Department reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 0	\$ 1,064
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	264	0
LEA's Contributions Subsequent to the Measurement Date of June 30, 2015	22,858	N/A
Total	<u>\$ 23,122</u>	<u>\$ 1,064</u>

The Chester County School Department's employer contributions of \$22,858, reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase of net pension liability (asset) in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2017	\$ (23)
2018	(23)
2019	(23)
2020	(23)
2021	(89)
Thereafter	(621)

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

*Actuarial Assumptions.* The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, Averaging 4.25%
Investment Rate of Return	7.5%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.5%

Mortality rates are customized based on the June 30, 2012, actuarial experience study and some included adjustment for expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2015, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012, actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding inflation of three percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Percentage Long-term Expected Real Rate of Return		Percentage Target Allocations	
U.S. Equity Developed Market	6.46	%	33	%
International Equity Emerging Market	6.26		17	
International Equity Private Equity and Strategic Lending	6.40		5	
U.S. Fixed Income Real Estate	4.61		8	
Real Estate	0.98		29	
Short-term Securities	4.73		7	
	0.00		1	
Total			100	%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

*Discount Rate.* The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current rate and that contributions from all the LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate.* The following presents the Chester County School Department's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what the Chester County School Department's proportionate share of the net pension liability (asset) would be if it was calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

School Department's Proportionate Share of the Net Pension Liability (Asset)	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
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Net Pension Liability                    \$            580    \$            (3,271)    \$            (6,095)

*Pension Plan Fiduciary Net Position.* Detailed information about the pension plan’s fiduciary net position is available in a separately issued TCRS financial report.

**Teacher Legacy Pension Plan**

**General Information About the Pension Plan**

*Plan Description.* Teachers of the Chester County School Department with membership in the TCRS before July 1, 2014, are provided with pensions through the Teacher Legacy Pension Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by LEAs after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

*Benefits Provided.* TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member’s highest five consecutive year average compensation and the member’s years of service credit. A reduced early retirement benefit is available to vested members at age 55. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria. Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the

change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Legacy Pension Plan, benefit terms and conditions, including COLAs can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

*Contributions.* Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers are required to contribute five percent of their salaries. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by the Chester County School Department for the year ended June 30, 2016, to the Teacher Legacy Pension Plan were \$879,266, which is 9.04 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

### **Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

*Pension Liability (Assets).* At June 30, 2016, the Chester County School Department reported a liability of \$90,942 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The Chester County School Department's proportion of the net pension liability (asset) was based on the Chester County School Department's long-term share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2015, the Chester County School Department's proportion was .222008 percent. The proportion measured at June 30, 2014, was .227974 percent.

*Negative Pension Expense.* For the year ended June 30, 2016, the Chester County School Department recognized negative pension expense of \$88,346.

*Deferred Outflows of Resources and Deferred Inflows of Resources.* For the year ended June 30, 2016, the Chester County School Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 72,985	\$ 1,415,525
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,642,127	2,229,277
Changes in Proportion of Net Pension Liability (Asset)	5,957	63,799
LEA's Contributions Subsequent to the Measurement Date of June 30, 2015	<u>879,266</u>	<u>N/A</u>
Total	<u>\$ 2,600,335</u>	<u>\$ 3,708,601</u>

The Chester County School Department's employer contributions of \$879,266 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase in net pension asset in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2017	\$ (612,637)
2018	(612,637)
2019	(612,637)
2020	130,456
2021	(280,076)
Thereafter	0

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

*Actuarial Assumptions.* The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, Averaging 4.25%
Investment Rate of Return	7.5%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.5%

Mortality rates are customized based on the June 30, 2012, actuarial experience study and some included adjustments for expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2015, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012, actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding inflation of three percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Percentage Long-term Expected Real Rate of Return		Percentage Target Allocations	
U.S. Equity Developed Market	6.46	%	33	%
International Equity Emerging Market	6.26		17	
International Equity Private Equity and Strategic Lending	6.40		5	
U.S. Fixed Income Real Estate	4.61		8	
Real Estate	0.98		29	
Short-term Securities	4.73		7	
	0.00		1	
Total			100	%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

*Discount Rate.* The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current rate and that contributions from all the LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate.* The following presents the Chester County School Department's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what the Chester County School Department's proportionate share of the net pension liability (asset) would be if it was calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

School Department's Proportionate Share of the Net Pension Liability (Asset)	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Net Pension Liability	\$ 6,200,117	\$ 90,942	\$ (4,966,734)

*Pension Plan Fiduciary Net Position.* Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

## H. Other Postemployment Benefits (OPEB)

### Plan Description

Chester County and the School Department participate in the state-administered Local Education Group Insurance Plan and Local Government Group Insurance Plan for health care benefits. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Section 8-27-302, *Tennessee Code Annotated (TCA)*, for local education employees, and Section 8-27-207, *TCA*, for local governments. Prior to reaching the age of 65, all members have the option of choosing between the standard or partnership preferred provider organization plan for health care 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/article/fa-acffin-cafr>.

### Funding Policy

The premium requirements of 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, 2016, Chester County and the discretely presented School Department contributed \$2,808 and \$73,361, respectively, for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan	Local Government Group Plan
ARC	\$ 130,000	\$ 27,000
Interest on the NOPEBO	19,609	4,033
Adjustment to the ARC	(19,688)	(4,049)
Annual OPEB cost	\$ 129,921	\$ 26,984
Less: Amount of contribution	(73,361)	(2,808)
Increase/decrease in NOPEBO	\$ 56,560	\$ 24,176
Net OPEB obligation, 7-1-15	522,908	107,540
Net OPEB obligation, 6-30-16	\$ 579,468	\$ 131,716

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-14	Local Education Group	\$ 93,491	84%	\$ 491,077
6-30-15	"	96,506	67	522,908
6-30-16	"	129,921	56	579,468
6-30-14	Local Government Group	14,089	11	99,524
6-30-15	"	14,103	43	107,540
6-30-16	"	26,984	10	131,745

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2015, was as follows:

	Local Education Group Plan	Local Government Group Plan
Actuarial valuation date	7-1-15	7-1-15
Actuarial accrued liability (AAL)	\$ 1,271,000	\$ 203,000
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 1,271,000	\$ 203,000
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 13,075,486	\$ 3,967,507
UAAL as a % of covered payroll	10%	5%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents 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, 2015, actuarial valuation for the Local Government Plan and the Local Education Plan, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 3.75 percent investment rate of return (net of administrative expenses) and an annual health care cost trend rate of 6.5 percent initially. The trend rate will decrease to six percent in 2016, and then be reduced by decrements to an ultimate rate of 4.7 percent by fiscal year 2050. Both rates include a 2.5 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with July 1, 2007. Payroll is assumed to grow at a rate of three percent.

### **I. 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.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit E-1

Chester County, Tennessee  
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on  
Participation in the Public Employee Pension Plan of TCRS  
Primary Government  
For the Fiscal Year Ending June 30

	2014	2015
<b>Total Pension Liability (Asset)</b>		
Service Cost	\$ 513,490	\$ 568,542
Interest	1,214,365	1,273,749
Differences Between Actual and Expected Experience	(152,533)	(494,864)
Benefit Payments, Including Refunds of Employee Contributions	(834,672)	(842,490)
Net Change in Total Pension Liability (Asset)	\$ 740,650	\$ 504,937
Total Pension Liability (Asset), Beginning	16,095,377	16,836,027
Total Pension Liability (Asset), Ending (a)	\$ 16,836,027	\$ 17,340,964
<b>Plan Fiduciary Net Position</b>		
Contributions - Employer	\$ 483,656	\$ 492,541
Contributions - Employee	325,358	323,977
Net Investment Income	2,460,904	531,188
Benefit Payments, Including Refunds of Employee Contributions	(834,672)	(842,490)
Administrative Expense	(9,776)	(13,551)
Net Change in Plan Fiduciary Net Position	\$ 2,425,470	\$ 491,665
Plan Fiduciary Net Position, Beginning	14,853,064	17,278,534
Plan Fiduciary Net Position, Ending (b)	\$ 17,278,534	\$ 17,770,199
Net Pension Liability (Asset), Ending (a - b)	\$ (442,507)	\$ (429,235)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	102.63%	102.48%
Covered Employee Payroll	\$ 6,500,698	\$ 6,719,525
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	6.81%	6.39%

Note: ten years of data will be presented when available.

Note: data presented includes primary government and discretely presented non-certified employees of the School Department.

Exhibit E-2

Chester County, Tennessee  
Schedule of Contributions Based on Participation in the Public  
Employee Pension Plan of TCRS  
Primary Government  
For the Fiscal Year Ended June 30

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actuarially Determined Contribution	\$ 483,656	\$ 492,541	\$ 491,285
Less Contributions in Relation to the Actuarially Determined Contribution	<u>(483,656)</u>	<u>(492,541)</u>	<u>(491,285)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered Employee Payroll	\$ 6,500,698	\$ 6,719,525	\$ 6,702,387
Contributions as a Percentage of Covered Employee Payroll	7.44%	7.33%	7.33%

Note: ten years of data will be presented when available.

Note: data presented includes primary government and discretely presented non-certified employees of the School Department.

Exhibit E-3

Chester County, Tennessee  
Schedule of Contributions Based on Participation in the Teacher  
Retirement Plan of TCRS  
Discretely Presented Chester County School Department  
For the Fiscal Year Ended June 30

	<u>2015</u>	<u>2016</u>
Contractually Required Contribution	\$ 169	\$ 14,286
Less Contributions in Relation to the Contractually Required Contribution	<u>(6,757)</u>	<u>(22,858)</u>
Contribution Deficiency (Excess)	<u>\$ (6,588)</u>	<u>\$ (8,572)</u>
Covered Employee Payroll	\$ 168,921	\$ 571,450
Contributions as a Percentage of Covered Employee Payroll	4.00%	4.00%

Note: ten years of data will be presented when available.

Exhibit E-4

Chester County, Tennessee  
Schedule of Contributions Based on Participation in the Teacher  
Legacy Pension Plan of TCRS  
Discretely Presented Chester County School Department  
For the Fiscal Year Ended June 30

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Contractually Required Contribution	\$ 794,579	\$ 751,302	\$ 879,266
Less Contributions in Relation to the Contractually Required Contribution	<u>(794,579)</u>	<u>(751,302)</u>	<u>(879,266)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered Employee Payroll	\$ 8,947,960	\$ 8,310,879	\$ 9,726,394
Contributions as a Percentage of Covered Employee Payroll	8.88%	9.04%	9.04%

Note: ten years of data will be presented when available.

Exhibit E-5

Chester County, Tennessee  
Schedule of Proportionate Share of the Net Pension Asset  
in the Teacher Retirement Plan of TCRS  
Discretely Presented Chester County School Department  
For the Fiscal Year Ended June 30 \*

	<u>2016</u>
School Department's Proportion of the Net Pension Asset	0.081302%
School Department's Proportionate Share of the Net Pension Asset	\$ 3,271
Covered Employee Payroll	\$ 168,921
School Department's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll	1.94%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	127.46%

\* The amounts presented were determined as of June 30 of the prior fiscal year.

Note: ten years of data will be presented when available.

Exhibit E-6

Chester County, Tennessee  
Schedule of Proportionate Share of the Net Pension Asset  
in the Teacher Legacy Pension Plan of TCRS  
Discretely Presented Chester County School Department  
For the Fiscal Year Ended June 30 \*

	<u>2015</u>	<u>2016</u>
School Department's Proportion of the Net Pension Asset	0.227974%	0.222008%
School Department's Proportionate Share of the Net Pension Asset (Liability)	\$ 37,045	\$ (90,942)
Covered Employee Payroll	\$ 8,947,966	\$ 8,310,879
School Department's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Employee Payroll	0.414002 %	1.094252 %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.08%	99.81%

\* The amounts presented were determined as of June 30 of the prior fiscal year.

Note: ten years of data will be presented when available.

Exhibit E-7

Chester County, Tennessee  
Schedule of Funding Progress – Other Postemployment Benefits Plans  
Primary Government and Discretely Presented Chester County School Department  
June 30, 2016

(Dollar amounts in thousands)

Plans	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (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	7-1-11	\$ 0	\$ 125	\$ 125	0 %	\$ 3,664	3 %
"	7-1-13	0	97	97	0	3,731	3
"	7-1-15	0	203	203	0	3,968	5
<u>DISCRETELY PRESENTED CHESTER COUNTY SCHOOL DEPARTMENT</u>							
Local Education Group	7-1-11	0	1,556	1,556	0	11,970	13
"	7-1-13	0	894	894	0	12,523	7
"	7-1-15	0	1,271	1,271	0	13,075	10

**CHESTER COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2016**

**TENNESSEE CONSOLIDATED RETIREMENT SYSTEM**

*Valuation Date:* Actuarially determined contribution rates for 2016 were calculated based on the July 1, 2015, actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Frozen Initial Liability
Amortization Method	Level Dollar, Closed (Not to Exceed 20 Years)
Remaining Amortization Period	5 Years
Asset Valuation	10-Year Smoothed Within a 20% Corridor to Market Value
Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, Averaging 4.25%
Investment Rate of Return	7.5%, Net of Investment Expense, Including Inflation
Retirement Age	Pattern of Retirement Determined by Experience Study
Mortality	Customized Table Based on Actual Experience Including an Adjustment for Some Anticipated Improvement
Cost of Living Adjustment	2.5%

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

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Public Library Fund – The Public Library Fund is used to account for transactions of the Chester County Public Library.

Solid Waste/Sanitation Fund – The Solid Waste/Sanitation Fund is used to account for transactions relating to the disposal of Chester County’s solid waste.

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 of deeds, and sheriff.

## Debt Service Funds

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Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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General Debt Service Fund – The General Debt Service Fund is used to account for the accumulation of resources for, and the payment of, 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, debt principal, interest, and related costs of the Chester County School Department.

# Capital Projects Fund

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Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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

# Permanent Fund

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Permanent Funds are used to account for the proceeds of gift instruments, which require that the principal be invested, and only the income from investments is available for expenditures.

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Endowment Fund – The Endowment Fund accounts for three private gifts received by the county for which the principal amount must remain intact while interest earned on the principal may be expended to benefit the Chester County Public Library.

Exhibit F-1

Chester County, Tennessee  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2016

	Special Revenue Funds					Debt Service Fund
	Public Library	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Total	General Debt Service
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 0	\$ 1,349	\$ 1,349	\$ 0
Equity in Pooled Cash and Investments	132,299	348,466	124,933	0	605,698	59,977
Investments	0	0	0	0	0	0
Accounts Receivable	240	4,362	0	0	4,602	0
Property Taxes Receivable	0	0	0	0	0	48,288
Allowance for Uncollectible Property Taxes	0	0	0	0	0	(1,566)
Total Assets	\$ 132,539	\$ 352,828	\$ 124,933	\$ 1,349	\$ 611,649	\$ 106,699
<u>LIABILITIES</u>						
Accounts Payable	\$ 136	\$ 4,957	\$ 106	\$ 0	\$ 5,199	\$ 0
Due to Other Funds	0	0	0	1,349	1,349	0
Total Liabilities	\$ 136	\$ 4,957	\$ 106	\$ 1,349	\$ 6,548	\$ 0
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Deferred Current Property Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 45,516
Deferred Delinquent Property Taxes	0	0	0	0	0	1,029
Total Deferred Inflows of Resources	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 46,545
<u>FUND BALANCES</u>						
Nonspendable: Endowments	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

(Continued)

Exhibit F-1

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

	Special Revenue Funds					Debt Service Fund
	Public Library	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Total	General Debt Service
<u>FUND BALANCES (CONT.)</u>						
Restricted:						
Restricted for Public Safety	\$ 0	\$ 0	\$ 124,827	\$ 0	\$ 124,827	\$ 0
Restricted for Debt Service	0	0	0	0	0	42,750
Committed:						
Committed for Public Health and Welfare	0	347,871	0	0	347,871	0
Committed for Social, Cultural, and Recreational Services	132,403	0	0	0	132,403	0
Committed for Capital Outlay	0	0	0	0	0	0
Committed for Debt Service	0	0	0	0	0	17,404
Total Fund Balances	<u>\$ 132,403</u>	<u>\$ 347,871</u>	<u>\$ 124,827</u>	<u>\$ 0</u>	<u>\$ 605,101</u>	<u>\$ 60,154</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 132,539</u>	<u>\$ 352,828</u>	<u>\$ 124,933</u>	<u>\$ 1,349</u>	<u>\$ 611,649</u>	<u>\$ 106,699</u>

(Continued)

Exhibit F-1

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

	<u>Capital Projects Fund</u>	<u>Permanent Fund</u>	Total Nonmajor Governmental Funds
	General Capital Projects	Endowment	
<u>ASSETS</u>			
Cash	\$ 0	\$ 0	\$ 1,349
Equity in Pooled Cash and Investments	8,740	0	674,415
Investments	0	239,976	239,976
Accounts Receivable	0	0	4,602
Property Taxes Receivable	0	0	48,288
Allowance for Uncollectible Property Taxes	0	0	(1,566)
Total Assets	<u>\$ 8,740</u>	<u>\$ 239,976</u>	<u>\$ 967,064</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 0	\$ 0	\$ 5,199
Due to Other Funds	0	0	1,349
Total Liabilities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,548</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Current Property Taxes	\$ 0	\$ 0	\$ 45,516
Deferred Delinquent Property Taxes	0	0	1,029
Total Deferred Inflows of Resources	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 46,545</u>
<u>FUND BALANCES</u>			
Nonspendable: Endowments	\$ 0	\$ 239,976	\$ 239,976

(Continued)

Exhibit F-1

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

	<u>Capital Projects Fund</u>	<u>Permanent Fund</u>	Total Nonmajor Governmental Funds
	General Capital Projects	Endowment	
<u>FUND BALANCES (CONT.)</u>			
Restricted:			
Restricted for Public Safety	\$ 0	\$ 0	\$ 124,827
Restricted for Debt Service	0	0	42,750
Committed:			
Committed for Public Health and Welfare	0	0	347,871
Committed for Social, Cultural, and Recreational Services	0	0	132,403
Committed for Capital Outlay	8,740	0	8,740
Committed for Debt Service	0	0	17,404
Total Fund Balances	<u>\$ 8,740</u>	<u>\$ 239,976</u>	<u>\$ 913,971</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 8,740</u>	<u>\$ 239,976</u>	<u>\$ 967,064</u>

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, 2016

	Special Revenue Funds					Debt Service
	Public Library	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	Total	General Debt Service
<u>Revenues</u>						
Local Taxes	\$ 0	\$ 238,546	\$ 0	\$ 0	\$ 238,546	\$ 648,313
Licenses and Permits	0	20,225	0	0	20,225	0
Fines, Forfeitures, and Penalties	0	0	15,640	0	15,640	0
Charges for Current Services	13,404	107,964	0	480	121,848	0
Other Local Revenues	18,935	255,616	1,350	0	275,901	0
State of Tennessee	76,133	290,310	0	0	366,443	2,542
Federal Government	0	0	0	0	0	0
Other Governments and Citizens Groups	12,094	0	0	0	12,094	0
<b>Total Revenues</b>	<b>\$ 120,566</b>	<b>\$ 912,661</b>	<b>\$ 16,990</b>	<b>\$ 480</b>	<b>\$ 1,050,697</b>	<b>\$ 650,855</b>
<u>Expenditures</u>						
Current:						
Administration of Justice	\$ 0	\$ 0	\$ 0	\$ 480	\$ 480	\$ 0
Public Safety	0	0	3,816	0	3,816	0
Public Health and Welfare	0	1,007,223	0	0	1,007,223	0
Social, Cultural, and Recreational Services	88,161	0	0	0	88,161	0
Other Operations	750	6,725	160	0	7,635	0
Debt Service:						
Principal on Debt	0	25,000	0	0	25,000	240,000
Interest on Debt	0	1,000	0	0	1,000	400,871
Other Debt Service	0	0	0	0	0	144,797
Capital Projects	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>\$ 88,911</b>	<b>\$ 1,039,948</b>	<b>\$ 3,976</b>	<b>\$ 480</b>	<b>\$ 1,133,315</b>	<b>\$ 785,668</b>

(Continued)

Exhibit F-2

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

	Special Revenue Funds					Debt Service
	Public Library	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	Total	General Debt Service
Excess (Deficiency) of Revenues Over Expenditures	\$ 31,655	\$ (127,287)	\$ 13,014	\$ 0	\$ (82,618)	\$ (134,813)
<u>Other Financing Sources (Uses)</u>						
Refunding Debt Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,505,000
Premiums on Debt Sold	0	0	0	0	0	132,432
Payments to Refunded Debt Escrow Agent	0	0	0	0	0	(8,500,865)
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 136,567
Net Change in Fund Balances	\$ 31,655	\$ (127,287)	\$ 13,014	\$ 0	\$ (82,618)	\$ 1,754
Fund Balance, July 1, 2015	100,748	475,158	111,813	0	687,719	58,400
Fund Balance, June 30, 2016	\$ 132,403	\$ 347,871	\$ 124,827	\$ 0	\$ 605,101	\$ 60,154

(Continued)

Exhibit F-2

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

	<u>Debt Service Funds (Cont.)</u>		<u>Capital</u>	<u>Permanent</u>	<u>Total</u>
	<u>Education</u>	<u>Total</u>	<u>Projects Fund</u>	<u>Fund</u>	
	<u>Debt</u>		<u>General</u>	<u>Endowment</u>	<u>Nonmajor</u>
	<u>Service</u>		<u>Capital</u>		<u>Governmental</u>
			<u>Projects</u>		<u>Funds</u>
<u>Revenues</u>					
Local Taxes	\$ 611,667	\$ 1,259,980	\$ 0	\$ 0	\$ 1,498,526
Licenses and Permits	0	0	0	0	20,225
Fines, Forfeitures, and Penalties	0	0	0	0	15,640
Charges for Current Services	0	0	0	0	121,848
Other Local Revenues	0	0	314	(10,548)	265,667
State of Tennessee	0	2,542	0	0	368,985
Federal Government	0	0	268,977	0	268,977
Other Governments and Citizens Groups	0	0	0	0	12,094
<b>Total Revenues</b>	<b>\$ 611,667</b>	<b>\$ 1,262,522</b>	<b>\$ 269,291</b>	<b>\$ (10,548)</b>	<b>\$ 2,571,962</b>
<u>Expenditures</u>					
Current:					
Administration of Justice	\$ 0	\$ 0	\$ 0	\$ 0	\$ 480
Public Safety	0	0	0	0	3,816
Public Health and Welfare	0	0	0	0	1,007,223
Social, Cultural, and Recreational Services	0	0	0	0	88,161
Other Operations	0	0	0	0	7,635
Debt Service:					
Principal on Debt	100,000	340,000	0	0	365,000
Interest on Debt	4,000	404,871	0	0	405,871
Other Debt Service	939,650	1,084,447	0	0	1,084,447
Capital Projects	0	0	404,066	0	404,066
<b>Total Expenditures</b>	<b>\$ 1,043,650</b>	<b>\$ 1,829,318</b>	<b>\$ 404,066</b>	<b>\$ 0</b>	<b>\$ 3,366,699</b>

(Continued)

Exhibit F-2

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

	<u>Debt Service Funds (Cont.)</u>		<u>Capital</u>	<u>Permanent</u>	<u>Total</u>
	<u>Education</u>	<u>Total</u>	<u>Projects Fund</u>	<u>Fund</u>	
	<u>Debt</u>		<u>General</u>	<u>Endowment</u>	<u>Nonmajor</u>
	<u>Service</u>		<u>Capital</u>		<u>Governmental</u>
			<u>Projects</u>		<u>Funds</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (431,983)	\$ (566,796)	\$ (134,775)	\$ (10,548)	\$ (794,737)
<u>Other Financing Sources (Uses)</u>					
Refunding Debt Issued	\$ 0	\$ 8,505,000	\$ 0	\$ 0	\$ 8,505,000
Premiums on Debt Sold	0	132,432	0	0	132,432
Payments to Refunded Debt Escrow Agent	0	(8,500,865)	0	0	(8,500,865)
Total Other Financing Sources (Uses)	\$ 0	\$ 136,567	\$ 0	\$ 0	\$ 136,567
Net Change in Fund Balances	\$ (431,983)	\$ (430,229)	\$ (134,775)	\$ (10,548)	\$ (658,170)
Fund Balance, July 1, 2015	431,983	490,383	143,515	250,524	1,572,141
Fund Balance, June 30, 2016	\$ 0	\$ 60,154	\$ 8,740	\$ 239,976	\$ 913,971

Exhibit F-3

Chester County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Public Library Fund  
For the Year Ended June 30, 2016

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 0	\$ 75,000	\$ 75,000	\$ (75,000)
Charges for Current Services	13,404	12,000	12,000	1,404
Other Local Revenues	18,935	10,000	10,000	8,935
State of Tennessee	76,133	0	0	76,133
Other Governments and Citizens Groups	12,094	1,100	1,100	10,994
Total Revenues	<u>\$ 120,566</u>	<u>\$ 98,100</u>	<u>\$ 98,100</u>	<u>\$ 22,466</u>
<u>Expenditures</u>				
<u>Social, Cultural, and Recreational Services</u>				
Libraries	\$ 88,161	\$ 87,542	\$ 91,542	\$ 3,381
<u>Other Operations</u>				
Miscellaneous	750	0	800	50
Total Expenditures	<u>\$ 88,911</u>	<u>\$ 87,542</u>	<u>\$ 92,342</u>	<u>\$ 3,431</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 31,655</u>	<u>\$ 10,558</u>	<u>\$ 5,758</u>	<u>\$ 25,897</u>
Net Change in Fund Balance	\$ 31,655	\$ 10,558	\$ 5,758	\$ 25,897
Fund Balance, July 1, 2015	100,748	93,086	93,086	7,662
Fund Balance, June 30, 2016	<u>\$ 132,403</u>	<u>\$ 103,644</u>	<u>\$ 98,844</u>	<u>\$ 33,559</u>

Exhibit F-4

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, 2016

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 238,546	\$ 256,950	\$ 256,950	\$ (18,404)
Licenses and Permits	20,225	18,000	18,000	2,225
Charges for Current Services	107,964	70,800	70,800	37,164
Other Local Revenues	255,616	210,000	210,000	45,616
State of Tennessee	290,310	326,000	334,500	(44,190)
Federal Government	0	8,500	0	0
Total Revenues	<u>\$ 912,661</u>	<u>\$ 890,250</u>	<u>\$ 890,250</u>	<u>\$ 22,411</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Convenience Centers	\$ 401,119	\$ 418,011	\$ 421,588	\$ 20,469
Recycling Center	241,941	270,779	261,702	19,761
Other Waste Disposal	359,843	369,900	385,900	26,057
Postclosure Care Costs	4,320	5,000	5,000	680
<u>Other Operations</u>				
Other Charges	6,725	17,000	14,000	7,275
<u>Principal on Debt</u>				
General Government	25,000	25,000	25,000	0
<u>Interest on Debt</u>				
General Government	1,000	1,000	1,000	0
Total Expenditures	<u>\$ 1,039,948</u>	<u>\$ 1,106,690</u>	<u>\$ 1,114,190</u>	<u>\$ 74,242</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (127,287)</u>	<u>\$ (216,440)</u>	<u>\$ (223,940)</u>	<u>\$ 96,653</u>
Net Change in Fund Balance	\$ (127,287)	\$ (216,440)	\$ (223,940)	\$ 96,653
Fund Balance, July 1, 2015	475,158	359,241	359,241	115,917
Fund Balance, June 30, 2016	<u>\$ 347,871</u>	<u>\$ 142,801</u>	<u>\$ 135,301</u>	<u>\$ 212,570</u>

Exhibit F-5

Chester County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Drug Control Fund  
For the Year Ended June 30, 2016

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 15,640	\$ 13,850	\$ 13,850	\$ 1,790
Other Local Revenues	1,350	4,000	4,000	(2,650)
Total Revenues	<u>\$ 16,990</u>	<u>\$ 17,850</u>	<u>\$ 17,850</u>	<u>\$ (860)</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 3,816	\$ 46,525	\$ 46,525	\$ 42,709
<u>Other Operations</u>				
Miscellaneous	160	500	500	340
Total Expenditures	<u>\$ 3,976</u>	<u>\$ 47,025</u>	<u>\$ 47,025</u>	<u>\$ 43,049</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 13,014</u>	<u>\$ (29,175)</u>	<u>\$ (29,175)</u>	<u>\$ 42,189</u>
Net Change in Fund Balance	\$ 13,014	\$ (29,175)	\$ (29,175)	\$ 42,189
Fund Balance, July 1, 2015	<u>111,813</u>	<u>82,276</u>	<u>82,276</u>	<u>29,537</u>
Fund Balance, June 30, 2016	<u>\$ 124,827</u>	<u>\$ 53,101</u>	<u>\$ 53,101</u>	<u>\$ 71,726</u>

Exhibit F-6

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, 2016

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 648,313	\$ 614,903	\$ 614,903	\$ 33,410
State of Tennessee	2,542	1,250	1,250	1,292
Total Revenues	<u>\$ 650,855</u>	<u>\$ 616,153</u>	<u>\$ 616,153</u>	<u>\$ 34,702</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 240,000	\$ 240,000	\$ 240,000	\$ 0
<u>Interest on Debt</u>				
General Government	400,871	400,872	400,872	1
<u>Other Debt Service</u>				
General Government	144,797	8,300	144,867	70
Total Expenditures	<u>\$ 785,668</u>	<u>\$ 649,172</u>	<u>\$ 785,739</u>	<u>\$ 71</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (134,813)</u>	<u>\$ (33,019)</u>	<u>\$ (169,586)</u>	<u>\$ 34,773</u>
<u>Other Financing Sources (Uses)</u>				
Refunding Debt Issued	\$ 8,505,000	\$ 0	\$ 8,505,000	\$ 0
Premiums on Debt Sold	132,432	0	132,432	0
Payments to Refunded Debt Escrow Agent	(8,500,865)	0	(8,500,865)	0
Total Other Financing Sources	<u>\$ 136,567</u>	<u>\$ 0</u>	<u>\$ 136,567</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 1,754	\$ (33,019)	\$ (33,019)	\$ 34,773
Fund Balance, July 1, 2015	<u>58,400</u>	<u>38,413</u>	<u>38,413</u>	<u>19,987</u>
Fund Balance, June 30, 2016	<u>\$ 60,154</u>	<u>\$ 5,394</u>	<u>\$ 5,394</u>	<u>\$ 54,760</u>

Exhibit F-7

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, 2016

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 611,667	\$ 0	\$ 611,668	\$ (1)
Total Revenues	\$ 611,667	\$ 0	\$ 611,668	\$ (1)
<u>Expenditures</u>				
<u>Principal on Debt</u>				
Education	\$ 100,000	\$ 100,000	\$ 100,000	\$ 0
<u>Interest on Debt</u>				
Education	4,000	4,000	4,000	0
<u>Other Debt Service</u>				
Education	939,650	3,500	939,651	1
Total Expenditures	\$ 1,043,650	\$ 107,500	\$ 1,043,651	\$ 1
Excess (Deficiency) of Revenues Over Expenditures	\$ (431,983)	\$ (107,500)	\$ (431,983)	\$ 0
Net Change in Fund Balance	\$ (431,983)	\$ (107,500)	\$ (431,983)	\$ 0
Fund Balance, July 1, 2015	431,983	247,317	431,983	0
Fund Balance, June 30, 2016	\$ 0	\$ 139,817	\$ 0	\$ 0

# Fiduciary Funds

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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.

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

Constitutional Officers - Agency Fund – The Constitutional Officers - Agency Fund is used to account for amounts collected in an agency capacity by the county clerk, circuit and general sessions courts clerk, clerk and master, register of deeds, 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, 2016

	<u>Agency Funds</u>		
	<u>Cities -</u>	<u>Constitu-</u>	
	<u>Sales</u>	<u>tional</u>	
	<u>Tax</u>	<u>Officers -</u>	
		<u>Agency</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	\$ 0	\$ 525,630	\$ 525,630
Due from Other Governments	150,400	0	150,400
Total Assets	<u>\$ 150,400</u>	<u>\$ 525,630</u>	<u>\$ 676,030</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 150,400	\$ 0	\$ 150,400
Due to Litigants, Heirs, and Others	0	525,630	525,630
Total Liabilities	<u>\$ 150,400</u>	<u>\$ 525,630</u>	<u>\$ 676,030</u>

Exhibit G-2

Chester County, Tennessee  
Combining Statement of Changes in Assets and  
Liabilities - All Agency Funds  
For the Year Ended June 30, 2016

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 878,077	\$ 878,077	\$ 0
Due from Other Governments	139,998	150,400	139,998	150,400
Total Assets	\$ 139,998	\$ 1,028,477	\$ 1,018,075	\$ 150,400
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 139,998	\$ 1,028,477	\$ 1,018,075	\$ 150,400
Total Liabilities	\$ 139,998	\$ 1,028,477	\$ 1,018,075	\$ 150,400
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 538,229	\$ 3,279,751	\$ 3,292,350	\$ 525,630
Total Assets	\$ 538,229	\$ 3,279,751	\$ 3,292,350	\$ 525,630
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 538,229	\$ 3,279,751	\$ 3,292,350	\$ 525,630
Total Liabilities	\$ 538,229	\$ 3,279,751	\$ 3,292,350	\$ 525,630
<u>Total - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 538,229	\$ 3,279,751	\$ 3,292,350	\$ 525,630
Equity in Pooled Cash and Investments	0	878,077	878,077	0
Due from Other Governments	139,998	150,400	139,998	150,400
Total Assets	\$ 678,227	\$ 4,308,228	\$ 4,310,425	\$ 676,030
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 139,998	\$ 1,028,477	\$ 1,018,075	\$ 150,400
Due to Litigants, Heirs, and Others	538,229	3,279,751	3,292,350	525,630
Total Liabilities	\$ 678,227	\$ 4,308,228	\$ 4,310,425	\$ 676,030

# Chester County School Department

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

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

School Federal Projects 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 building construction and renovations of the School Department.

Private Purpose Trust Fund – The Private Purpose Trust Fund is used to account for endowments received by the School Department. Income generated from the corpus of one of the endowments 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. The other endowments provide for scholarships to be awarded annually until the endowments are depleted.

Exhibit H-1

Chester County, Tennessee  
Statement of Activities  
Discretely Presented Chester County School Department  
For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position Total Governmental Activities
<b>Governmental Activities:</b>				
Instruction	\$ 12,978,300	\$ 35,290	\$ 1,500,576	\$ (11,442,434)
Support Services	6,237,540	41,255	423,805	(5,772,480)
Operation of Non-instructional Services	1,898,131	382,777	1,192,958	(322,396)
<b>Total Governmental Activities</b>	<b>\$ 21,113,971</b>	<b>\$ 459,322</b>	<b>\$ 3,117,339</b>	<b>\$ (17,537,310)</b>
<b>General Revenues:</b>				
<b>Taxes:</b>				
Property Taxes Levied for General Purposes				\$ 1,858,356
Local Option Sales Taxes				1,565,989
Other Local Taxes				1,400
Grants and Contributions Not Restricted to Specific Programs				16,087,015
Unrestricted Investment Income				37,386
Miscellaneous				105,383
<b>Total General Revenues</b>				<b>\$ 19,655,529</b>
<b>Change in Net Position</b>				<b>\$ 2,118,219</b>
Net Position, July 1, 2015				14,942,386
<b>Net Position, June 30, 2016</b>				<b>\$ 17,060,605</b>

Exhibit H-2

Chester County, Tennessee  
Balance Sheet - Governmental Funds  
Discretely Presented Chester County School Department  
June 30, 2016

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 5,321,095	\$ 1,087,144	\$ 6,408,239
Accounts Receivable	592	0	592
Due from Other Governments	217,119	79,787	296,906
Property Taxes Receivable	1,817,602	0	1,817,602
Allowance for Uncollectible Property Taxes	(65,876)	0	(65,876)
Total Assets	<u>\$ 7,290,532</u>	<u>\$ 1,166,931</u>	<u>\$ 8,457,463</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 32,901	\$ 4,898	\$ 37,799
Payroll Deductions Payable	5,833	2,630	8,463
Total Liabilities	<u>\$ 38,734</u>	<u>\$ 7,528</u>	<u>\$ 46,262</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Current Property Taxes	\$ 1,693,414	\$ 0	\$ 1,693,414
Deferred Delinquent Property Taxes	49,761	0	49,761
Other Deferred/Unavailable Revenue	75,000	18,750	93,750
Total Deferred Inflows of Resources	<u>\$ 1,818,175</u>	<u>\$ 18,750</u>	<u>\$ 1,836,925</u>
<u>FUND BALANCES</u>			
Restricted:			
Restricted for Education	\$ 131	\$ 18,956	\$ 19,087
Restricted for Operation of Non-instructional Services	0	232,546	232,546
Restricted for Capital Outlay	0	583,858	583,858
Assigned:			
Assigned for Education	441,325	305,293	746,618
Unassigned	4,992,167	0	4,992,167
Total Fund Balances	<u>\$ 5,433,623</u>	<u>\$ 1,140,653</u>	<u>\$ 6,574,276</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 7,290,532</u>	<u>\$ 1,166,931</u>	<u>\$ 8,457,463</u>

Exhibit H-3

Chester County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position  
Discretely Presented Chester County School Department  
June 30, 2016

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

Total fund balances - balance sheet - governmental funds (Exhibit H-2)		\$	6,574,276
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	501,552	
Add: buildings and improvements net of accumulated depreciation		10,028,363	
Add: other capital assets net of accumulated depreciation		<u>1,466,518</u>	11,996,433
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: other postemployment benefits liability			(579,468)
(3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years.			
Add: deferred outflows of resources related to pensions	\$	3,074,985	
Less: deferred inflows of resources related to pensions		<u>(4,230,408)</u>	(1,155,423)
(4) Net pension assets are not current financial resources and are therefore not reported in the governmental funds.			
Add: net pension asset - agent plan	\$	168,947	
Add: net pension asset - hybrid plan		3,271	
Less: net pension liability - cost-sharing plan		<u>(90,942)</u>	81,276
(5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>143,511</u>
Net position of governmental activities (Exhibit A)		\$	<u><u>17,060,605</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, 2016

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Funds</u>	
	General	Other	Total
	Purpose	Govern- mental	Governmental
	School	Funds	Funds
<u>Revenues</u>			
Local Taxes	\$ 2,992,220	\$ 418,750	\$ 3,410,970
Licenses and Permits	1,121	0	1,121
Charges for Current Services	63,217	369,667	432,884
Other Local Revenues	93,700	76,007	169,707
State of Tennessee	15,955,978	14,037	15,970,015
Federal Government	2,697	3,198,496	3,201,193
Other Governments and Citizens Groups	31,525	0	31,525
Total Revenues	<u>\$ 19,140,458</u>	<u>\$ 4,076,957</u>	<u>\$ 23,217,415</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 11,408,152	\$ 1,696,853	\$ 13,105,005
Support Services	6,208,821	332,211	6,541,032
Operation of Non-instructional Services	212,592	1,738,462	1,951,054
Capital Outlay	269,435	114,609	384,044
Total Expenditures	<u>\$ 18,099,000</u>	<u>\$ 3,882,135</u>	<u>\$ 21,981,135</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 1,041,458</u>	<u>\$ 194,822</u>	<u>\$ 1,236,280</u>
<u>Other Financing Sources (Uses)</u>			
Insurance Recovery	\$ 14,231	\$ 0	\$ 14,231
Total Other Financing Sources (Uses)	<u>\$ 14,231</u>	<u>\$ 0</u>	<u>\$ 14,231</u>
Net Change in Fund Balances	\$ 1,055,689	\$ 194,822	\$ 1,250,511
Fund Balance, July 1, 2015	<u>4,377,934</u>	<u>945,831</u>	<u>5,323,765</u>
Fund Balance, June 30, 2016	<u>\$ 5,433,623</u>	<u>\$ 1,140,653</u>	<u>\$ 6,574,276</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, 2016

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)		\$ 1,250,511	
(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	\$	408,151	
Less: current-year depreciation expense		<u>(772,727)</u>	(364,576)
(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, 2016	\$	143,511	
Less: deferred delinquent property taxes and other deferred June 30, 2015		<u>(128,736)</u>	14,775
(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	\$	(56,560)	
Change in deferred outflows related to pensions		1,953,047	
Change in deferred inflows related to pensions		(459,431)	
Change in net pension asset - agent plan		(94,831)	
Change in net pension asset - hybrid plan		3,271	
Change in net pension liability - cost-sharing plan		<u>(127,987)</u>	<u>1,217,509</u>
Change in net position of governmental activities (Exhibit B)			<u>\$ 2,118,219</u>

Exhibit H-6

Chester County, Tennessee  
Combining Balance Sheet - Nonmajor Governmental Funds  
Discretely Presented Chester County School Department  
June 30, 2016

	<u>Special Revenue Funds</u>			<u>Capital</u>	<u>Total</u>	
	<u>School</u>	<u>Central</u>	<u>Total</u>	<u>Projects Fund</u>		
	<u>Federal</u>	<u>Cafeteria</u>		<u>Education</u>	<u>Nonmajor</u>	
	<u>Projects</u>			<u>Capital</u>	<u>Governmental</u>	
				<u>Projects</u>	<u>Funds</u>	
<u>ASSETS</u>						
Equity in Pooled Cash and Investments	\$ 181,567	\$ 235,176	\$ 416,743	\$ 670,401	\$ 1,087,144	
Due from Other Governments	42,287	0	42,287	37,500	79,787	
Total Assets	<u>\$ 223,854</u>	<u>\$ 235,176</u>	<u>\$ 459,030</u>	<u>\$ 707,901</u>	<u>\$ 1,166,931</u>	
<u>LIABILITIES</u>						
Accounts Payable	\$ 4,898	\$ 0	\$ 4,898	\$ 0	\$ 4,898	
Payroll Deductions Payable	0	2,630	2,630	0	2,630	
Total Liabilities	<u>\$ 4,898</u>	<u>\$ 2,630</u>	<u>\$ 7,528</u>	<u>\$ 0</u>	<u>\$ 7,528</u>	
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Other Deferred/Unavailable Revenue	\$ 0	\$ 0	\$ 0	\$ 18,750	\$ 18,750	
Total Deferred Inflows of Resources	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 18,750</u>	<u>\$ 18,750</u>	
<u>FUND BALANCES</u>						
Restricted:						
Restricted for Education	\$ 18,956	\$ 0	\$ 18,956	\$ 0	\$ 18,956	
Restricted for Operation of Non-instructional Services	0	232,546	232,546	0	232,546	
Restricted for Capital Outlay	0	0	0	583,858	583,858	
Assigned:						
Assigned for Education	200,000	0	200,000	105,293	305,293	
Total Fund Balances	<u>\$ 218,956</u>	<u>\$ 232,546</u>	<u>\$ 451,502</u>	<u>\$ 689,151</u>	<u>\$ 1,140,653</u>	
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 223,854</u>	<u>\$ 235,176</u>	<u>\$ 459,030</u>	<u>\$ 707,901</u>	<u>\$ 1,166,931</u>	

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, 2016

	Special Revenue Funds			Capital	Total
	School Federal Projects	Central Cafeteria	Total	Projects Fund Education Capital Projects	Nonmajor Governmental Funds
<u>Revenues</u>					
Local Taxes	\$ 0	\$ 0	\$ 0	\$ 418,750	\$ 418,750
Charges for Current Services	0	369,667	369,667	0	369,667
Other Local Revenues	0	76,007	76,007	0	76,007
State of Tennessee	0	14,037	14,037	0	14,037
Federal Government	2,019,575	1,178,921	3,198,496	0	3,198,496
Total Revenues	\$ 2,019,575	\$ 1,638,632	\$ 3,658,207	\$ 418,750	\$ 4,076,957
<u>Expenditures</u>					
Current:					
Instruction	\$ 1,696,853	\$ 0	\$ 1,696,853	\$ 0	\$ 1,696,853
Support Services	332,211	0	332,211	0	332,211
Operation of Non-instructional Services	0	1,738,462	1,738,462	0	1,738,462
Capital Outlay	0	0	0	114,609	114,609
Total Expenditures	\$ 2,029,064	\$ 1,738,462	\$ 3,767,526	\$ 114,609	\$ 3,882,135
Excess (Deficiency) of Revenues Over Expenditures	\$ (9,489)	\$ (99,830)	\$ (109,319)	\$ 304,141	\$ 194,822
Net Change in Fund Balances	\$ (9,489)	\$ (99,830)	\$ (109,319)	\$ 304,141	\$ 194,822
Fund Balance, July 1, 2015	228,445	332,376	560,821	385,010	945,831
Fund Balance, June 30, 2016	\$ 218,956	\$ 232,546	\$ 451,502	\$ 689,151	\$ 1,140,653

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, 2016

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2015	Add: Encumbrances 6/30/2016	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 2,992,220	\$ 0	\$ 0	\$ 2,992,220	\$ 2,864,200	\$ 2,864,200	\$ 128,020
Licenses and Permits	1,121	0	0	1,121	1,000	1,000	121
Charges for Current Services	63,217	0	0	63,217	51,500	51,500	11,717
Other Local Revenues	93,700	0	0	93,700	80,500	80,500	13,200
State of Tennessee	15,955,978	0	0	15,955,978	15,706,587	15,866,087	89,891
Federal Government	2,697	0	0	2,697	10,000	10,000	(7,303)
Other Governments and Citizens Groups	31,525	0	0	31,525	0	0	31,525
<b>Total Revenues</b>	<b>\$ 19,140,458</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 19,140,458</b>	<b>\$ 18,713,787</b>	<b>\$ 18,873,287</b>	<b>\$ 267,171</b>
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 9,479,493	\$ (7,525)	\$ 0	\$ 9,471,968	\$ 9,319,860	\$ 9,625,905	\$ 153,937
Special Education Program	1,186,423	(569)	0	1,185,854	1,259,581	1,239,581	53,727
Vocational Education Program	630,330	0	0	630,330	641,870	641,870	11,540
Student Body Education Program	111,906	0	0	111,906	91,172	122,972	11,066
<u>Support Services</u>							
Attendance	64,201	0	0	64,201	69,705	69,705	5,504
Health Services	186,917	(95)	0	186,822	201,700	201,700	14,878
Other Student Support	364,458	0	0	364,458	385,050	385,050	20,592
Regular Instruction Program	688,152	0	0	688,152	711,310	711,310	23,158
Special Education Program	229,386	0	0	229,386	233,027	253,027	23,641
Vocational Education Program	2,130	0	0	2,130	2,000	2,200	70
Adult Programs	30,045	0	0	30,045	30,196	30,196	151
Other Programs	67,066	0	0	67,066	0	67,066	0
Board of Education	401,803	0	0	401,803	430,575	429,575	27,772
Director of Schools	181,308	(850)	305	180,763	192,663	194,638	13,875
Office of the Principal	1,265,279	0	0	1,265,279	1,367,550	1,337,550	72,271
Fiscal Services	169,031	(59)	0	168,972	165,550	173,550	4,578
Operation of Plant	1,280,886	0	0	1,280,886	1,508,800	1,508,800	227,914

(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 7/1/2015	Add: Encumbrances 6/30/2016	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Maintenance of Plant	\$ 423,624	\$ 0	\$ 250	\$ 423,874	\$ 552,300	\$ 552,300	\$ 128,426
Transportation	854,535	(4,783)	770	850,522	970,849	970,849	120,327
<u>Operation of Non-instructional Services</u>							
Community Services	9,407	0	0	9,407	15,320	15,320	5,913
Early Childhood Education	203,185	0	0	203,185	210,577	209,023	5,838
<u>Capital Outlay</u>							
Regular Capital Outlay	269,435	(19,485)	440,000	689,950	370,000	810,000	120,050
Total Expenditures	\$ 18,099,000	\$ (33,366)	\$ 441,325	\$ 18,506,959	\$ 18,729,655	\$ 19,552,187	\$ 1,045,228
<u>Excess (Deficiency) of Revenues Over Expenditures</u>							
	\$ 1,041,458	\$ 33,366	\$ (441,325)	\$ 633,499	\$ (15,868)	\$ (678,900)	\$ 1,312,399
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 14,231	\$ 0	\$ 0	\$ 14,231	\$ 10,000	\$ 10,000	\$ 4,231
Transfers In	0	0	0	0	10,000	10,000	(10,000)
Total Other Financing Sources	\$ 14,231	\$ 0	\$ 0	\$ 14,231	\$ 20,000	\$ 20,000	\$ (5,769)
<u>Net Change in Fund Balance</u>							
Fund Balance, July 1, 2015	\$ 1,055,689	\$ 33,366	\$ (441,325)	\$ 647,730	\$ 4,132	\$ (658,900)	\$ 1,306,630
	4,377,934	(33,366)	0	4,344,568	3,194,621	3,194,621	1,149,947
<u>Fund Balance, June 30, 2016</u>							
	\$ 5,433,623	\$ 0	\$ (441,325)	\$ 4,992,298	\$ 3,198,753	\$ 2,535,721	\$ 2,456,577

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, 2016

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 2,019,575	\$ 2,049,724	\$ 2,390,641	\$ (371,066)
Total Revenues	\$ 2,019,575	\$ 2,049,724	\$ 2,390,641	\$ (371,066)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 1,174,558	\$ 1,194,255	\$ 1,408,805	\$ 234,247
Special Education Program	496,326	477,399	546,419	50,093
Vocational Education Program	25,969	24,158	25,970	1
<u>Support Services</u>				
Other Student Support	17,556	20,149	18,336	780
Regular Instruction Program	275,349	293,744	325,258	49,909
Special Education Program	450	3,000	27,000	26,550
Vocational Education Program	1,990	1,990	1,990	0
Transportation	36,866	34,479	36,862	(4)
Total Expenditures	\$ 2,029,064	\$ 2,049,174	\$ 2,390,640	\$ 361,576
Excess (Deficiency) of Revenues Over Expenditures	\$ (9,489)	\$ 550	\$ 1	\$ (9,490)
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ 0	\$ (550)	\$ 0	\$ 0
Total Other Financing Sources	\$ 0	\$ (550)	\$ 0	\$ 0
Net Change in Fund Balance	\$ (9,489)	\$ 0	\$ 1	\$ (9,490)
Fund Balance, July 1, 2015	228,445	161,004	161,004	67,441
Fund Balance, June 30, 2016	\$ 218,956	\$ 161,004	\$ 161,005	\$ 57,951

Exhibit H-10

Chester County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Discretely Presented Chester County School Department  
Central Cafeteria Fund  
For the Year Ended June 30, 2016

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Charges for Current Services	\$ 369,667	\$ 0	\$ 369,667	\$ 446,000	\$ 446,000	\$ (76,333)
Other Local Revenues	76,007	0	76,007	50,800	50,800	25,207
State of Tennessee	14,037	0	14,037	15,200	15,200	(1,163)
Federal Government	1,178,921	0	1,178,921	1,518,243	1,518,243	(339,322)
Total Revenues	<u>\$ 1,638,632</u>	<u>\$ 0</u>	<u>\$ 1,638,632</u>	<u>\$ 2,030,243</u>	<u>\$ 2,030,243</u>	<u>\$ (391,611)</u>
<u>Expenditures</u>						
<u>Operation of Non-instructional Services</u>						
Food Service	\$ 1,738,462	\$ (37,284)	\$ 1,701,178	\$ 2,030,243	\$ 2,031,643	\$ 330,465
Total Expenditures	<u>\$ 1,738,462</u>	<u>\$ (37,284)</u>	<u>\$ 1,701,178</u>	<u>\$ 2,030,243</u>	<u>\$ 2,031,643</u>	<u>\$ 330,465</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (99,830)	\$ 37,284	\$ (62,546)	\$ 0	\$ (1,400)	\$ (61,146)
Net Change in Fund Balance	\$ (99,830)	\$ 37,284	\$ (62,546)	\$ 0	\$ (1,400)	\$ (61,146)
Fund Balance, July 1, 2015	332,376	(37,284)	295,092	142,962	142,962	152,130
Fund Balance, June 30, 2016	<u>\$ 232,546</u>	<u>\$ 0</u>	<u>\$ 232,546</u>	<u>\$ 142,962</u>	<u>\$ 141,562</u>	<u>\$ 90,984</u>

Exhibit H-11

Chester County, Tennessee  
Statement of Fiduciary Net Position  
Discretely Presented Chester County School Department  
Fiduciary Fund  
June 30, 2016

	<u>Other Trust Fund</u> <u>Private Purpose Trust Fund</u>
<u>ASSETS</u>	
Equity in Pooled Cash and Investments	\$ 144,469
Total Assets	\$ 144,469
<u>NET POSITION</u>	
Funds Held in Trust for College Scholarships for Chester County Students	\$ 144,469
Total Net Position	\$ 144,469

Exhibit H-12

Chester County, Tennessee  
Statement of Changes in Fiduciary Net Position  
Discretely Presented Chester County School Department  
Fiduciary Fund  
For the Year Ended June 30, 2016

	<u>Other Trust Fund</u> <u>Private Purpose Trust Fund</u>
<u>ADDITIONS</u>	
<u>Other Local Revenues</u>	
Investment Income	\$ 849
Total Additions	<u>\$ 849</u>
<u>DEDUCTIONS</u>	
<u>Miscellaneous</u>	
Other Charges	\$ 4,000
Total Deductions	<u>\$ 4,000</u>
Change in Net Position	\$ (3,151)
Net Position, July 1, 2015	<u>147,620</u>
Net Position, June 30, 2016	<u>\$ 144,469</u>

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## MISCELLANEOUS SCHEDULES

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Exhibit I-1

Chester County, Tennessee  
Schedule of Changes in Long-term Note, Capital Leases, and Bonds  
For the Year Ended June 30, 2016

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-15	Issued During Period	Paid and/or Matured During Period	Debt Refunded	Outstanding 6-30-16
<b>NOTE PAYABLE</b>									
<u>Payable through Highway/Public Works Fund</u>									
Excavator	\$ 200,343	5.5%	1-12-12	1-12-16	\$ 32,063	\$ 0	\$ 32,063	\$ 0	\$ 0
Total Note Payable					\$ 32,063	\$ 0	\$ 32,063	\$ 0	\$ 0
<b>CAPITAL LEASES PAYABLE</b>									
<u>Payable through General Fund</u>									
Sheriff's Department - Two 2015 Dodge Chargers	58,298	4.77	11-30-15	1-10-19	\$ 0	\$ 58,298	\$ 7,808	\$ 0	\$ 50,490
Sheriff's Department 2015 Dodge Durango	33,791	4.76	11-30-15	3-10-19	0	33,791	2,759	0	31,032
Total Capital Leases Payable					\$ 0	\$ 92,089	\$ 10,567	\$ 0	\$ 81,522
<b>BONDS PAYABLE</b>									
<u>Payable through Solid Waste/Sanitation Fund</u>									
Refunding Bonds, Series 2011	140,000	4 to 5	3-15-11	5-1-16	\$ 25,000	\$ 0	\$ 25,000	\$ 0	\$ 0
Total Payable through Solid Waste/Sanitation Fund					\$ 25,000	\$ 0	\$ 25,000	\$ 0	\$ 0
<u>Payable through General Debt Service Fund</u>									
Jail and Vo-Tech School	9,300,000	3 to 5.5	6-30-08	6-1-18	\$ 8,460,000	\$ 0	\$ 175,000	\$ 7,920,000	\$ 365,000
Refunding Bonds, Series 2011	575,000	2.75 to 5	3-15-11	5-1-23	415,000	0	45,000	0	370,000
General Obligation Bonds, Series 2011	360,000	2.75 to 5	3-15-11	5-1-28	280,000	0	20,000	0	260,000
General Obligation Refunding Bonds, Series 2016	8,505,000	2 to 3	5-13-16	6-1-40	0	8,505,000	0	0	8,505,000
Total Payable through General Debt Service Fund					\$ 9,155,000	\$ 8,505,000	\$ 240,000	\$ 7,920,000	\$ 9,500,000
<u>Payable through Education Debt Service Fund</u>									
School Refunding Bonds, Series 2011	380,000	4 to 5	3-15-11	5-1-16	\$ 100,000	\$ 0	\$ 100,000	\$ 0	\$ 0
Total Payable through Education Debt Service Fund					\$ 100,000	\$ 0	\$ 100,000	\$ 0	\$ 0
Total Bonds Payable					\$ 9,280,000	\$ 8,505,000	\$ 365,000	\$ 7,920,000	\$ 9,500,000

Exhibit I-2

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

Year Ending June 30	Capital Leases		
	Principal	Interest	Total
2017	\$ 29,631	\$ 3,241	\$ 32,872
2018	31,073	1,799	32,872
2019	20,818	366	21,184
Total	<u>\$ 81,522</u>	<u>\$ 5,406</u>	<u>\$ 86,928</u>

Year Ending June 30	Bonds		
	Principal	Interest	Total
2017	\$ 350,000	\$ 247,361	\$ 597,361
2018	370,000	226,418	596,418
2019	390,000	211,843	601,843
2020	400,000	203,257	603,257
2021	405,000	194,413	599,413
2022	410,000	185,375	595,375
2023	420,000	176,237	596,237
2024	370,000	166,438	536,438
2025	380,000	158,687	538,687
2026	390,000	150,588	540,588
2027	395,000	142,287	537,287
2028	400,000	133,888	533,888
2029	350,000	125,387	475,387
2030	360,000	118,388	478,388
2031	365,000	111,187	476,187
2032	375,000	102,975	477,975
2033	385,000	93,600	478,600
2034	395,000	83,975	478,975
2035	400,000	74,100	474,100
2036	415,000	63,600	478,600
2037	425,000	52,187	477,187
2038	435,000	40,500	475,500
2039	450,000	27,450	477,450
2040	465,000	13,950	478,950
Total	<u>\$ 9,500,000</u>	<u>\$ 3,104,091</u>	<u>\$ 12,604,091</u>

Exhibit I-3

Chester County, Tennessee  
Schedule of Investments  
June 30, 2016

Fund and Type	Amount
<u>Permanent Fund</u>	
<u>Endowment Fund</u>	
Vanguard 500 Index Fund	\$ 113,391
Fidelity International Index Fund	16,788
Vanguard Short-term Bond Index Fund	24,522
Vanguard Total Bond Fund	58,213
Vanguard Intermediate-term Corporate Bond Index Fund	<u>27,062</u>
 Total Investments	 <u>\$ 239,976</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, 2016

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <i>TCA</i>	\$ 78,031 (1)	\$ 100,000	Cincinnati Insurance Company
Road Supervisor	Section 8-24-102, <i>TCA</i>	72,874	100,000	"
Director of Schools	State Board of Education and County Board of Education	101,722 (2)	100,000	State Farm Fire and Casualty Company
Trustee	Section 8-24-102, <i>TCA</i>	64,343 (1)	704,121	Cincinnati Insurance Company
Assessor of Property	Section 8-24-102, <i>TCA</i>	64,343 (1)	50,000	State Automobile Mutual Insurance Company
County Clerk	Section 8-24-102, <i>TCA</i>	64,343 (1)	100,000	Cincinnati Insurance Company
Circuit and General Sessions Courts Clerk	Section 8-24-102, <i>TCA</i>	64,343 (1)	100,000	Cincinnati Insurance Company
Clerk and Master	Section 8-24-102, <i>TCA</i>			
	and Chancery Court Judge	64,343 (1) (3)	125,000	State Automobile Mutual Insurance Company
Register of Deeds	Section 8-24-102, <i>TCA</i>	64,343	100,000	Cincinnati Insurance Company
Sheriff	Section 8-24-102, <i>TCA</i>	70,728 (1) (4)	100,000	"
Employee Blanket Bonds:				
	Public Employee Dishonesty - County Departments		150,000	Tennessee Risk Management Trust
	Public Employee Dishonesty - School Departments		150,000	"

- (1) Includes a one-time bonus payment of \$500.
- (2) Includes a chief executive officer training supplement of \$1,000.
- (3) Does not include special commissioner fees of \$480.
- (4) Does not include a law enforcement training supplement of \$600.

Exhibit I-5

Chester County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
For the Year Ended June 30, 2016

	Special Revenue Funds					
	General	Public Library	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 3,750,116	\$ 0	\$ 0	\$ 0	\$ 0	\$ 43,350
Discount on Property Taxes	(37,343)	0	0	0	0	(434)
Trustee's Collections - Prior Year	153,320	0	0	0	0	1,755
Trustee's Collections - Bankruptcy	22	0	0	0	0	0
Circuit Clerk/Clerk and Master Collections - Prior Years	73,320	0	9,165	0	0	1,413
Interest and Penalty	24,980	0	0	0	0	301
Payments in-Lieu-of Taxes - T.V.A.	0	0	0	0	0	3,259
Payments in-Lieu-of Taxes - Other	77,617	0	25,533	0	0	30
<u>County Local Option Taxes</u>						
Local Option Sales Tax	236,666	0	10,000	0	0	0
Hotel/Motel Tax	0	0	13,200	0	0	0
Wheel Tax	178,353	0	0	0	0	0
Litigation Tax - General	45,514	0	0	0	0	0
Litigation Tax - Special Purpose	6,222	0	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0	0
Litigation Tax - Courthouse Security	138	0	0	0	0	0
Business Tax	2,638	0	93,678	0	0	0
Mixed Drink Tax	0	0	979	0	0	0
<u>Statutory Local Taxes</u>						
Bank Excise Tax	41,898	0	37,799	0	0	0
Wholesale Beer Tax	0	0	48,192	0	0	0
Interstate Telecommunications Tax	1,054	0	0	0	0	0
Total Local Taxes	\$ 4,554,515	\$ 0	\$ 238,546	\$ 0	\$ 0	\$ 49,674

(Continued)

Exhibit I-5

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

	Special Revenue Funds					
	General	Public Library	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Cable TV Franchise	\$ 0	\$ 0	\$ 20,225	\$ 0	\$ 0	\$ 0
Total Licenses and Permits	\$ 0	\$ 0	\$ 20,225	\$ 0	\$ 0	\$ 0
<u>Fines, Forfeitures, and Penalties</u>						
<u>Circuit Court</u>						
Fines	\$ 9,965	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Officers Costs	1,973	0	0	0	0	0
Drug Control Fines	0	0	0	7,197	0	0
Drug Court Fees	0	0	0	332	0	0
Jail Fees	705	0	0	0	0	0
DUI Treatment Fines	332	0	0	0	0	0
Data Entry Fee - Circuit Court	542	0	0	0	0	0
Victims Assistance Assessments	1,577	0	0	0	0	0
<u>General Sessions Court</u>						
Fines	11,651	0	0	0	0	0
Officers Costs	13,615	0	0	0	0	0
Game and Fish Fines	773	0	0	0	0	0
Drug Control Fines	2,205	0	0	5,761	0	0
Drug Court Fees	2,854	0	0	0	0	0
Jail Fees	7,241	0	0	0	0	0
DUI Treatment Fines	2,299	0	0	0	0	0
Data Entry Fee - General Sessions Court	5,890	0	0	0	0	0
Courtroom Security Fee	8	0	0	0	0	0
Victims Assistance Assessments	9,462	0	0	0	0	0

(Continued)

Exhibit I-5

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

	Special Revenue Funds					
	General	Public Library	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<u>Fines, Forfeitures, and Penalties (Cont.)</u>						
<u>Juvenile Court</u>						
Fines	\$ 5	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Officers Costs	2,637	0	0	0	0	0
Data Entry Fee - Juvenile Court	540	0	0	0	0	0
<u>Chancery Court</u>						
Officers Costs	568	0	0	0	0	0
Data Entry Fee - Chancery Court	2,354	0	0	0	0	0
<u>Judicial District Drug Program</u>						
Courtroom Security Fee	19	0	0	0	0	0
<u>Other Fines, Forfeitures, and Penalties</u>						
Proceeds from Confiscated Property	0	0	0	2,350	0	0
Other Fines, Forfeitures, and Penalties	800	0	0	0	0	0
<b>Total Fines, Forfeitures, and Penalties</b>	<b>\$ 78,015</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 15,640</b>	<b>\$ 0</b>	<b>\$ 0</b>
<u>Charges for Current Services</u>						
<u>General Service Charges</u>						
Convenience Waste Centers Collection Charge	\$ 0	\$ 0	\$ 107,554	\$ 0	\$ 0	\$ 0
Solid Waste Disposal Fee	0	0	410	0	0	0
<u>Fees</u>						
Library Fees	0	13,404	0	0	0	0
Greenbelt Late Application Fee	50	0	0	0	0	0
Telephone Commissions	58,184	0	0	0	0	0
Vending Machine Collections	81	0	0	0	0	0
Constitutional Officers' Fees and Commissions	0	0	0	0	480	0
Data Processing Fee - Register	4,984	0	0	0	0	0
Data Processing Fee - Sheriff	1,864	0	0	0	0	0

(Continued)

Exhibit I-5

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

	Special Revenue Funds					
	General	Public Library	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<u>Charges for Current Services (Cont.)</u>						
<u>Fees (Cont.)</u>						
Sexual Offender Registration Fee - Sheriff	\$ 3,150	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Subscription and Document Retrieval Fee - Chancery	493	0	0	0	0	0
Total Charges for Current Services	<u>\$ 68,806</u>	<u>\$ 13,404</u>	<u>\$ 107,964</u>	<u>\$ 0</u>	<u>\$ 480</u>	<u>\$ 0</u>
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 494	\$ 18,935	\$ 26,921	\$ 0	\$ 0	\$ 3,407
Lease/Rentals	3,800	0	22,108	0	0	0
Sale of Materials and Supplies	0	0	0	0	0	4,300
Net Increase/Decrease in Fair Value of Investments	0	0	0	0	0	0
Sale of Recycled Materials	0	0	205,523	0	0	0
Miscellaneous Refunds	43,257	0	1,064	0	0	1,639
<u>Other Local Revenues</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,350</u>	<u>0</u>	<u>43,811</u>
Total Other Local Revenues	<u>\$ 47,551</u>	<u>\$ 18,935</u>	<u>\$ 255,616</u>	<u>\$ 1,350</u>	<u>\$ 0</u>	<u>\$ 53,157</u>
<u>Fees Received From County Officials</u>						
<u>Fees In-Lieu-of Salary</u>						
County Clerk	\$ 179,947	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Circuit Court Clerk	28,151	0	0	0	0	0
General Sessions Court Clerk	94,444	0	0	0	0	0
Clerk and Master	83,406	0	0	0	0	0
Register	61,591	0	0	0	0	0
Sheriff	8,999	0	0	0	0	0
Trustee	212,818	0	0	0	0	0
Total Fees Received From County Officials	<u>\$ 669,356</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

(Continued)

Exhibit I-5

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

	Special Revenue Funds					
	General	Public Library	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Juvenile Services Program	\$ 13,500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
On-behalf Contributions for OPEB	300	0	0	0	0	0
<u>Public Safety Grants</u>						
Law Enforcement Training Programs	9,000	0	0	0	0	0
<u>Health and Welfare Grants</u>						
Health Department Programs	24,755	0	0	0	0	0
<u>Public Works Grants</u>						
Bridge Program	0	0	0	0	0	160,469
State Aid Program	0	0	0	0	0	534,960
Litter Program	33,359	0	5,878	0	0	0
<u>Other State Revenues</u>						
Income Tax	0	0	9,747	0	0	0
Beer Tax	0	0	18,488	0	0	0
Alcoholic Beverage Tax	0	0	38,667	0	0	0
State Revenue Sharing - T.V.A.	0	75,000	206,913	0	0	0
Contracted Prisoner Boarding	402,634	0	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,522,474
Petroleum Special Tax	0	0	0	0	0	12,361
Registrar's Salary Supplement	15,164	0	0	0	0	0
Other State Grants	0	1,133	0	0	0	0
Other State Revenues	31,538	0	10,617	0	0	0
Total State of Tennessee	\$ 530,250	\$ 76,133	\$ 290,310	\$ 0	\$ 0	\$ 2,230,264

(Continued)

Exhibit I-5

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

	Special Revenue Funds					
	General	Public Library	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<u>Federal Government</u>						
<u>Federal Through State</u>						
Civil Defense Reimbursement	\$ 43,015	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Federal through State	79,520	0	0	0	0	0
Total Federal Government	<u>\$ 122,535</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Paving and Maintenance	\$ 1,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Contributions	0	12,094	0	0	0	0
Contracted Services	201,890	0	0	0	0	0
<u>Other</u>						
Other	60,366	0	0	0	0	0
Total Other Governments and Citizens Groups	<u>\$ 263,256</u>	<u>\$ 12,094</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total	<u>\$ 6,334,284</u>	<u>\$ 120,566</u>	<u>\$ 912,661</u>	<u>\$ 16,990</u>	<u>\$ 480</u>	<u>\$ 2,333,095</u>

(Continued)

Exhibit I-5

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

	<u>Debt Service Funds</u>		<u>Capital</u>	<u>Permanent</u>	<u>Total</u>
	<u>General</u>	<u>Education</u>	<u>Projects</u>	<u>Fund</u>	
	<u>Debt</u>	<u>Debt</u>	<u>Capital</u>	<u>Endowment</u>	
	<u>Service</u>	<u>Service</u>	<u>Projects</u>		
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 33,812	\$ 0	\$ 0	\$ 0	\$ 3,827,278
Discount on Property Taxes	(337)	0	0	0	(38,114)
Trustee's Collections - Prior Year	1,369	0	0	0	156,444
Trustee's Collections - Bankruptcy	0	0	0	0	22
Circuit Clerk/Clerk and Master Collections - Prior Years	1,413	0	0	0	85,311
Interest and Penalty	233	0	0	0	25,514
Payments in-Lieu-of Taxes - T.V.A.	0	0	0	0	3,259
Payments in-Lieu-of Taxes - Other	24	0	0	0	103,204
<u>County Local Option Taxes</u>					
Local Option Sales Tax	0	611,667	0	0	858,333
Hotel/Motel Tax	0	0	0	0	13,200
Wheel Tax	593,076	0	0	0	771,429
Litigation Tax - General	0	0	0	0	45,514
Litigation Tax - Special Purpose	0	0	0	0	6,222
Litigation Tax - Jail, Workhouse, or Courthouse	18,723	0	0	0	18,723
Litigation Tax - Courthouse Security	0	0	0	0	138
Business Tax	0	0	0	0	96,316
Mixed Drink Tax	0	0	0	0	979
<u>Statutory Local Taxes</u>					
Bank Excise Tax	0	0	0	0	79,697
Wholesale Beer Tax	0	0	0	0	48,192
Interstate Telecommunications Tax	0	0	0	0	1,054
Total Local Taxes	\$ 648,313	\$ 611,667	\$ 0	\$ 0	\$ 6,102,715

(Continued)

Exhibit I-5

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

	<u>Debt Service Funds</u>		<u>Capital</u>	<u>Permanent</u>	<u>Total</u>
	<u>General</u>	<u>Education</u>	<u>Projects</u>	<u>Fund</u>	
	<u>Debt</u>	<u>Debt</u>	<u>Capital</u>	<u>Endowment</u>	
	<u>Service</u>	<u>Service</u>	<u>Projects</u>		
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Cable TV Franchise	\$ 0	\$ 0	\$ 0	\$ 0	\$ 20,225
Total Licenses and Permits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 20,225
<u>Fines, Forfeitures, and Penalties</u>					
<u>Circuit Court</u>					
Fines	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,965
Officers Costs	0	0	0	0	1,973
Drug Control Fines	0	0	0	0	7,197
Drug Court Fees	0	0	0	0	332
Jail Fees	0	0	0	0	705
DUI Treatment Fines	0	0	0	0	332
Data Entry Fee - Circuit Court	0	0	0	0	542
Victims Assistance Assessments	0	0	0	0	1,577
<u>General Sessions Court</u>					
Fines	0	0	0	0	11,651
Officers Costs	0	0	0	0	13,615
Game and Fish Fines	0	0	0	0	773
Drug Control Fines	0	0	0	0	7,966
Drug Court Fees	0	0	0	0	2,854
Jail Fees	0	0	0	0	7,241
DUI Treatment Fines	0	0	0	0	2,299
Data Entry Fee - General Sessions Court	0	0	0	0	5,890
Courtroom Security Fee	0	0	0	0	8
Victims Assistance Assessments	0	0	0	0	9,462

(Continued)

Exhibit I-5

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

	<u>Debt Service Funds</u>		<u>Capital</u>	<u>Permanent</u>	<u>Total</u>
	<u>General</u>	<u>Education</u>	<u>Projects</u>	<u>Fund</u>	
	<u>Debt</u>	<u>Debt</u>	<u>Capital</u>	<u>Endowment</u>	
	<u>Service</u>	<u>Service</u>	<u>Projects</u>		
<u>Fines, Forfeitures, and Penalties (Cont.)</u>					
<u>Juvenile Court</u>					
Fines	\$ 0	\$ 0	\$ 0	\$ 0	5
Officers Costs	0	0	0	0	2,637
Data Entry Fee - Juvenile Court	0	0	0	0	540
<u>Chancery Court</u>					
Officers Costs	0	0	0	0	568
Data Entry Fee - Chancery Court	0	0	0	0	2,354
<u>Judicial District Drug Program</u>					
Courtroom Security Fee	0	0	0	0	19
<u>Other Fines, Forfeitures, and Penalties</u>					
Proceeds from Confiscated Property	0	0	0	0	2,350
Other Fines, Forfeitures, and Penalties	0	0	0	0	800
<b>Total Fines, Forfeitures, and Penalties</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>93,655</b>
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Convenience Waste Centers Collection Charge	\$ 0	\$ 0	\$ 0	\$ 0	107,554
Solid Waste Disposal Fee	0	0	0	0	410
<u>Fees</u>					
Library Fees	0	0	0	0	13,404
Greenbelt Late Application Fee	0	0	0	0	50
Telephone Commissions	0	0	0	0	58,184
Vending Machine Collections	0	0	0	0	81
Constitutional Officers' Fees and Commissions	0	0	0	0	480
Data Processing Fee - Register	0	0	0	0	4,984
Data Processing Fee - Sheriff	0	0	0	0	1,864

(Continued)

Exhibit I-5

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

	<u>Debt Service Funds</u>		<u>Capital Projects Fund</u>	<u>Permanent Fund</u>	<u>Total</u>
	<u>General Debt Service</u>	<u>Education Debt Service</u>	<u>General Capital Projects</u>	<u>Endowment</u>	
<u>Charges for Current Services (Cont.)</u>					
<u>Fees (Cont.)</u>					
Sexual Offender Registration Fee - Sheriff	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,150
Subscription and Document Retrieval Fee - Chancery	0	0	0	0	493
<b>Total Charges for Current Services</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 190,654</b>
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 49,757
Lease/Rentals	0	0	0	0	25,908
Sale of Materials and Supplies	0	0	0	0	4,300
Net Increase/Decrease in Fair Value of Investments	0	0	0	(10,548)	(10,548)
Sale of Recycled Materials	0	0	0	0	205,523
Miscellaneous Refunds	0	0	314	0	46,274
<u>Other Local Revenues</u>	0	0	0	0	45,161
<b>Total Other Local Revenues</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 314</b>	<b>\$ (10,548)</b>	<b>\$ 366,375</b>
<u>Fees Received From County Officials</u>					
<u>Fees In-Lieu-of Salary</u>					
County Clerk	\$ 0	\$ 0	\$ 0	\$ 0	\$ 179,947
Circuit Court Clerk	0	0	0	0	28,151
General Sessions Court Clerk	0	0	0	0	94,444
Clerk and Master	0	0	0	0	83,406
Register	0	0	0	0	61,591
Sheriff	0	0	0	0	8,999
Trustee	0	0	0	0	212,818
<b>Total Fees Received From County Officials</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 669,356</b>

(Continued)

Exhibit I-5

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

	<u>Debt Service Funds</u>		<u>Capital</u>	<u>Permanent</u>	<u>Total</u>
	<u>General</u>	<u>Education</u>	<u>Projects</u>	<u>Fund</u>	
	<u>Debt</u>	<u>Debt</u>	<u>Capital</u>	<u>Endowment</u>	
	<u>Service</u>	<u>Service</u>	<u>Projects</u>		
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
Juvenile Services Program	\$ 0	\$ 0	\$ 0	\$ 0	13,500
On-behalf Contributions for OPEB	0	0	0	0	300
<u>Public Safety Grants</u>					
Law Enforcement Training Programs	0	0	0	0	9,000
<u>Health and Welfare Grants</u>					
Health Department Programs	0	0	0	0	24,755
<u>Public Works Grants</u>					
Bridge Program	0	0	0	0	160,469
State Aid Program	0	0	0	0	534,960
Litter Program	0	0	0	0	39,237
<u>Other State Revenues</u>					
Income Tax	0	0	0	0	9,747
Beer Tax	0	0	0	0	18,488
Alcoholic Beverage Tax	0	0	0	0	38,667
State Revenue Sharing - T.V.A.	2,542	0	0	0	284,455
Contracted Prisoner Boarding	0	0	0	0	402,634
Gasoline and Motor Fuel Tax	0	0	0	0	1,522,474
Petroleum Special Tax	0	0	0	0	12,361
Registrar's Salary Supplement	0	0	0	0	15,164
Other State Grants	0	0	0	0	1,133
Other State Revenues	0	0	0	0	42,155
Total State of Tennessee	\$ 2,542	\$ 0	\$ 0	\$ 0	3,129,499

(Continued)

Exhibit I-5

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

	<u>Debt Service Funds</u>		<u>Capital Projects Fund</u>	<u>Permanent Fund</u>	<u>Total</u>
	<u>General Debt Service</u>	<u>Education Debt Service</u>	<u>General Capital Projects</u>	<u>Endowment</u>	
<u>Federal Government</u>					
<u>Federal Through State</u>					
Civil Defense Reimbursement	\$ 0	\$ 0	\$ 0	\$ 0	43,015
Other Federal through State	0	0	268,977	0	348,497
<b>Total Federal Government</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 268,977</b>	<b>\$ 0</b>	<b>\$ 391,512</b>
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Paving and Maintenance	\$ 0	\$ 0	\$ 0	\$ 0	1,000
Contributions	0	0	0	0	12,094
Contracted Services	0	0	0	0	201,890
<u>Other</u>					
Other	0	0	0	0	60,366
<b>Total Other Governments and Citizens Groups</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 275,350</b>
<b>Total</b>	<b>\$ 650,855</b>	<b>\$ 611,667</b>	<b>\$ 269,291</b>	<b>\$ (10,548)</b>	<b>\$ 11,239,341</b>

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, 2016

	<u>Special Revenue Funds</u>			<u>Capital</u>	<u>Total</u>
	<u>General</u>	<u>School</u>	<u>Central</u>	<u>Projects</u>	
	<u>Purpose</u>	<u>Federal</u>	<u>Cafeteria</u>	<u>Capital</u>	
	<u>School</u>	<u>Projects</u>		<u>Projects</u>	
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 1,618,812	\$ 0	\$ 0	\$ 0	\$ 1,618,812
Discount on Property Taxes	21	0	0	0	21
Trustee's Collections - Prior Year	66,177	0	0	0	66,177
Trustee's Collections - Bankruptcy	10	0	0	0	10
Circuit Clerk/Clerk and Master Collections - Prior Years	55,203	0	0	0	55,203
Interest and Penalty	11,048	0	0	0	11,048
Payments in-Lieu-of Taxes - T.V.A.	122,919	0	0	0	122,919
Payments in-Lieu-of Taxes - Other	1,141	0	0	0	1,141
<u>County Local Option Taxes</u>					
Local Option Sales Tax	1,115,489	0	0	418,750	1,534,239
<u>Statutory Local Taxes</u>					
Interstate Telecommunications Tax	1,400	0	0	0	1,400
<b>Total Local Taxes</b>	<b>\$ 2,992,220</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 418,750</b>	<b>\$ 3,410,970</b>
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 1,121	\$ 0	\$ 0	\$ 0	\$ 1,121
<b>Total Licenses and Permits</b>	<b>\$ 1,121</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,121</b>
<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Tuition - Regular Day Students	\$ 35,190	\$ 0	\$ 0	\$ 0	\$ 35,190
Tuition - Summer School	100	0	0	0	100
Lunch Payments - Children	0	0	214,392	0	214,392

(Continued)

Exhibit I-6

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

	<u>Special Revenue Funds</u>			<u>Capital</u>	<u>Total</u>
	<u>General Purpose School</u>	<u>School Federal Projects</u>	<u>Central Cafeteria</u>	<u>Projects Fund</u>	
<u>Charges for Current Services (Cont.)</u>					
<u>Education Charges (Cont.)</u>					
Lunch Payments - Adults	\$ 0	\$ 0	\$ 35,463	\$ 0	\$ 35,463
Income from Breakfast	0	0	1	0	1
A la Carte Sales	0	0	119,811	0	119,811
Receipts from Individual Schools	21,109	0	0	0	21,109
Other Charges for Services	6,818	0	0	0	6,818
<b>Total Charges for Current Services</b>	<b>\$ 63,217</b>	<b>\$ 0</b>	<b>\$ 369,667</b>	<b>\$ 0</b>	<b>\$ 432,884</b>
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 35,985	\$ 0	\$ 1,401	\$ 0	\$ 37,386
Lease/Rentals	13,328	0	0	0	13,328
Miscellaneous Refunds	30,286	0	56,606	0	86,892
<u>Nonrecurring Items</u>					
Sale of Equipment	0	0	18,000	0	18,000
Damages Recovered from Individuals	491	0	0	0	491
Contributions and Gifts	500	0	0	0	500
<u>Other Local Revenues</u>					
Other Local Revenues	13,110	0	0	0	13,110
<b>Total Other Local Revenues</b>	<b>\$ 93,700</b>	<b>\$ 0</b>	<b>\$ 76,007</b>	<b>\$ 0</b>	<b>\$ 169,707</b>
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
On-behalf Contributions for OPEB	\$ 67,066	\$ 0	\$ 0	\$ 0	\$ 67,066

(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	Special Revenue Funds			Capital Projects Fund	Total
		School Federal Projects	Central Cafeteria	Education Capital Projects		
<u>State of Tennessee (Cont.)</u>						
<u>State Education Funds</u>						
Basic Education Program	\$ 15,227,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 15,227,000
Early Childhood Education	204,407	0	0	0	0	204,407
School Food Service	0	0	14,037	0	0	14,037
Driver Education	13,872	0	0	0	0	13,872
Other State Education Funds	354,210	0	0	0	0	354,210
Internet Connectivity	7,522	0	0	0	0	7,522
Career Ladder Program	49,104	0	0	0	0	49,104
<u>Other State Revenues</u>						
Other State Grants	32,797	0	0	0	0	32,797
<b>Total State of Tennessee</b>	<b>\$ 15,955,978</b>	<b>\$ 0</b>	<b>\$ 14,037</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 15,970,015</b>
<u>Federal Government</u>						
<u>Federal Through State</u>						
USDA School Lunch Program	\$ 0	\$ 0	\$ 672,906	\$ 0	\$ 0	\$ 672,906
USDA - Commodities	0	0	50,804	0	0	50,804
Breakfast	0	0	274,366	0	0	274,366
USDA - Other	0	0	180,845	0	0	180,845
Vocational Education - Basic Grants to States	0	39,796	0	0	0	39,796
Title I Grants to Local Education Agencies	0	653,987	0	0	0	653,987
Special Education - Grants to States	2,697	522,767	0	0	0	525,464
Special Education Preschool Grants	0	10,545	0	0	0	10,545
English Language Acquisition Grants	0	607	0	0	0	607
Eisenhower Professional Development State Grants	0	101,097	0	0	0	101,097
Other Federal through State	0	690,776	0	0	0	690,776
<b>Total Federal Government</b>	<b>\$ 2,697</b>	<b>\$ 2,019,575</b>	<b>\$ 1,178,921</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 3,201,193</b>

(Continued)

Exhibit I-6

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

	<u>Special Revenue Funds</u>			<u>Capital Projects Fund</u>	
	<u>General Purpose School</u>	<u>School Federal Projects</u>	<u>Central Cafeteria</u>	<u>Education Capital Projects</u>	<u>Total</u>
<u>Other Governments and Citizens Groups</u>					
<u>Other</u>					
Other	\$ 31,525	\$ 0	\$ 0	\$ 0	\$ 31,525
Total Other Governments and Citizens Groups	\$ 31,525	\$ 0	\$ 0	\$ 0	\$ 31,525
Total	\$ 19,140,458	\$ 2,019,575	\$ 1,638,632	\$ 418,750	\$ 23,217,415

Exhibit I-7

Chester County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2016

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	20,625	
Social Security		1,578	
Dues and Memberships		1,300	
Total County Commission			\$ 23,503

Board of Equalization

Board and Committee Members Fees	\$	800	
Total Board of Equalization			800

Budget and Finance Committee

Board and Committee Members Fees	\$	1,500	
Social Security		115	
Total Budget and Finance Committee			1,615

County Mayor/Executive

County Official/Administrative Officer	\$	77,531	
Secretary(ies)		26,447	
Longevity Pay		250	
Bonus Payments		1,000	
Social Security		7,892	
Pensions		7,621	
Medical Insurance		8,877	
Unemployment Compensation		80	
Communication		7,750	
Data Processing Services		2,100	
Dues and Memberships		2,296	
Printing, Stationery, and Forms		637	
Travel		2,584	
Office Supplies		643	
Total County Mayor/Executive			145,708

County Attorney

Legal Services	\$	17,827	
Total County Attorney			17,827

Election Commission

County Official/Administrative Officer	\$	57,459	
Clerical Personnel		26,447	
Longevity Pay		50	
Bonus Payments		1,000	
Election Commission		2,890	
Election Workers		25,477	
Social Security		6,296	
Pensions		6,150	
Medical Insurance		10,833	
Unemployment Compensation		160	
Communication		8,663	

(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.)

Data Processing Services	\$	19,571	
Dues and Memberships		1,975	
Maintenance and Repair Services - Equipment		2,852	
Printing, Stationery, and Forms		1,639	
Travel		4,122	
Office Supplies		10,818	
Office Equipment		23,375	
Total Election Commission			\$ 209,777

Register of Deeds

County Official/Administrative Officer	\$	63,843	
Clerical Personnel		26,447	
Longevity Pay		5,849	
Bonus Payments		1,000	
Social Security		7,162	
Pensions		6,746	
Medical Insurance		13,100	
Unemployment Compensation		80	
Communication		619	
Data Processing Services		5,174	
Dues and Memberships		887	
Travel		1,143	
Office Supplies		1,990	
Office Equipment		1,997	
Total Register of Deeds			136,037

County Buildings

Salary Supplements	\$	3,000	
Custodial Personnel		7,927	
Maintenance Personnel		71,163	
Longevity Pay		1,825	
Overtime Pay		13,772	
Bonus Payments		1,250	
Social Security		7,361	
Pensions		6,226	
Medical Insurance		10,833	
Unemployment Compensation		241	
Communication		7,182	
Maintenance and Repair Services - Buildings		43,229	
Maintenance and Repair Services - Vehicles		197	
Pest Control		2,308	
Travel		2,941	
Custodial Supplies		8,955	
Electricity		54,183	
Gasoline		306	
Natural Gas		7,644	
Water and Sewer		4,838	

(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.)

Building and Contents Insurance	\$	48,039	
Office Equipment		27,775	
Other Capital Outlay		8,000	
Total County Buildings			\$ 339,195

Other Facilities

Communication	\$	3,042	
Maintenance and Repair Services - Buildings		800	
Pest Control		550	
Electricity		9,708	
Water and Sewer		753	
Total Other Facilities			14,853

Other General Administration

Contributions	\$	400	
Legal Notices, Recording, and Court Costs		2,522	
Postal Charges		22,939	
Printing, Stationery, and Forms		2,181	
Periodicals		215	
Premiums on Corporate Surety Bonds		2,195	
Workers' Compensation Insurance		1,122	
Office Equipment		1,193	
Total Other General Administration			32,767

Finance

Accounting and Budgeting

Supervisor/Director	\$	26,447	
Clerical Personnel		26,447	
Part-time Personnel		1,434	
Educational Incentive - Other County Employees		3,000	
Longevity Pay		2,950	
Bonus Payments		1,000	
Social Security		4,450	
Pensions		4,170	
Medical Insurance		6,698	
Unemployment Compensation		111	
Communication		2,442	
Data Processing Services		20,343	
Dues and Memberships		305	
Printing, Stationery, and Forms		809	
Travel		94	
Office Supplies		2,216	
Total Accounting and Budgeting			102,916

Property Assessor's Office

County Official/Administrative Officer	\$	63,843	
Clerical Personnel		50,736	

(Continued)

Exhibit I-7

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Educational Incentive - Other County Employees	\$	1,500	
Longevity Pay		400	
Bonus Payments		1,500	
Social Security		8,641	
Pensions		8,399	
Medical Insurance		20,094	
Unemployment Compensation		160	
Communication		4,468	
Data Processing Services		28,824	
Dues and Memberships		1,625	
Printing, Stationery, and Forms		1,186	
Travel		470	
Office Supplies		1,889	
Office Equipment		429	
Total Property Assessor's Office			\$ 194,164

Reappraisal Program

Clerical Personnel	\$	19,188	
Social Security		1,468	
Unemployment Compensation		192	
Travel		2,996	
Total Reappraisal Program			23,844

County Trustee's Office

County Official/Administrative Officer	\$	63,843	
Clerical Personnel		49,903	
Educational Incentive - Other County Employees		1,500	
Longevity Pay		1,175	
Bonus Payments		1,250	
Social Security		8,795	
Pensions		7,294	
Medical Insurance		10,833	
Unemployment Compensation		160	
Communication		2,840	
Data Processing Services		6,235	
Dues and Memberships		933	
Maintenance and Repair Services - Equipment		4,176	
Printing, Stationery, and Forms		4,999	
Travel		2,610	
Other Contracted Services		1,125	
Office Supplies		1,651	
In Service/Staff Development		575	
Office Equipment		3,715	
Total County Trustee's Office			173,612

County Clerk's Office

County Official/Administrative Officer	\$	63,843	
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(Continued)

Exhibit I-7

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

Clerical Personnel	\$	79,161	
Part-time Personnel		12,673	
Educational Incentive - Other County Employees		1,500	
Longevity Pay		1,962	
Bonus Payments		2,250	
Social Security		12,079	
Pensions		10,334	
Medical Insurance		15,103	
Unemployment Compensation		389	
Communication		2,054	
Data Processing Services		8,688	
Dues and Memberships		558	
Travel		1,367	
Office Supplies		1,617	
Office Equipment		2,405	
Total County Clerk's Office			\$ 215,983

Other Finance

Contracts with Other Public Agencies	\$	5,139	
Total Other Finance			5,139

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	63,843	
Clerical Personnel		79,341	
Part-time Personnel		27,839	
Educational Incentive - Other County Employees		4,500	
Longevity Pay		3,525	
Bonus Payments		2,500	
Jury and Witness Expense		7,147	
Social Security		13,637	
Pensions		10,495	
Medical Insurance		13,156	
Unemployment Compensation		406	
Communication		156	
Data Processing Services		10,920	
Dues and Memberships		843	
Maintenance and Repair Services - Office Equipment		464	
Travel		55	
Food Supplies		45	
Office Supplies		3,201	
Other Charges		215	
Office Equipment		649	
Total Circuit Court			242,937

General Sessions Court

Judge(s)	\$	88,108	
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(Continued)

Exhibit I-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Court (Cont.)

Social Security	\$	6,642	
Pensions		6,458	
Medical Insurance		5,167	
Contracts with Private Agencies		1,320	
Dues and Memberships		690	
Travel		598	
Office Supplies		30	
Total General Sessions Court			\$ 109,013

Chancery Court

County Official/Administrative Officer	\$	63,843	
Clerical Personnel		79,341	
Educational Incentive - Other County Employees		1,500	
Longevity Pay		2,238	
Bonus Payments		2,000	
Social Security		11,146	
Pensions		10,495	
Medical Insurance		12,916	
Unemployment Compensation		240	
Communication		1,551	
Data Processing Services		13,415	
Dues and Memberships		1,073	
Legal Notices, Recording, and Court Costs		2,261	
Travel		1,704	
Office Supplies		2,745	
Total Chancery Court			206,468

Juvenile Court

Clerical Personnel	\$	26,447	
Longevity Pay		150	
Social Security		1,911	
Pensions		1,938	
Medical Insurance		6,458	
Unemployment Compensation		80	
Total Juvenile Court			36,984

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	70,228	
Assistant(s)		30,144	
Supervisor/Director		47,850	
Deputy(ies)		460,282	
Investigator(s)		91,134	
Salary Supplements		9,000	
Dispatchers/Radio Operators		249,855	
Secretary(ies)		30,144	
Part-time Personnel		4,368	

(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.)

Longevity Pay	\$	9,575	
Overtime Pay		44,376	
Bonus Payments		14,500	
Other Salaries and Wages		27,678	
In-service Training		5,323	
Social Security		81,022	
Pensions		77,822	
Medical Insurance		133,443	
Unemployment Compensation		2,455	
Communication		31,785	
Contracts with Government Agencies		2,837	
Data Processing Services		5,100	
Dues and Memberships		2,290	
Maintenance and Repair Services - Vehicles		10,958	
Pest Control		650	
Towing Services		510	
Travel		9,837	
Other Contracted Services		2,300	
Custodial Supplies		1,667	
Gasoline		33,675	
Law Enforcement Supplies		6,150	
Office Supplies		4,275	
Tires and Tubes		3,383	
Uniforms		7,750	
Other Supplies and Materials		401	
Workers' Compensation Insurance		30,000	
Other Charges		2,560	
Law Enforcement Equipment		1,793	
Motor Vehicles		99,695	
Office Equipment		220	
Total Sheriff's Department			\$ 1,647,035

Jail

Guards	\$	590,786
Secretary(ies)		30,144
Cafeteria Personnel		51,278
Longevity Pay		6,375
Overtime Pay		22,128
Bonus Payments		11,000
In-service Training		8,500
Social Security		53,347
Pensions		50,644
Medical Insurance		89,233
Unemployment Compensation		2,162
Communication		2,632
Maintenance and Repair Services - Buildings		25,618
Maintenance and Repair Services - Equipment		2,765

(Continued)

Exhibit I-7

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Medical and Dental Services	\$	96,678	
Travel		1,072	
Other Contracted Services		516	
Custodial Supplies		17,682	
Food Preparation Supplies		1,094	
Food Supplies		99,159	
Office Supplies		918	
Prisoners Clothing		240	
Uniforms		11,000	
Utilities		93,621	
Other Supplies and Materials		46,024	
Office Equipment		22,816	
Total Jail			\$ 1,337,432

Juvenile Services

Youth Service Officer(s)	\$	54,343	
Educational Incentive - Other County Employees		1,500	
Longevity Pay		150	
Bonus Payments		1,000	
Social Security		4,360	
Pensions		3,983	
Unemployment Compensation		76	
Communication		2,066	
Contracts with Government Agencies		140	
Dues and Memberships		100	
Travel		933	
Office Supplies		891	
Total Juvenile Services			69,542

Fire Prevention and Control

Supervisor/Director	\$	35,313	
Longevity Pay		1,050	
Bonus Payments		500	
Social Security		2,820	
Pensions		2,588	
Unemployment Compensation		80	
Communication		4,589	
Contributions		15,000	
Maintenance and Repair Services - Buildings		420	
Maintenance and Repair Services - Equipment		3,981	
Maintenance and Repair Services - Vehicles		12,708	
Pest Control		511	
Towing Services		200	
Gasoline		4,209	
Office Supplies		505	
Tires and Tubes		1,576	
Uniforms		334	

(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 (Cont.)

Vehicle and Equipment Insurance	\$	28,573	
Workers' Compensation Insurance		15,267	
Administration Equipment		83,190	
Motor Vehicles		4,300	
Other Equipment		651	
Total Fire Prevention and Control			\$ 218,365

Civil Defense

Supervisor/Director	\$	35,940	
Longevity Pay		200	
Bonus Payments		500	
Social Security		2,678	
Pensions		2,634	
Medical Insurance		6,650	
Unemployment Compensation		80	
Communication		3,579	
Dues and Memberships		360	
Maintenance and Repair Services - Equipment		546	
Maintenance and Repair Services - Vehicles		212	
Travel		529	
Gasoline		982	
Office Supplies		588	
Other Equipment		12,048	
Total Civil Defense			67,526

Rescue Squad

Contributions	\$	2,500	
Vehicle and Equipment Insurance		4,200	
Total Rescue Squad			6,700

County Coroner/Medical Examiner

Other Per Diem and Fees	\$	5,288	
Total County Coroner/Medical Examiner			5,288

Public Health and Welfare

Local Health Center

Communication	\$	2,682	
Contracts with Government Agencies		11,701	
Dues and Memberships		200	
Janitorial Services		4,510	
Maintenance and Repair Services - Buildings		6,270	
Pest Control		456	
Postal Charges		81	
Custodial Supplies		301	
Drugs and Medical Supplies		665	
Office Supplies		1,540	
Utilities		8,241	
Total Local Health Center			36,647

(Continued)

Exhibit I-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services

Ambulance Services	\$ 180,113	
Motor Vehicles	95,028	
Total Ambulance/Emergency Medical Services		\$ 275,141

Alcohol and Drug Programs

Contributions	\$ 3,000	
Total Alcohol and Drug Programs		3,000

Other Local Health Services

Part-time Personnel	\$ 15,746	
Longevity Pay	50	
Social Security	1,208	
Unemployment Compensation	125	
Travel	320	
Total Other Local Health Services		17,449

Regional Mental Health Center

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

General Welfare Assistance

Contributions	\$ 11,622	
Office Equipment	7,524	
Total General Welfare Assistance		19,146

Other Local Welfare Services

Office Equipment	\$ 14,523	
Total Other Local Welfare Services		14,523

Sanitation Education/Information

Guards	\$ 15,072	
Clerical Personnel	3,120	
Part-time Personnel	5,200	
Overtime Pay	62	
Bonus Payments	500	
Social Security	1,793	
Pensions	1,719	
Unemployment Compensation	63	
Travel	1,336	
Gasoline	865	
Office Supplies	80	
Other Charges	13,111	
Total Sanitation Education/Information		42,921

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Contributions	\$ 5,000	
Total Senior Citizens Assistance		5,000

(Continued)

Exhibit I-7

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Other Social, Cultural, and Recreational

Contributions	\$ 24,592	
Total Other Social, Cultural, and Recreational		\$ 24,592

Agriculture and Natural Resources

Agricultural Extension Service

Salary Supplements	\$ 18,445	
Extension Service Medicare	4,355	
Communication	2,377	
Office Supplies	939	
Total Agricultural Extension Service		26,116

Forest Service

Contributions	\$ 2,000	
Total Forest Service		2,000

Soil Conservation

Secretary(ies)	\$ 12,144	
Bonus Payments	250	
Social Security	948	
Unemployment Compensation	90	
Office Supplies	582	
Total Soil Conservation		14,014

Flood Control

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

Other Operations

Industrial Development

Contributions	\$ 20,000	
Total Industrial Development		20,000

Veterans' Services

County Official/Administrative Officer	\$ 19,175	
Longevity Pay	175	
Bonus Payments	250	
Social Security	1,499	
Unemployment Compensation	80	
Communication	1,243	
Office Supplies	890	
Total Veterans' Services		23,312

Employee Benefits

Life Insurance	\$ 4,047	
Medical Insurance	2,143	
On-behalf Payments to OPEB	300	
Total Employee Benefits		6,490

(Continued)

Exhibit I-7

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

General Fund (Cont.)

Other Operations (Cont.)

Miscellaneous

Trustee's Commission	\$ 87,410	
Other Charges	4,391	
Total Miscellaneous		\$ 91,801

Principal on Debt

General Government

Principal on Capital Leases	\$ 10,567	
Total General Government		10,567

Interest on Debt

General Government

Interest on Capital Leases	\$ 1,120	
Total General Government		1,120

Total General Fund \$ 6,236,369

Public Library Fund

Social, Cultural, and Recreational Services

Libraries

County Official/Administrative Officer	\$ 26,447	
Part-time Personnel	23,796	
Longevity Pay	2,025	
Bonus Payments	2,000	
Social Security	4,115	
Pensions	1,938	
Medical Insurance	1,895	
Unemployment Compensation	378	
Communication	1,117	
Dues and Memberships	112	
Janitorial Services	2,270	
Maintenance and Repair Services - Buildings	739	
Pest Control	562	
Postal Charges	196	
Electricity	6,802	
Library Books/Media	2,357	
Natural Gas	816	
Office Supplies	6,725	
Water and Sewer	610	
Office Equipment	900	
Other Equipment	2,361	
Total Libraries		\$ 88,161

Other Operations

Miscellaneous

Trustee's Commission	\$ 750	
Total Miscellaneous		750

Total Public Library Fund 88,911

(Continued)

Exhibit I-7

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

Solid Waste/Sanitation Fund

Public Health and Welfare

Convenience Centers

Supervisor/Director	\$	51,990	
Accountants/Bookkeepers		19,788	
Foremen		30,780	
Mechanic(s)		27,353	
Laborers		97,603	
Secretary(ies)		13,333	
Part-time Personnel		871	
Educational Incentive - Other County Employees		1,500	
Longevity Pay		3,538	
Overtime Pay		5,263	
Bonus Payments		5,250	
Other Salaries and Wages		907	
In-service Training		1,500	
Social Security		19,429	
Pensions		12,545	
Medical Insurance		16,262	
Unemployment Compensation		1,343	
Communication		8,204	
Contracts with Government Agencies		75	
Dues and Memberships		3,700	
Maintenance and Repair Services - Buildings		14,151	
Maintenance and Repair Services - Equipment		13,459	
Maintenance and Repair Services - Vehicles		4,729	
Pest Control		403	
Travel		3,781	
Custodial Supplies		1,986	
Electricity		8,016	
Food Supplies		190	
Natural Gas		243	
Office Supplies		2,816	
Uniforms		4,060	
Water and Sewer		1,169	
Gravel and Chert		2,748	
Chemicals		5	
Other Charges		395	
Data Processing Equipment		225	
Maintenance Equipment		400	
Motor Vehicles		15,300	
Solid Waste Equipment		5,809	
Total Convenience Centers			\$ 401,119

Recycling Center

Truck Drivers	\$	2,700
Laborers		80,112
Secretary(ies)		16,670
Part-time Personnel		5,598
Educational Incentive - Other County Employees		1,500

(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.)

Longevity Pay	\$	1,225	
Overtime Pay		411	
Bonus Payments		1,250	
Other Salaries and Wages		10,615	
Social Security		8,335	
Pensions		7,477	
Medical Insurance		13,794	
Unemployment Compensation		449	
Contracts with Government Agencies		48,273	
Maintenance and Repair Services - Buildings		6,103	
Maintenance and Repair Services - Equipment		10,316	
Maintenance and Repair Services - Vehicles		3,947	
Rentals		500	
Electricity		2,964	
Food Supplies		9,567	
Propane Gas		2,651	
Wire		5,690	
Other Supplies and Materials		423	
Motor Vehicles		324	
Plant Operation Equipment		1,047	
Total Recycling Center			\$ 241,941

Other Waste Disposal

Truck Drivers	\$	21,386	
Longevity Pay		50	
Bonus Payments		1,000	
Social Security		1,685	
Pensions		883	
Medical Insurance		1,628	
Unemployment Compensation		138	
Contracts with Government Agencies		163,542	
Contracts with Other Public Agencies		8,766	
Contracts with Private Agencies		66,727	
Maintenance and Repair Services - Equipment		7,341	
Maintenance and Repair Services - Vehicles		5,968	
Towing Services		200	
Diesel Fuel		8,668	
Equipment Parts - Heavy		630	
Gasoline		6,939	
Tires and Tubes		4,560	
Chemicals		87	
Other Construction		59,645	
Total Other Waste Disposal			359,843

Postclosure Care Costs

Landfill Closure/Postclosure Care Costs	\$	4,320	
Total Postclosure Care Costs			4,320

(Continued)

Exhibit I-7

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

Solid Waste/Sanitation Fund (Cont.)

Other Operations

Other Charges

Trustee's Commission	\$ 6,725	
Total Other Charges		\$ 6,725

Principal on Debt

General Government

Principal on Bonds	\$ 25,000	
Total General Government		25,000

Interest on Debt

General Government

Interest on Bonds	\$ 1,000	
Total General Government		<u>1,000</u>

Total Solid Waste/Sanitation Fund		\$ 1,039,948
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Drug Control Fund

Public Safety

Drug Enforcement

Communication	\$ 1,756	
Maintenance and Repair Services - Vehicles	18	
Travel	765	
Food Supplies	226	
Instructional Supplies and Materials	250	
Law Enforcement Supplies	266	
Other Charges	350	
Law Enforcement Equipment	<u>185</u>	
Total Drug Enforcement		\$ 3,816

Other Operations

Miscellaneous

Trustee's Commission	\$ 160	
Total Miscellaneous		<u>160</u>

Total Drug Control Fund		3,976
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Constitutional Officers - Fees Fund

Administration of Justice

Chancery Court

Constitutional Officers' Operating Expenses	\$ 480	
Total Chancery Court		<u>\$ 480</u>

Total Constitutional Officers - Fees Fund		480
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Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 72,874	
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(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.)

Assistant(s)	\$	35,230	
Accountants/Bookkeepers		518	
Educational Incentive - Official/Admin Officer		1,600	
Educational Incentive - Other County Employees		3,000	
Longevity Pay		200	
Contracts with Other Public Agencies		2,000	
Dues and Memberships		2,369	
Pest Control		300	
Postal Charges		192	
Travel		2,449	
Custodial Supplies		287	
Office Supplies		5,046	
Other Charges		9,887	
Total Administration			\$ 135,952

Highway and Bridge Maintenance

Foremen	\$	37,979	
Equipment Operators		127,957	
Truck Drivers		128,019	
Laborers		90,313	
Longevity Pay		6,050	
Overtime Pay		5,438	
Other Salaries and Wages		1,000	
Other Contracted Services		4,600	
Asphalt - Liquid		149,772	
Crushed Stone		65,207	
Fertilizer, Lime, and Seed		772	
Pipe		31,734	
Road Signs		2,522	
Small Tools		903	
Wood Products		472	
Gravel and Chert		34,021	
Other Supplies and Materials		17,554	
Total Highway and Bridge Maintenance			704,313

Operation and Maintenance of Equipment

Mechanic(s)	\$	50,471	
Longevity Pay		350	
Overtime Pay		974	
Maintenance and Repair Services - Equipment		18,147	
Diesel Fuel		34,734	
Equipment and Machinery Parts		36,822	
Garage Supplies		4,200	
Gasoline		17,046	
Lubricants		92	
Tires and Tubes		20,772	
Total Operation and Maintenance of Equipment			183,608

(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

Communication	\$	5,859	
Laundry Service		4,439	
Electricity		8,346	
Natural Gas		1,139	
Water and Sewer		504	
Trustee's Commission		16,236	
Vehicle and Equipment Insurance		48,039	
Total Other Charges			\$ 84,562

Employee Benefits

In-service Training	\$	730	
Social Security		42,060	
Pensions		39,262	
Employee and Dependent Insurance		115,134	
Unemployment Compensation		3,785	
Uniforms		10,996	
Workers' Compensation Insurance		41,294	
Total Employee Benefits			253,261

Capital Outlay

Engineering Services	\$	31,465	
Bridge Construction		290,261	
Highway Equipment		14,924	
State Aid Projects		372,681	
Total Capital Outlay			709,331

Principal on Debt

Highways and Streets

Principal on Notes	\$	32,063	
Total Highways and Streets			32,063

Interest on Debt

Highways and Streets

Interest on Notes	\$	602	
Total Highways and Streets			602

Total Highway/Public Works Fund \$ 2,103,692

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	240,000	
Total General Government			\$ 240,000

Interest on Debt

General Government

Interest on Bonds	\$	400,871	
Total General Government			400,871

(Continued)

Exhibit I-7

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

General Debt Service Fund (Cont.)

Other Debt Service

General Government

Bank Charges	\$	1,359	
Trustee's Commission		6,871	
Underwriter's Discount		44,398	
Other Debt Issuance Charges		92,169	
Total General Government			\$ 144,797

Total General Debt Service Fund \$ 785,668

Education Debt Service Fund

Principal on Debt

Education

Principal on Bonds	\$	100,000	
Total Education			\$ 100,000

Interest on Debt

Education

Interest on Bonds	\$	4,000	
Total Education			4,000

Other Debt Service

Education

Contributions	\$	933,033	
Trustee's Commission		6,617	
Total Education			939,650

Total Education Debt Service Fund 1,043,650

General Capital Projects Fund

Capital Projects

General Administration Projects

Architects	\$	49,844	
Evaluation and Testing		314	
Testing		1,130	
Building Construction		142,529	
Site Development		210,249	
Total General Administration Projects			\$ 404,066

Total General Capital Projects Fund 404,066

Total Governmental Funds - Primary Government \$ 11,706,760

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, 2016

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 6,720,989	
Career Ladder Program	31,165	
Career Ladder Extended Contracts	14,970	
Educational Assistants	165,482	
Non-certified Substitute Teachers	116,023	
Social Security	398,455	
Pensions	622,796	
Life Insurance	3,146	
Medical Insurance	526,857	
Employer Medicare	95,749	
Other Fringe Benefits	990	
Contracts with Private Agencies	195,675	
Other Contracted Services	54,023	
Instructional Supplies and Materials	255,090	
Textbooks	179,117	
Regular Instruction Equipment	98,966	
Total Regular Instruction Program		\$ 9,479,493

Special Education Program

Teachers	\$ 472,566	
Career Ladder Program	2,000	
Career Ladder Extended Contracts	2,704	
Educational Assistants	435,658	
Non-certified Substitute Teachers	40,403	
Social Security	53,984	
Pensions	73,648	
Life Insurance	187	
Medical Insurance	74,124	
Employer Medicare	12,661	
Evaluation and Testing	5,768	
Other Contracted Services	1,079	
Instructional Supplies and Materials	6,389	
Other Supplies and Materials	1,719	
Special Education Equipment	3,533	
Total Special Education Program		1,186,423

Vocational Education Program

Teachers	\$ 483,403	
Career Ladder Program	3,000	
Non-certified Substitute Teachers	7,168	
Social Security	26,649	
Pensions	42,614	
Life Insurance	213	
Medical Insurance	43,113	
Employer Medicare	6,441	
Other Contracted Services	126	
Instructional Supplies and Materials	17,603	
Total Vocational Education Program		630,330

(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.)

Student Body Education Program

Other Salaries and Wages	\$	4,690	
Social Security		291	
Pensions		70	
Employer Medicare		68	
Other Charges		106,787	
Total Student Body Education Program			\$ 111,906

Support Services

Attendance

Supervisor/Director	\$	49,669	
Career Ladder Program		1,000	
Social Security		2,867	
Pensions		4,580	
Life Insurance		27	
Medical Insurance		4,209	
Employer Medicare		671	
Travel		1,178	
Total Attendance			64,201

Health Services

Medical Personnel	\$	78,268	
Other Salaries and Wages		60,180	
Social Security		8,276	
Pensions		6,861	
Life Insurance		27	
Medical Insurance		5,844	
Employer Medicare		1,936	
Communication		324	
Postal Charges		141	
Travel		4,203	
Other Contracted Services		2,250	
Drugs and Medical Supplies		1,912	
Other Supplies and Materials		16,695	
Total Health Services			186,917

Other Student Support

Guidance Personnel	\$	255,782	
Social Security		15,393	
Pensions		22,564	
Life Insurance		80	
Medical Insurance		10,091	
Employer Medicare		3,600	
Contracts with Government Agencies		46,500	
Evaluation and Testing		8,480	
Travel		1,968	
Total Other Student Support			364,458

(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

Supervisor/Director	\$	137,646	
Career Ladder Program		4,000	
Librarians		189,661	
Instructional Computer Personnel		102,005	
Clerical Personnel		6,815	
Other Salaries and Wages		16,604	
Social Security		25,797	
Pensions		37,929	
Life Insurance		107	
Medical Insurance		21,338	
Employer Medicare		6,329	
Travel		12,045	
Other Contracted Services		38,913	
Library Books/Media		40,241	
Other Supplies and Materials		8,764	
In Service/Staff Development		35,194	
Other Equipment		4,764	
Total Regular Instruction Program			\$ 688,152

Special Education Program

Supervisor/Director	\$	67,244	
Career Ladder Program		1,000	
Psychological Personnel		49,142	
Social Security		6,433	
Pensions		9,771	
Medical Insurance		13,289	
Employer Medicare		1,505	
Travel		4,546	
Other Contracted Services		71,108	
Other Supplies and Materials		889	
In Service/Staff Development		4,459	
Total Special Education Program			229,386

Vocational Education Program

Travel	\$	2,130	
Total Vocational Education Program			2,130

Adult Programs

Supervisor/Director	\$	19,537	
Social Security		1,211	
Pensions		1,432	
Employer Medicare		283	
Other Supplies and Materials		7,582	
Total Adult Programs			30,045

(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	\$ 67,066	
Total Other Programs		\$ 67,066

Board of Education

Other Salaries and Wages	\$ 5,400	
Social Security	335	
Unemployment Compensation	15,269	
Employer Medicare	78	
Audit Services	9,880	
Dues and Memberships	8,306	
Legal Services	9,180	
Travel	6,660	
Other Contracted Services	47,500	
Liability Insurance	35,000	
Trustee's Commission	74,470	
Workers' Compensation Insurance	160,000	
Criminal Investigation of Applicants - TBI	2,815	
Other Charges	26,910	
Total Board of Education		401,803

Director of Schools

County Official/Administrative Officer	\$ 100,722	
Career Ladder Program	1,000	
Clerical Personnel	29,870	
Social Security	7,546	
Pensions	11,297	
Life Insurance	27	
Medical Insurance	4,859	
Employer Medicare	1,765	
Other Fringe Benefits	1,800	
Communication	4,008	
Dues and Memberships	2,468	
Postal Charges	1,862	
Travel	4,657	
Other Contracted Services	1,234	
Office Supplies	4,023	
Other Charges	1,240	
Administration Equipment	2,930	
Total Director of Schools		181,308

Office of the Principal

Principals	\$ 417,578
Career Ladder Program	4,000
Assistant Principals	273,040
Secretary(ies)	285,976
Social Security	56,196

(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 (Cont.)

Pensions	\$	83,675	
Life Insurance		266	
Medical Insurance		68,517	
Employer Medicare		13,143	
Communication		17,897	
Travel		4,058	
Other Supplies and Materials		897	
In Service/Staff Development		14,946	
Other Charges		23,411	
Administration Equipment		1,679	
Total Office of the Principal	\$		1,265,279

Fiscal Services

Accountants/Bookkeepers	\$	116,551	
Social Security		7,018	
Pensions		8,396	
Medical Insurance		4,556	
Employer Medicare		1,653	
Data Processing Services		835	
Travel		722	
Other Contracted Services		15,905	
Data Processing Supplies		3,014	
Office Supplies		1,155	
Other Charges		48	
Administration Equipment		9,178	
Total Fiscal Services			169,031

Operation of Plant

Supervisor/Director	\$	3,000	
Guards		24,316	
Custodial Personnel		347,230	
Other Salaries and Wages		1,332	
Social Security		22,003	
Pensions		22,922	
Medical Insurance		17,445	
Employer Medicare		5,235	
Travel		7,297	
Disposal Fees		10,127	
Other Contracted Services		15,229	
Custodial Supplies		126,082	
Electricity		499,706	
Natural Gas		62,884	
Water and Sewer		26,327	
Other Supplies and Materials		2,751	
Boiler Insurance		4,000	
Building and Contents Insurance		83,000	
Total Operation of Plant			1,280,886

(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.)

Maintenance of Plant

Maintenance Personnel	\$	171,527	
Other Salaries and Wages		6,112	
Social Security		10,783	
Pensions		9,105	
Medical Insurance		18	
Employer Medicare		2,528	
Maintenance and Repair Services - Buildings		50,068	
Maintenance and Repair Services - Equipment		16,511	
Travel		768	
Other Contracted Services		59,681	
Other Supplies and Materials		96,088	
Maintenance Equipment		435	
Total Maintenance of Plant			\$ 423,624

Transportation

Supervisor/Director	\$	8,400	
Mechanic(s)		58,802	
Bus Drivers		332,676	
Other Salaries and Wages		13,185	
Social Security		24,469	
Pensions		27,316	
Medical Insurance		3,857	
Employer Medicare		5,973	
Communication		821	
Contracts with Parents		5,967	
Maintenance and Repair Services - Vehicles		64,600	
Travel		262	
Other Contracted Services		17,230	
Gasoline		94,007	
Tires and Tubes		17,646	
Vehicle Parts		41,927	
Other Supplies and Materials		23,419	
Vehicle and Equipment Insurance		28,000	
Other Charges		184	
Transportation Equipment		85,794	
Total Transportation			854,535

Operation of Non-instructional Services

Community Services

Other Salaries and Wages	\$	918	
Social Security		57	
Pensions		23	
Employer Medicare		13	
Other Charges		8,396	
Total Community Services			9,407

(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.)

Operation of Non-instructional Services (Cont.)

Early Childhood Education

Teachers	\$	81,882	
Educational Assistants		57,737	
Social Security		8,274	
Pensions		10,132	
Medical Insurance		7,157	
Employer Medicare		1,935	
Travel		2,437	
Other Contracted Services		5,081	
Instructional Supplies and Materials		28,550	
Total Early Childhood Education	\$		203,185

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	227,504	
Other Capital Outlay		41,931	
Total Regular Capital Outlay			269,435

Total General Purpose School Fund \$ 18,099,000

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	801,697	
Educational Assistants		157,902	
Non-certified Substitute Teachers		872	
Social Security		51,575	
Pensions		55,579	
Medical Insurance		10,414	
Employer Medicare		14,279	
Other Contracted Services		26,075	
Instructional Supplies and Materials		22,550	
Other Supplies and Materials		4,546	
Regular Instruction Equipment		29,069	
Total Regular Instruction Program	\$		1,174,558

Special Education Program

Teachers	\$	87,633	
Clerical Personnel		25,310	
Educational Assistants		170,390	
Speech Pathologist		109,006	
Non-certified Substitute Teachers		11,648	
Social Security		23,705	
Pensions		31,391	
Medical Insurance		18,716	
Employer Medicare		5,544	
Instructional Supplies and Materials		11,311	
Other Supplies and Materials		1,672	
Total Special Education Program			496,326

(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.)

Instruction (Cont.)

Vocational Education Program

Other Salaries and Wages	\$	2,545	
Social Security		133	
Pensions		230	
Employer Medicare		37	
Instructional Supplies and Materials		1,753	
Other Charges		1,542	
Vocational Instruction Equipment		19,729	
Total Vocational Education Program			\$ 25,969

Support Services

Other Student Support

Bus Drivers	\$	1,500	
Other Salaries and Wages		200	
Social Security		130	
Pensions		105	
Employer Medicare		25	
Travel		7,959	
In Service/Staff Development		1,917	
Other Charges		5,720	
Total Other Student Support			17,556

Regular Instruction Program

Supervisor/Director	\$	53,223	
Secretary(ies)		14,735	
Clerical Personnel		9,812	
Other Salaries and Wages		81,677	
Social Security		9,351	
Pensions		13,631	
Medical Insurance		9,051	
Employer Medicare		2,187	
Communication		252	
Maintenance and Repair Services - Equipment		18,232	
Travel		711	
Other Contracted Services		6,824	
Other Supplies and Materials		864	
In Service/Staff Development		22,848	
Other Equipment		31,951	
Total Regular Instruction Program			275,349

Special Education Program

In Service/Staff Development	\$	450	
Total Special Education Program			450

Vocational Education Program

Supervisor/Director	\$	1,962	
Employer Medicare		28	
Total Vocational Education Program			1,990

(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.)

Transportation

Bus Drivers	\$	32,090	
Social Security		1,985	
Pensions		2,327	
Employer Medicare		464	
Total Transportation			<u>\$ 36,866</u>

Total School Federal Projects Fund \$ 2,029,064

Central Cafeteria Fund

Operation of Non-instructional Services

Food Service

Supervisor/Director	\$	37,422	
Accountants/Bookkeepers		22,791	
Clerical Personnel		2,328	
Cafeteria Personnel		427,355	
Other Salaries and Wages		101,011	
Social Security		34,757	
Pensions		37,044	
Medical Insurance		17,593	
Unemployment Compensation		207	
Employer Medicare		8,130	
Communication		1,572	
Maintenance and Repair Services - Equipment		11,032	
Transportation - Other than Students		3,772	
Travel		1,338	
Other Contracted Services		14,831	
Food Supplies		809,114	
Office Supplies		4,880	
Uniforms		7,776	
Utilities		8,395	
USDA - Commodities		50,804	
Other Supplies and Materials		70,260	
In Service/Staff Development		1,593	
Other Charges		4,887	
Food Service Equipment		59,570	
Total Food Service			<u>\$ 1,738,462</u>

Total Central Cafeteria Fund 1,738,462

Education Capital Projects Fund

Capital Outlay

Regular Capital Outlay

Trustee's Commission	\$	4,000	
Building Improvements		110,609	
Total Regular Capital Outlay			<u>\$ 114,609</u>

Total Education Capital Projects Fund 114,609

Total Governmental Funds - Chester County School Department \$ 21,981,135

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, 2016

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 878,077
Total Cash Receipts	<u>\$ 878,077</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 869,296
Trustee's Commission	8,781
Total Cash Disbursements	<u>\$ 878,077</u>
 Excess of Cash Receipts Over (Under) Cash Disbursements	 \$ 0
Cash Balance, July 1, 2015	<u>0</u>
 Cash Balance, June 30, 2016	 <u><u>\$ 0</u></u>

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## SINGLE AUDIT SECTION

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

**Independent 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 *Government Auditing Standards***

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

To the County Mayor and Board of County Commissioners:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, 2016, and the related notes to the financial statements, which collectively comprise Chester County's basic financial statements, and have issued our report thereon dated August 25, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Chester County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of Chester County's internal control.

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 a 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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies: 2016-001 (A), and 2016-002.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Chester County's financial statements are free from 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying Schedule of Findings and Questioned Costs as items: 2016-001 (B,C) and 2016-003.

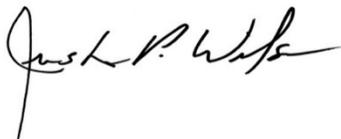
### **Chester County's Responses to Findings**

Chester County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Chester County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Chester County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Very truly yours,



Justin P. Wilson  
Comptroller of the Treasury  
Nashville, Tennessee

August 25, 2016

JPW/sb



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

**Independent Auditor's Report on Compliance for Each Major Federal Program;  
Report on Internal Control Over Compliance; and Report on the Schedule of  
Expenditures of Federal Awards Required by the Uniform Guidance**

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

To the County Mayor and Board of County Commissioners:

**Report on Compliance for Each Major Federal Program**

We have audited Chester County's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Chester County's major federal programs for the year ended June 30, 2016. 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.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Chester County's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Chester County's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Chester County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

### **Report on Internal Control Over Compliance**

Management of Chester County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Chester County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

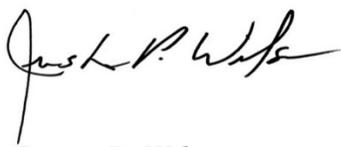
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The sole purpose of this report on internal control over compliance is to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

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, 2016, and the related notes to the financial statements, which collectively comprise Chester County's basic financial statements. We issued our report thereon dated August 25, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Very truly yours,



Justin P. Wilson  
Comptroller of the Treasury  
Nashville, Tennessee

August 25, 2016

JPW/sb

Chester County, Tennessee, and the Chester County School Department  
Schedule of Expenditures of Federal Awards and State Grants (1) (2)  
For the Year Ended June 30, 2016

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	\$ 50,804 (4)
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	274,366
National School Lunch Program	10.555	N/A	672,906 (4)
Summer Food Service Program for Children	10.559	N/A	180,845
Total U.S. Department of Agriculture			\$ 1,178,921
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	(3)	\$ 13,500
Total U.S. Department of Justice			\$ 13,500
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Highway Planning and Construction	20.205	(3)	\$ 268,977
Total U.S. Department of Transportation			\$ 268,977
Institute of Museum and Library Services:			
Passed-through Tennessee Secretary of State:			
Grants to States	45.310	(3)	\$ 1,133
Total Institute of Museum and Library Services			\$ 1,133
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 664,024
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	523,426
Special Education - Preschool Grants	84.173	N/A	10,737
Career and Technical Education - Basic Grants to States	84.048	(3)	41,094 (5)
English Language Acquisition State Grants	84.365	(3)	607
Improving Teacher Quality State Grants	84.367	(3)	101,097
Teacher Incentive Fund	84.374	(3)	690,776
Passed-through Madison County, Tennessee:			
Career and Technical Education - Basic Grants to States	84.048	N/A	12,697 (5)
Total U.S. Department of Education			\$ 2,044,458
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Emergency Management Performance Grants	97.042	(3)	\$ 43,015
Assistance to Firefighters Grant	97.044	(3)	79,520
Total U.S. Department of Homeland Security			\$ 122,535
Total Expenditures of Federal Awards			\$ 3,629,524

(Continued)

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

<u>Federal/Pass-through Agency/State Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Expenditures</u>
State Grants:			
Litter Program - State Department of Transportation	N/A	(3)	\$ 39,237
Family Resource Center - State Department of Education	N/A	(3)	29,574
Coordinated School Health - State Department of Education	N/A	(3)	89,674
Safe Schools - State Department of Education	N/A	(3)	17,100
ACT/Explore - State Department of Education	N/A	(3)	5,338
Early Childhood Education - State Department of Education	N/A	(3)	204,407
Internet Connectivity Grant - State Department of Education	N/A	(3)	7,522
Tennessee State Art Grant - State Department of Education	N/A	(3)	2,604
Teacher Leader Grant - State Department of Education	N/A	(3)	3,000
Health Grant - State Department of Health	N/A	(3)	<u>24,755</u>
Total State Grants			<u>\$ 423,211</u>

CFDA = Catalog of Federal Domestic Assistance

N/A = Not Applicable

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Chester County elected not to use the 10% de minimus cost rate permitted in the Uniform Guidance.
- (3) Information not available.
- (4) Total for CFDA No. 10.555 is \$723,710.
- (5) Total for CFDA No. 84.048 is \$53,791.

Chester County, Tennessee  
Summary Schedule of Prior-year Findings  
For the Year Ended June 30, 2016

*Government Auditing Standards* require auditors to report the status of uncorrected findings from prior audits. In addition, OMB's Uniform Guidance requires auditees to report the status of all prior-year findings whether corrected or uncorrected. Presented below are financial statement findings along with their current status from the Annual Financial Report for Chester County, Tennessee, for the year ended June 30, 2016.

***Prior-year Financial Statement Findings***

Fiscal Year	Page Number	Finding Number	Title of Finding	CFDA Number	Current Status
<b><u>OFFICE OF ROAD SUPERVISOR</u></b>					
2015	170	2015-001	The Office Had Deficiencies in Purchasing Procedures	N/A	Corrected
2015	170	2015-002	Duties Were Not Segregated Adequately	N/A	Not Corrected - See Explanation on Corrective Action Plan
<b><u>OFFICE OF TRUSTEE</u></b>					
2015	171	2015-003	Employees Had Access to Each Cash Drawer	N/A	Corrected

***Prior-year Federal Award Findings***

There were no prior year federal award findings to report.

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**CHESTER COUNTY, TENNESSEE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2016**

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

**Financial Statements:**

1. Our report on the financial statements of Chester County is unmodified.
2. Internal Control Over Financial Reporting:
  - \* Material weakness identified? **NO**
  - \* Significant deficiency identified? **YES**
3. Noncompliance material to the financial statements noted? **NO**

**Federal Awards:**

4. Internal Control Over Major Federal Programs:
  - \* Material weakness identified? **NO**
  - \* Significant deficiency identified? **NONE REPORTED**
5. Type of report auditor issued on compliance for major programs: **UNMODIFIED**
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **NO**
7. Identification of major federal programs:
  - \* CFDA Numbers: 10.553, 10.555, and 10.559      Nutrition Cluster: School Breakfast Program, National School Lunch Program, and Summer Food Service Program for Children
8. Dollar threshold used to distinguish between type A and Type B Programs: **\$750,000**
9. Auditee qualified as low-risk auditee? **YES**

## PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our audit of the financial statements, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. Written responses for all findings are presented following each finding and recommendation and are paraphrased in this report. Management's corrective action plans, whether related to the financial statements or federal awards, are presented separately in the Management's Corrective Action Plan in the Single Audit Section of this report. The county mayor, road supervisor, and trustee provided corrective action plans, which are included in the Management's Corrective Action Plan section of this report.

Findings relating specifically to the audit of federal awards are separately presented under Part III, Findings and Questioned Costs for Federal Awards.

### **OFFICE OF COUNTY MAYOR**

#### **FINDING 2016-001**

#### **THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS**

(A. – Internal Control – Significant Deficiency Under *Government Auditing Standards*; B. and C. – Noncompliance Under *Government Auditing Standards*)

Our examination revealed the following deficiencies in budget operations of the office. These deficiencies exist because management failed to hold spending to the limits authorized by the County Commission, which resulted in unauthorized expenditures, and management failed to provide sufficient oversight.

- A. Several budget amendments were posted in the General and Solid Waste/Sanitation funds that were not approved by the County Commission. Accurate budgetary statements are necessary to provide county officials and departments with available spending limits. We have recognized only those budget amendments approved by the County Commission in the financial statements of this report.
- B. Expenditures exceeded appropriations approved by the County Commission in one of 48 major appropriation categories (the legal level of control) of the General Fund: County Buildings by \$9,674. Section 5-9-401, *Tennessee Code Annotated*, states that "All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies."

- C. Salaries exceeded appropriations in 11 of 108 salary line-items of the General Fund by amounts ranging from \$120 to \$34,376, and in seven of 25 salary line-items in the Solid Waste/Sanitation Fund by amounts ranging from \$73 to \$19,612. The budget resolution approved by the County Commission states that the salary, wages, or enumeration of each official, employee, or agent of the county shall not exceed appropriations that accompany this resolution. Therefore, the salaries that exceeded line-item appropriations were expenditures not approved by the County Commission.

### RECOMMENDATION

Budget amendments should be posted to the accounting records only after approval by the County Commission. Expenditures should be held within appropriations approved by the County Commission.

### MANAGEMENT'S RESPONSE – COUNTY MAYOR

We do concur some transactions should have been handled differently, and proper information should be recorded in the minutes of the County Commission. Absolutely nothing was done with intent to mislead or exclude the County Commission in any way.

All budget amendments posted to the General and Solid Waste/Sanitation funds were made within the same function number approved by the County Commission in June 2015 for the fiscal year 2015-16 budget. No unauthorized salary increases were given. No new money was used. In the General Fund, concerning salary line-items in the sheriff's budget, a great deal of overtime and other expenses were incurred when a small child was lost in a heavily wooded area of Chester County in January 2016. This resulted in a search conducted by our Sheriff's Department, which lasted eight days, 24 hours a day. The sheriff explained to the County Commission at the regular session meeting on March 14, 2016, that his overtime, some salary line-items, and other expense lines were over spent. He told the commissioners he would try to find extra money in his budget to cover some of the overages, and he had surplus funds in a vehicle line he would use to help with those. The County Commission was informed about the \$30,000 plus expenses at this time. Additional overtime lines were also affected in different categories for the same reason.

In the Solid Waste/Sanitation Fund, a new employee was hired and budgeted in one category/function number and when paid, the employee's regular salary was charged to a different category/function number, which resulted in one being underspent by the amount of that salary and one being overspent by that amount. Management made a budget transfer within the same function to cover this, which should have been corrected by moving the expense to the proper category/function/line item.

Management became unclear on salary budget amendment transfers within the same function number in 2013 when issue was taken with some transfers and reversed and some were not. Each budget transfer has been reviewed and discussed with the county mayor and Budget Committee. The County Commission also approved the quarterly reports at the regular session of the commission on July 25, 2016, of which those budget transfers were included.

## AUDITOR'S COMMENT

All budget amendments, including those for salary line-items, should be properly approved by the County Commission prior to the end of the fiscal year and properly documented in the minutes.

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## OFFICE OF ROAD SUPERVISOR

### FINDING 2016-002

### **DUTIES WERE NOT SEGREGATED ADEQUATELY**

(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Duties were not segregated adequately among the official and the employee in the Office of Road Supervisor. The employee responsible for maintaining accounting records was also involved in receipting, depositing, posting, and/or disbursing funds. Sound business practices dictate that management is responsible for designing internal controls to give reasonable assurance of the reliability in 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

The road supervisor should segregate duties to the extent possible using available resources.

### MANAGEMENT'S RESPONSE – ROAD SUPERVISOR

We concur with this finding that duties were not segregated adequately. We hired a second bookkeeper in June, and now we have set up her password. She is the accounts payable and payroll administrator and is doing those duties, such as issuing payroll and vendor checks.

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## OFFICE OF TRUSTEE

### FINDING 2016-003

### **THE TRUSTEE DID NOT REQUIRE A DEPOSITORY TO ADEQUATELY COLLATERALIZE FUNDS**

(Noncompliance Under *Government Auditing Standards*)

The trustee did not require one depository holding county funds to pledge sufficient securities to protect funds that exceeded Federal Deposit Insurance Corporation (FDIC) coverage. At June 30, 2016, deposits exceeded FDIC coverage and collateral securities

pledged by \$334,515. Section 5-8-201, *Tennessee Code Annotated*, provides for county officials to require any bank that is a depository of county funds to deposit in an escrow account in a second bank collateral security equal to 105 percent of such county funds. This deficiency is the result of a lack of management oversight. The failure to adequately collateralize funds could result in a loss for the county.

#### RECOMMENDATION

The trustee should require all depositories to pledge sufficient securities to protect county funds exceeding FDIC coverage as required by state statute.

#### MANAGEMENT'S RESPONSE – TRUSTEE

I contacted the bank and asked them to review our pledged securities account. After discovering that we were indeed short of our 105 percent pledged security collateral, I asked the bank to increase the collateral coverage. I was notified of this issue on July 15, 2016, and additional collateral was pledged by July 18, 2016.

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

There were no findings and questioned costs related to federal awards for the year ended June 30, 2016. Our audit followed audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Findings relating specifically to the audit of the financial statements of Chester County, Tennessee, are separately presented under Part II, Findings Relating to the Financial Statements.

**Chester County, Tennessee  
Management's Corrective Action Plan  
For the Year Ended June 30, 2016**

We reviewed the financial statement and federal award findings and recommendations with management to provide an opportunity for their response as required by the auditee requirements within Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Management's corrective action plans for all financial statement findings and federal award findings are presented below:

**Corrective Action - Financial Statement Findings**

**OFFICE OF COUNTY MAYOR**

**FINDING 2016-001                      **THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS****

Response and Corrective Action Plan Prepared by:	Judy Benard, Accounting and Budget Director, Chester County, Tennessee
Person Responsible for Implementing the Corrective Action:	Same
Anticipated Completion Date of Corrective Action:	August 24, 2016
Repeat Finding:	No
Reason Why Corrective Action was Not Taken – PY	N/A

**Planned Corrective Action:**

All budgets will be monitored closely to insure each line item is not overspent and should an amendment be necessary in any salary line, in any budget, beginning now management will get full County Commission approval and also make sure it is documented correctly in the minutes of the commission meeting. We became unclear about salary budget amendments with transferring to and from salary lines within the same function number in 2013 when issue was taken with some transfers and reversed and some were not. The process is now perfectly clear, and we will be very mindful of how those are handled in the future.

**OFFICE OF ROAD SUPERVISOR**

**FINDING 2016-002**

**DUTIES WERE NOT SEGREGATED ADEQUATELY**

Response and Corrective Action Plan Prepared by:	Sharon Connor, Administrative Assistant, Highway Department, Chester County, Tennessee
Person Responsible for Implementing the Corrective Action:	Jerry King, Road Supervisor, Chester County, Tennessee
Anticipated Completion Date of Corrective Action:	August 1, 2016
Repeat Finding:	Yes
Reason Why Corrective Action was Not Taken – PY	In the past, we did not have the funding.

**Planned Corrective Action:**

This finding was resolved by hiring a second bookkeeper to assume the duties of accounts payable and payroll administrator, such as issuing payroll and vendor checks.

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**OFFICE OF TRUSTEE**

**FINDING 2016-003**

**THE TRUSTEE DID NOT REQUIRE A DEPOSITORY TO ADEQUATELY COLLATERALIZE FUNDS**

Response and Corrective Action Plan Prepared by:	Lance Beshires, Trustee, Chester County, Tennessee
Person Responsible for Implementing the Corrective Action:	Same
Anticipated Completion Date of Corrective Action:	July 18, 2016
Repeat Finding:	No
Reason Why Corrective Action was Not Taken – PY	N/A

**Planned Corrective Action:**

The finding was resolved by the pledging of additional securities at the depository. We, along with the bank, will review the pledged securities more frequently.

## **BEST PRACTICE**

Accounting literature describes a best practice as a recommended policy, procedure, or technique that aids management in improving financial performance. Historically, a best practice has consistently shown superior results over conventional methods.

The Division of Local Government Audit strongly believes that the item noted below 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.

### **CHESTER COUNTY SHOULD ADOPT A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING**

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. 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.